

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2016 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2016 Bonds. See "TAX MATTERS."



\$170,265,000
LOS ANGELES COUNTY SANITATION DISTRICTS
FINANCING AUTHORITY
Capital Projects Revenue Bonds, 2016 Series A
(District No. 20 Revenue Bonds)
Green Bonds

Dated: Date of Delivery**Due: October 1, as shown below**

The Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2016 Series A (District No. 20 Revenue Bonds) (the "2016 Bonds") will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the 2016 Bonds will be payable on each April 1 and October 1 (each an "Interest Payment Date") commencing April 1, 2017. DTC will act as securities depository for the 2016 Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of the 2016 Bonds purchased by them. Payment of principal, premium, if any, and interest on the 2016 Bonds are payable directly to DTC by U.S. Bank National Association, as trustee (the "Trustee"). Upon receipt DTC is obligated to remit principal, premium, if any, and interest to DTC Participants (as defined herein) for subsequent disbursement to the purchasers of the 2016 Bonds as described herein. See Appendix B "BOOK-ENTRY ONLY SYSTEM." The 2016 Bonds are being issued to (i) refund all of the Los Angeles County Sanitation Districts Financing Authority's (the "Authority") outstanding Capital Projects Revenue Bonds, 2005 Series A (District No. 20 Subordinate Revenue Bonds) (the "2005 Bonds"), (ii) refund all of the Authority's outstanding Capital Projects Revenue Bonds, 2007 Series A (District No. 20 Subordinate Revenue Bonds) (the "2007 Bonds"), (iii) refinance certain improvements to the Sewerage System of County Sanitation District No. 20 of Los Angeles County ("District No. 20") by prepaying in full District No. 20's outstanding Clean Water State Revolving Fund Loan (the "Existing State Loan"), and (iv) pay costs of issuance of the 2016 Bonds. The projects financed by the 2005 Bonds, the 2007 Bonds and the Existing State Loan are environmentally beneficial. Consequently, the 2016 Bonds are being designated by District No. 20 as "Green Bonds." See "PLAN OF FINANCE."

The 2016 Bonds are issued pursuant to the Indenture, dated as of November 1, 2016 (the "2016 Indenture"), by and between the Authority and the Trustee. The 2016 Bonds are secured by Authority Revenues (as defined herein), which consist of the 2016 Installment Payments (as defined herein) to be made by District No. 20 pursuant to the Installment Purchase Agreement, dated as of November 1, 2016 (the "2016 Installment Purchase Agreement"), by and between District No. 20 and the Authority, and the amounts on deposit in the funds and accounts established under the 2016 Indenture (other than the Rebate Fund). District No. 20 is obligated to make its 2016 Installment Payments solely from Net Revenues (defined herein) after payment of debt service on existing Senior Obligations (as defined herein) currently outstanding in the principal amount of approximately \$1.63 million. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS - Existing Senior Obligations." District No. 20 may not issue any additional Senior Obligations other than in connection with the refunding of the existing Senior Obligations. The 2016 Installment Agreement constitutes a Subordinate Obligation of District No. 20. District No. 20 may incur Additional Subordinate Obligations payable from Net Revenues on a parity with the 2016 Installment Purchase Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS - Additional Obligations."

The 2016 Bonds are limited obligations of the Authority, payable solely from the Authority Revenues and other amounts pledged therefor under the 2016 Indenture. The 2016 Bonds do not constitute a debt or liability of District No. 20 or of the State of California (the "State") and neither the faith and credit of District No. 20 nor of the State are pledged to the payment of the principal of, or interest on, the 2016 Bonds. The obligation of District No. 20 to make the 2016 Installment Payments is a special obligation of District No. 20 payable solely from Net Revenues and other funds provided for in the 2016 Installment Purchase Agreement, and does not constitute a debt of District No. 20 or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. Neither the faith and credit nor the taxing power of District No. 20 or the State or any political subdivision thereof is pledged to the payment of the 2016 Installment Payments or other payments required to be made under the 2016 Installment Purchase Agreement.

This cover page contains certain information for quick reference only and is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "CERTAIN RISK FACTORS" herein for a description of certain risks associated with an investment in the 2016 Bonds.

The 2016 Bonds are offered when, as and if issued and received by the Underwriters, subject to approval of legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, Sacramento, California. Certain legal matters will be passed upon for the Authority and District No. 20 by Lewis Brisbois Bisgaard & Smith LLP, Los Angeles, California. Montague DeRose and Associates LLC, Westlake Village, California is serving as Municipal Advisor to the Authority. It is anticipated that the 2016 Bonds in book-entry form will be available for delivery to DTC in New York, New York on or about November 16, 2016.

BofA Merrill Lynch**RBC Capital Markets**

Dated: October 12, 2016

MATURITY SCHEDULE

\$170,265,000

**Los Angeles County Sanitation Districts Financing Authority
Capital Projects Revenue Bonds, 2016 Series A
(District No. 20 Revenue Bonds)
Green Bonds**

Maturity (October 1)	Principal	Interest	Yield	Price	CUSIP[†]
2017	\$3,125,000	3.000%	0.860%	101.860	545149JR8
2018	3,255,000	5.000	0.940	107.527	545149JS6
2019	3,420,000	5.000	1.060	111.126	545149JT4
2020	3,600,000	5.000	1.150	114.549	545149JU1
2021	4,045,000	5.000	1.250	117.680	545149JV9
2022	4,290,000	5.000	1.360	120.484	545149JW7
2023	4,510,000	5.000	1.490	122.853	545149JX5
2024	4,835,000	5.000	1.650	124.642	545149JY3
2025	5,080,000	5.000	1.810	126.043	545149JZ0
2026	5,340,000	5.000	1.950	127.273	545149KA3
2027	5,615,000	5.000	2.090	125.840*	545149KB1
2028	5,900,000	5.000	2.240	124.326*	545149KC9
2029	6,205,000	5.000	2.370	123.032*	545149KD7
2030	6,525,000	5.000	2.450	122.243*	545149KE5
2031	6,860,000	5.000	2.510	121.655*	545149KF2
2032	7,175,000	4.000	2.970	108.756*	545149KG0
2033	2,440,000	4.000	3.020	108.311*	545149KQ8
2033	5,000,000	3.000	3.200	97.405	545149KH8
2034	2,745,000	4.000	3.070	107.867*	545149KJ4
2034	5,000,000	5.000	2.670	120.105*	545149KN5
2035	3,110,000	4.000	3.110	107.514*	545149KK1
2035	5,000,000	5.000	2.710	119.721*	545149KR6
2036	3,475,000	3.125	3.330	97.034	545149KL9
2036	5,000,000	5.000	2.750	119.338*	545149KP0

\$58,715,000 4.000% Term 2016 Bond due October 1, 2042 Yield: 3.260% Price: 106.202* CUSIP[†] 545149KM7

(*) Priced to first call date of October 1, 2026.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with District No. 20, the Authority, the Municipal Advisor or the Underwriter and are included solely for the convenience of the holders of the 2016 Bonds. None of District No. 20, the Authority, the Municipal Advisor or the Underwriter is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the 2016 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2016 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the 2016 Bonds.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2016 Bonds, the Authority, or District No. 20 other than those contained herein and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2016 Bonds, and the 2016 Bonds may not be sold in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2016 Bonds. Statements contained in this Official Statement that involve estimates, 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 fact.

The information set forth herein has been furnished by the Authority, District No. 20, and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs of the Authority or District No. 20 since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT MAY STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2016 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements included or incorporated by reference in the following information 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 that 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. No assurance is given that actual results will meet District No. 20’s forecasts in any way. Except as set forth in the Continuing Disclosure Agreement, neither District No. 20 nor the Authority plan to issue any updates or revisions to those forward-looking statements if or when the expectations, or events, conditions, or circumstances on which such statements are based occur or do not occur.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

**LOS ANGELES COUNTY SANITATION DISTRICTS
FINANCING AUTHORITY**

AUTHORITY OFFICERS

Margaret Finlay, *Chairperson*
Grace R. Hyde, *President*
Robert C. Ferrante, *Vice President*
Thomas J. Mueller, *Treasurer*
Kimberly Compton, *Secretary*

**COUNTY SANITATION DISTRICT NO. 20
OF LOS ANGELES COUNTY**

BOARD OF DIRECTORS

James C. Ledford, *City of Palmdale, Chairman*
Steven D. Hofbauer, *City of Palmdale*
Hilda L. Solis, *Los Angeles County Board of Supervisors*

MANAGEMENT

Grace R. Hyde, *Chief Engineer and General Manager*
Robert C. Ferrante, *Assistant Chief Engineer and Assistant General Manager*
Calvin G. Jin, *Engineering Department*
Raymond L. Tremblay, *Facilities Planning Department*
Victoria O. Conway, *Wastewater Management Department*
Philip L. Friess, *Technical Services Department*
David B. Bruns, *Financial Management Department*
Charles E. Boehmke, *Solid Waste Management Department*
Thomas J. Mueller, *Chief Accountant*
Ramon Cortez, *Human Resources Department*

SPECIAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Authority and District No. 20 Counsel

Lewis Brisbois Bisgaard & Smith LLP
Los Angeles, California

Trustee

U.S. Bank National Association
Los Angeles, California

Municipal Advisor

Montague DeRose and Associates LLC
Westlake Village, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

Escrow Agent (2007 Bonds)

The Bank Of New York Mellon Trust Company, N.A.
Los Angeles, California

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\$170,265,000

**LOS ANGELES COUNTY SANITATION DISTRICTS
FINANCING AUTHORITY**

**Capital Projects Revenue Bonds, 2016 Series A
(District No. 20 Revenue Bonds)**

Green Bonds

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. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the 2016 Indenture and the 2016 Installment Purchase Agreement. See Appendix C – “SUMMARY OF CERTAIN LEGAL DOCUMENTS” attached hereto.

General

This Official Statement, including the cover page and all appendices hereto (the “Official Statement”), provides certain information concerning the sale and delivery of \$170,265,000 aggregate principal amount of Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2016 Series A (District No. 20 Revenue Bonds) (the “2016 Bonds”) by the Los Angeles County Sanitation Districts Financing Authority (the “Authority”), a joint powers authority of which the 22 active sanitation districts (the “Sanitation Districts”) within the County of Los Angeles (the “County”) are members.

The 2016 Bonds are being issued pursuant to the Indenture, dated as of November 1, 2016 (the “2016 Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The 2016 Bonds are being issued by the Authority in accordance with the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (commencing with Section 6584) (the “Act”).

Purpose of the 2016 Bonds; Green Bonds

Proceeds of the 2016 Bonds will be used to provide funds to County Sanitation District No. 20 of Los Angeles County (“District No. 20”) to (i) refund the outstanding \$18,870,000 Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2005 Series A (District No. 20 Subordinate Revenue Bonds) (the “2005 Bonds”), (ii) refund the outstanding \$129,580,000 Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2007 Series A (District No. 20 Subordinate Revenue Bonds) (the “2007 Bonds”), (iii) refinance certain improvements to the Sewerage System by prepaying in full District No. 20’s outstanding \$51,404,380 Clean Water State Revolving Fund Loan (the “Existing State Loan”), and (iv) pay costs of issuance of the 2016 Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF PROCEEDS OF THE 2016 BONDS.”

The projects financed by the 2005 Bonds, the 2007 Bonds and the Existing State Loan are environmentally beneficial. Consequently, the 2016 Bonds are being designated by District No. 20 as “Green Bonds.” See “PLAN OF FINANCE.”

The Authority

The Authority was formed in 1993 pursuant to the Act and the Joint Exercise of Powers Agreement by and between the Sanitation Districts, dated April 14, 1993, (the “Joint Powers Agreement”). The membership of the Authority is currently comprised of the Sanitation Districts. The Authority was created for the purpose of, among other things, assisting the member Sanitation Districts in the planning, financing, development, acquisition, construction, operation and maintenance of projects relating to the member Sanitation Districts’ wastewater management systems. The Authority is governed by a Commission, which consists of the Chairperson of each of the member Sanitation Districts. See “THE AUTHORITY.”

District No. 20

District No. 20 is one of 24 existing sanitation districts established in the County. District No. 20’s service area covers slightly more than 41 square miles in the Antelope Valley, encompassing much of the City of Palmdale, California (“Palmdale”), and the surrounding unincorporated County territory. District No. 20 currently provides wastewater management services to approximately 128,000 people and 800 commercial parcels. In addition to owning and operating the Palmdale Water Reclamation Plant (the “Palmdale WRP”), District No. 20 owns approximately 45 miles of trunk sewers. See “DISTRICT NO. 20.”

Security for the 2016 Bonds

The 2016 Bonds are limited obligations of the Authority payable solely from the Authority Revenues and the other assets pledged therefor under the 2016 Indenture. Authority Revenues consist of Installment Payments (the “2016 Installment Payments”) to be made by District No. 20 pursuant to the Installment Purchase Agreement, dated as of November 1, 2016 (the “2016 Installment Purchase Agreement”), by and between District No. 20 and the Authority. District No. 20 is obligated to make 2016 Installment Payments solely from Net Revenues after payment of debt service on Senior Obligations. Such pledge of Net Revenues, and the lien created thereby, is junior and subordinate to the pledge of, and lien on, the Net Revenues for the payment of the Senior Obligations.

The 2016 Bonds do not constitute a debt or liability of District No. 20 or of the State of California (the “State”) and neither the faith and credit of District No. 20 nor of the State are pledged to the payment of the principal of, or interest on, the 2016 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS.”

The 2016 Bonds

The 2016 Bonds will be dated their date of delivery, and will bear interest from their date at the interest rates set forth on the cover page of this Official Statement. Interest on the 2016 Bonds will be payable semiannually on April 1 and October 1, commencing on April 1, 2017 (each, an “Interest Payment Date”). The 2016 Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof and will bear interest at the rates per annum and will mature in the principal amounts in each year (subject to prior redemption), as set forth on the cover of this Official Statement.

Redemption of 2016 Bonds

The 2016 Bonds are subject to mandatory sinking fund redemption and optional redemption prior to maturity as described herein. See “THE 2016 BONDS – Redemption of the 2016 Bonds.”

Rate Covenant

Pursuant to the 2016 Installment Purchase Agreement, District No. 20, to the extent permitted by applicable law, is required to fix, prescribe and collect rates and charges for the services of the wastewater collection, conveyance, treatment and disposal facilities (the “Sewerage System”) which will be at least sufficient to yield during each Fiscal Year (a) Revenues (herein defined) sufficient to make all payments required by the 2016 Installment Purchase Agreement, including payments of Maintenance and Operations Costs (herein defined), and (b) Net Gross Revenues (herein defined) equal to 110% of Debt Service on Senior Obligations and Subordinate Revenue Obligations for such Fiscal Year. District No. 20 has also covenanted to fix, prescribe and collect rates and charges for the services of its Sewerage System so that, in each fiscal year, its Revenues will be sufficient to make all payments required by the Acquisition Agreements (defined below), including payments of Maintenance and Operations Costs, and its Net Gross Revenues will at least equal the sum of (i) 120% of Debt Service on Senior Revenue Obligations for such fiscal year; (ii) 20% of Debt Service on Ad Valorem Obligations for such fiscal year; (iii) 100% of the portion of Debt Service on Ad Valorem Obligations for such fiscal year not paid from its Ad Valorem Taxes; and (iv) 100% of its Debt Service on Subordinate Revenue Obligations for such fiscal year.

No Reserve Fund

No debt service reserve fund is being established in connection with the 2016 Bonds.

Existing Senior Obligations; No Additional Senior Obligations

District No. 20 has previously incurred Senior Obligations outstanding in the approximate principal amount of \$1.63 million. Such Senior Obligations consist of a Joint Acquisition Agreement, dated as of June 1, 2011 (the “2011 Acquisition Agreement”), and a Joint Acquisition Agreement, dated as of July 1, 2013 (the “2013 Acquisition Agreement,” and, together with the 2011 Acquisition Agreement, the “Acquisition Agreements”), each among the Authority and each of the Sanitation Districts. The installment payments payable by District No. 20 pursuant to the 2011 Acquisition Agreement are pledged to the payment of the Authority’s Capital Projects Revenue Bonds, 2011 Series A (Senior Ad Valorem Obligation Bonds) (the “2011 Bonds”). The installment payments payable by District No. 20 pursuant to the 2013 Acquisition Agreement are pledged to the payment of the Authority’s Capital Projects Revenue Bonds, 2013 Series A (Senior Ad Valorem Obligation Bonds) (the “2013 Bonds”). The combined installment payments (including the interest component thereof) payable annually by District No. 20 under the Acquisition Agreements is approximately \$383,000, subject to increase under certain circumstances described under the discussion in “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Existing Senior Obligations” and “FINANCIAL INFORMATION – Existing Indebtedness.”

The District may not enter into any additional Senior Obligations, except in connection with the refunding of the existing Senior Obligations.

Existing Subordinate Obligations

District No. 20 has also previously incurred Subordinate Obligations outstanding in the approximate aggregate principal amount of \$199.9 million. Such Subordinate Obligations consist of the 2005 Bonds, the 2007 Bonds, and the Existing State Loan. See “FINANCIAL INFORMATION – Existing Indebtedness.” All of the existing Subordinate Obligations are being refunded with the proceeds of the 2016 Bonds.

Additional Indebtedness

Pursuant to the 2016 Installment Purchase Agreement, District No. 20 may incur Additional Senior Obligations, payments with respect to which will be senior in priority to District No. 20’s obligation to make the 2016 Installment Payments, for the exclusive purpose of refunding the Acquisition Agreements and District No. 20’s installment payments thereunder, subject to satisfaction of the conditions specified in the 2016 Installment Purchase Agreement. In addition, District No. 20 may incur Additional Subordinate Obligations payable on a parity with its obligation to make the 2016 Installment Payments. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Additional Obligations.”

Book-Entry Form Only

The 2016 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the 2016 Bonds. Ownership interests in the 2016 Bonds may be purchased in book-entry form only. So long as DTC or its nominee is the Owner of the 2016 Bonds, principal, redemption premium, if any, and purchase price of and interest on the 2016 Bonds will be made as described in Appendix B – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2016 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2016 Bonds. See “TAX MATTERS.”

Continuing Disclosure

The Authority has agreed to provide audited financial statements of the Authority and certain financial and operating information with respect to the 2016 Bonds and District No. 20, not later than eight months after the end of each fiscal year, commencing with the report for fiscal year 2015-16 for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the “Rule”) and to provide notices of the occurrence of certain enumerated events. Such annual reports and notices of events will be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. These covenants have been made to assist the Underwriters in complying with

the Rule. See “CONTINUING DISCLOSURE” and Appendix D – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Miscellaneous

The statements herein concerning the 2016 Bonds are summaries of certain provisions of the 2016 Installment Purchase Agreement and the 2016 Indenture which do not purport to be complete, and are qualified in their entirety by reference to such documents. Financial and statistical information set forth herein, except for the Audited Financial Statements included in Appendix A and information excerpted from such Audited Financial Statements, is unaudited. Unless otherwise indicated, the statistical and financial information set forth in this Official Statement has been provided by District No. 20.

Copies of all documents referred to herein, including the 2016 Installment Purchase Agreement and the 2016 Indenture may be obtained upon written request directed to the County Sanitation Districts of Los Angeles County, P. O. Box 4998, Whittier, California 90607-4998, Attention: Secretary to the Boards.

THE 2016 BONDS

Description of the 2016 Bonds

The 2016 Bonds shall bear interest from their date of delivery, at the respective rates set forth on the cover page of this Official Statement. Interest on the 2016 Bonds is payable semi-annually beginning April 1, 2017 and on each April 1 and October 1 thereafter until maturity or redemption prior to maturity as provided for in the 2016 Indenture and as described herein. The 2016 Bonds shall mature in the respective aggregate principal amounts and on the respective dates set forth on the cover page of this Official Statement.

THE 2016 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE AUTHORITY REVENUES AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE 2016 INDENTURE. THE 2016 BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF DISTRICT NO. 20 OR OF THE STATE AND NEITHER THE FAITH AND CREDIT OF DISTRICT NO. 20 NOR OF THE STATE ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THE 2016 BONDS.

The 2016 Bonds will be issued in book-entry form only and, when delivered, 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 2016 Bonds. While the 2016 Bonds are held in the book-entry system of DTC, all payments of principal and interest on the 2016 Bonds will be made to Cede & Co., as the registered owner of the 2016 Bonds. See Appendix B – “BOOK-ENTRY ONLY SYSTEM.”

Redemption of the 2016 Bonds

Optional Redemption. The 2016 Bonds maturing on or before October 1, 2026 are not subject to optional redemption prior to their respective stated maturities. The 2016 Bonds maturing on or after October 1, 2027 are subject to redemption prior to their respective stated maturities, upon the exercise by District No. 20 of its right to cause the redemption of 2016 Bonds in accordance with the 2016 Installment Purchase Agreement, from and to the extent of any source of available funds, as a whole or in part on any date on or after October 1, 2026, of such maturities or portions of maturities as shall be directed by an Authorized Representative of District No. 20 if less than all of the 2016 Bonds are to be

called for prior redemption, and by lot within any such maturity if less than all of the 2016 Bonds of such maturity be redeemed at the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. 2016 Term Bonds maturing October 1, 2042 are subject to mandatory redemption, by lot, on October 1 in the following respective years and in the following respective principal amounts, at the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium:

Year	Principal Amount
2037	\$8,835,000
2038	9,195,000
2039	9,570,000
2040	9,960,000
2041	10,365,000
2042	10,790,000

At the option of the Authority, it may credit against any such mandatory sinking fund redemption, 2016 Term Bonds maturing October 1, 2042, or portions thereof, which prior to the date 75 days prior to the applicable redemption date, have been purchased at public or private sale and delivered to the Trustee and which have not theretofore applied as a credit against any mandatory sinking fund redemption. If some but not all of the 2016 Term Bonds maturing on October 1, 2042 are redeemed pursuant to the optional redemption provisions of the Indenture, the principal amount of 2016 Term Bonds maturing on October 1, 2042 to be subsequently redeemed pursuant to the mandatory sinking fund redemption provisions of the 2016 Indenture shall be reduced by the aggregate principal amount of the 2016 Term Bonds maturing on October 1, 2042 so redeemed pursuant to the optional redemption provisions of the 2016 Indenture, such reduction to be allocated among redemption dates in amounts of \$5,000 or integral multiples thereof, as designated by the Authority.

Notice of Redemption. The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any 2016 Bonds designated for redemption at their respective addresses appearing on the Registration Books, at least 30 but not more than 60 days prior to the date fixed for redemption. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the 2016 Bond numbers and the maturity or maturities (except in the event of redemption of all of the 2016 Bonds of such maturity or maturities in whole) of the 2016 Bonds to be redeemed, and shall require that such 2016 Bonds be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such 2016 Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the 2016 Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption. With respect to any notice of any optional redemption of 2016 Bonds, unless at the time such notice is given the 2016 Bonds to be redeemed shall be deemed to have been paid within the meaning of set forth in the 2016 Indenture, such notice shall state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of, and accrued interest on, the 2016 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to redeem such 2016 Bonds. In the event a notice of redemption of 2016 Bonds contains such a condition and such moneys are not so received, the redemption of 2016 Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in

the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of 2016 Bonds pursuant to such notice of redemption.

Effect of Notice of Redemption. If notice has been duly given as provided in the 2016 Indenture, and moneys for the redemption price, and the interest to the applicable date fixed for redemption has been set aside, the 2016 Bonds shall become due and payable on said date and, upon presentation and surrender thereof at the Office of the Trustee, said 2016 Bonds shall be paid at the redemption price thereof, together with interest accrued and unpaid to said date. If, on said date fixed for redemption, moneys for the redemption price of all the 2016 Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date and, if notice of redemption thereof shall have been mailed as aforesaid, then, from and after said date, interest on said 2016 Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of 2016 Bonds shall be held in trust for the account of the Owners of the 2016 Bonds so to be redeemed without liability to such Owners for interest thereon. All 2016 Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of the 2016 Indenture shall be canceled upon surrender thereof and destroyed.

ESTIMATED SOURCES AND USES OF PROCEEDS OF THE 2016 BONDS

The estimated sources and uses of the proceeds of the 2016 Bonds are described in the following table.

Sources

Principal Amount of 2016 Bonds	\$170,265,000.00
Plus: Original Issue Premium	22,702,521.35
Available Funds from Refunded Bonds	10,813,543.89
District No. 20 Cash Contribution	<u>2,989,000.00</u>
Total Sources	\$206,770,065.24

Uses

Refunding Escrow Deposits/Existing State Loan Payment	206,037,249.74
Costs of Issuance ⁽¹⁾	<u>732,815.50</u>
Total Uses	\$206,770,065.24

⁽¹⁾ Includes costs of rating agencies, underwriters' discount, Municipal Advisor's fee, initial fees and charges of the Trustee, Bond Counsel fees, printing costs and other miscellaneous expenses.

PLAN OF FINANCE

The 2016 Bonds are being issued to provide funds to (i) refund the outstanding \$18,870,000 2005 Bonds; (ii) refund the outstanding \$129,580,000 2007 Bonds; (iii) refinance certain improvements to the Sewerage System by prepaying in full District No. 20's outstanding \$51,404,380 Existing State Loan, and (iv) pay costs of issuance of the 2016 Bonds. See "ESTIMATED SOURCES AND USES OF PROCEEDS OF THE 2016 BONDS." The District will make the determination whether or not to refund the Existing State Loan at the time of sale of the 2016 Bonds, based on market conditions.

2005 Bonds. A portion of the proceeds of the sale of the 2016 Bonds, together with other lawfully available funds, will be used to refund the 2005 Bonds pursuant to the legal documents under which the 2005 Bonds were issued. The 2005 Bonds were issued to finance improvements to the Sewerage System to facilitate groundwater cleanup and improve disinfection, to fund a forward looking facility plan, to prepay District No. 20's then outstanding State Loans, to pay capitalized interest on a

portion of the 2005 Bonds, and to pay costs of issuance of the 2005 Bonds. The 2005 Bonds will be redeemed on November 16, 2016.

**LOS ANGELES COUNTY SANITATION DISTRICTS
FINANCING AUTHORITY
Capital Projects Revenue Bonds, 2005 Series A
(District No. 20 Subordinate Revenue Bonds)
Base CUSIP: 545149**

Maturity Date (October 1)	Amount	Interest Rate	Redemption Price	CUSIP[†] No.
2017	\$495,000	4.000	100%	DF0
2018	515,000	4.000	100	DG8
2019	535,000	4.125	100	DH6
2020	560,000	4.200	100	DJ2
2021	580,000	4.250	100	DK9
2022	610,000	4.250	100	DL7
2023	635,000	4.375	100	DM5
2024	1,065,000	4.375	100	DN3
2025	1,115,000	4.375	100	DP8
2026	1,165,000	4.500	100	DQ6
2027	1,215,000	4.500	100	DR4
2028	1,270,000	4.500	100	DS2
Term Bond 2034	9,110,000	5.000	100	DT0

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with District No. 20, the Authority, the Municipal Advisor or the Underwriter and are included solely for the convenience of the holders of the 2016 Bonds. None of District No. 20, the Authority, the Municipal Advisor or the Underwriter is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the 2016 Bonds or as indicated above.

2007 Bonds. A portion of the proceeds of the sale of the 2016 Bonds, together with other lawfully available funds, will be used to establish an irrevocable escrow fund to refund and defease the 2007 Bonds pursuant to the legal documents under which the 2007 Bonds were issued. The 2007 Bonds were issued to finance upgrades to the Palmdale WRP to tertiary-level treatment, to fund recycled water management facilities including the purchase of land and the construction of storage reservoirs, to pay capitalized interest on a portion of the 2007 Bonds, and to pay costs of issuance of the 2007 Bonds. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

**LOS ANGELES COUNTY SANITATION DISTRICTS
FINANCING AUTHORITY
Capital Projects Revenue Bonds, 2007 Series A
(District No. 20 Subordinate Revenue Bonds)
Base CUSIP: 545149**

Maturity Date (October 1)	Amount	Interest Rate	Redemption Date (October 1)	Redemption Price	CUSIP[†] No.
2017	\$1,205,000	4.000	N/A	100	FK7
2018	1,265,000	5.000	10/1/2017	100	FL5
2019	1,330,000	5.000	10/1/2017	100	FM3
2020	1,395,000	5.000	10/1/2017	100	FN1
2021	1,465,000	4.000	10/1/2017	100	FP6
2022	1,520,000	4.000	10/1/2017	100	FQ4
2023	1,585,000	4.125	10/1/2017	100	FR2
2024	1,660,000	5.000	10/1/2017	100	FS0
2025	1,740,000	5.000	10/1/2017	100	FT8
2026	1,830,000	5.000	10/1/2017	100	FU5
2027	1,920,000	4.250	10/1/2017	100	FV3
Term Bonds					
2032	18,070,000	4.500	10/1/2017	100	FW1
2038	50,065,000	4.500	10/1/2017	100	FX9
2042	44,530,000	4.500	10/1/2017	100	FY7

Existing State Loan. District No. 20 will also apply a portion of the proceeds of the sale of the 2016 Bonds, together with other lawfully available funds, to prepay in full the outstanding \$51,404,380 Existing State Loan, including the principal of and interest on the Existing State Loan to the date of delivery of the 2016 Bonds. The Existing State Loan was obtained to finance a portion of the upgrades to the Palmdale WRP to tertiary-level treatment.

Green Bonds. The 2016 Bonds are being designated by District No. 20 as “Green Bonds.” The purpose of designating the offered bonds as “Green Bonds” is to allow investors to invest directly in bonds which finance environmentally beneficial projects (“Green Projects”). The projects financed by the 2005 Bonds, the 2007 Bonds and the Existing State Loan included upgrades to the Palmdale WRP to tertiary-level treatment making recycled water that meets all California Title 22 requirements available

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for municipal reuse, the construction of reservoirs for seasonal storage of recycled water coordinating availability with demand, and the installation of monitoring and extraction wells to facilitate groundwater cleanup. The 2016 Bonds will not constitute “exempt facility bonds” issued to finance “qualified green building and sustainable design projects” within the meaning of Section 142(1) of the Code.

SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS

General

The 2016 Bonds are limited obligations of the Authority payable solely from the Authority Revenues and the other assets pledged therefor under the 2016 Indenture, including all amounts on deposit in the Payment Fund established under the 2016 Indenture. Authority Revenues consist of 2016 Installment Payments to be made by District No. 20 pursuant to the 2016 Installment Purchase Agreement. District No. 20 is obligated to make 2016 Installment Payments solely from Net Revenues after payment of debt service on Senior Obligations. Such pledge of Net Revenues, and the lien created thereby, is junior and subordinate to the pledge of, and lien on, the Net Revenues for the payment of the Senior Obligations. The 2016 Installment Purchase Agreement provides that the 2016 Installment Payments are due on or before each Interest Payment Date in an amount equal to the interest on, or the principal of and interest on, as applicable, the 2016 Bonds due on the following Interest Payment Date.

Pursuant to the 2016 Installment Purchase Agreement, District No. 20 is obligated to make 2016 Installment Payments solely from Net Revenues after payment of debt service on Senior Obligations and replenishment of debt service reserves related to such Senior Obligations. “Net Revenues” means, for any period, the Revenues for such period, less the Maintenance and Operation Costs for such period.

“Revenues” means, for any period, all income and revenue received by District No. 20 from the operation or ownership of the Sewerage System, determined in accordance with Generally Accepted Accounting Principles, including all rates and charges received by District No. 20 for the services of the Sewerage System, investment income (to the extent generally available to pay costs with respect to the Sewerage System) and all other money howsoever derived by District No. 20 from the operation or ownership of the Sewerage System or arising from the Sewerage System, together with (a) Ad Valorem Taxes received by District No. 20 during such period remaining after paying, or making provision for the payment of, AV Obligations, (b) Connection Fees collected during such period to the extent that such Connection Fees could be properly applied to the payment of, or loaned from District No. 20’s Capital Improvement Fund for the payment of, outstanding Obligations, and (c) amounts, if any, transferred during such period from the Rate Stabilization Account to the Revenue Account, but excluding (i) payments received under Financial Contracts, (ii) refundable deposits made to establish credit and advances or contributions in aid of construction, and (iii) ad valorem taxes to the extent required by law to pay any voter approved general obligation indebtedness of District No. 20.

“Maintenance and Operation Costs” means, for any period, the reasonable and necessary costs spent or incurred by District No. 20 for maintaining and operating the Sewerage System, calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Sewerage System in good repair and working order, and including Administrative Costs, salaries and wages of employees, payments to its employee retirement systems (to the extent paid from Revenues), overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, but excluding in all cases (a) depreciation, replacement and obsolescence charges or reserves therefor, (b) amortization of intangibles or other bookkeeping entries of a similar nature, (c) costs of capital additions, replacements, betterments, extensions or improvements to the Sewerage System, which under Generally Accepted Accounting Principles are chargeable to a capital account or to a reserve for

depreciation, (d) charges for the payment of principal of or interest on any general obligation bond of District No. 20 heretofore or hereafter issued for purposes of the Sewerage System, and (e) charges for the payment of any debt service on Obligations.

Unconditional Obligation

The obligation of District No. 20 to make the 2016 Installment Payments and other payments required to be made by it under the 2016 Installment Purchase Agreement, from Net Revenues, is absolute and unconditional, and until such time as the 2016 Installment Payments and such other payments shall have been paid in full (or the agreements, covenants and other obligations of District No. 20 under the 2016 Installment Purchase Agreement have been discharged and satisfied), District No. 20 shall not discontinue or suspend any Installment Payments or other payments required to be made by it when due, whether or not the 2016 Projects or any part thereof is operating or operable, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such 2016 Installment Payments and other payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Limited Liability

Under the 2016 Installment Purchase Agreement, the obligation of District No. 20 to make 2016 Installment Payments and other payments required to be made by it under the 2016 Installment Purchase Agreement is a special obligation of District No. 20 payable solely from Net Revenues and other funds specified in the 2016 Installment Purchase Agreement and described herein and does not constitute a debt of District No. 20 or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction thereof. Neither the faith and credit nor the taxing power of District No. 20 or the State or any political subdivision thereof is pledged to the payment of the 2016 Installment Payments or other payments required to be made under the 2016 Installment Purchase Agreement.

The 2016 Installment Payments are not secured by, and Owners of the 2016 Bonds have no security interest in or mortgage on, the 2005 Projects, the 2007 Projects or the Sewerage System of District No. 20 or any other real property of District No. 20. Default by District No. 20 will not result in loss of the 2005 Projects, the 2007 Projects or its Sewerage System. For information relating to the remedies of Owners of Bonds and the Trustee upon failure of District No. 20 to pay Installment Payments, see “INDENTURE – Events of Default and Remedies” in Appendix C attached hereto.

Existing Senior Obligations

District No. 20 has previously incurred Senior Obligations outstanding in the principal amount of \$1,627,780. Such Senior Obligations consist of its proportionate share of the Authority’s Capital Revenue Bonds, 2011 Series A and 2013 Series A. The installment payments payable by District No. 20 pursuant to the Acquisition Agreements are pledged to the payment of its share of the 2011 Bonds and the 2013 Bonds. The amount of such installment payments (including the interest component thereof) payable annually by District No. 20 is approximately \$383,000, subject to increase pursuant to the Acquisition Agreements. The Acquisition Agreements provide that if a Sanitation District is in default under any Senior Obligation of such Sanitation District (other than the respective Acquisition Agreement) and such Sanitation District’s payments with respect to such Senior Obligation are accelerated, then such Sanitation District’s unpaid installment payments with respect to the Acquisition Agreements, including the accrued interest thereon, will also be accelerated. If a Sanitation District’s installment payments are accelerated pursuant to the Acquisition Agreements, then the portion of the principal amount of each maturity of the

Senior Obligations then outstanding equal to the product of such principal amount multiplied by the proportionate share of such Sanitation District, and the interest accrued thereon, shall immediately become due and payable. The Acquisition Agreements also provide that, in the case of any Sanitation District's failure to pay in full its installment payment (including any accelerated installment payment) on the applicable payment date, each other Sanitation District will pay to the Trustee from such Sanitation District's net revenues, an additional installment payment in an amount equal to the product of such Sanitation District's proportionate share times the defaulted installment payment amount; provided, however, that in no event shall the aggregate amount of additional installment payments that any Sanitation District is required to pay with respect to any payment date exceed an amount equal to 20% of such Sanitation District's installment payment payable on such payment date.

As described below in "--Additional Obligations; No Additional Senior Obligations," the District may not enter into any additional Senior Obligations, except in connection with the refunding of the existing Senior Obligations.

Existing Subordinate Obligations to Be Refunded

District No. 20 has also previously incurred Subordinate Obligations (which are being refunded and refinanced with the proceeds of the 2016 Bonds) outstanding in the approximate aggregate principal amount of \$199.9 million. Such Subordinate Obligations consist of the 2005 Bonds, the 2007 Bonds, and the Existing State Loan. See "FINANCIAL INFORMATION – Existing Indebtedness."

Additional Obligations; No Additional Senior Obligations

No Additional AV Obligations or Senior Revenue Obligations Except for Refunding. District No. 20 shall not incur Additional AV Obligations or Senior Revenue Obligations; provided, however, that, notwithstanding the foregoing, District No. 20 may incur Additional AV Obligations or Senior Revenue Obligations for the exclusive purpose of refunding an Acquisition Agreement, and District No. 20's installment payments payable under such Acquisition Agreement, provided:

(a) There shall not have occurred and be continuing an Event of Default under the 2016 Installment Purchase Agreement.

(b) District No. 20 provides to each Obligation Trustee for Obligations a Written Certificate of District No. 20 demonstrating that the present value of Assumed Debt Service on the refunding Additional AV Obligations or Senior Revenue Obligations, as applicable, through maturity will be less than the present value of Assumed Debt Service on the Acquisition Agreements, and District No. 20's installment payments payable under the Acquisition Agreements, through maturity.

(c) The Support Payments, if any, payable by District No. 20 in connection with such Additional AV Obligations or Senior Revenue Obligations, as applicable, shall be payable only on Support Payment Due Dates.

(d) Any required transfer of Net Revenues for replenishment of an Obligation Reserve Fund for such Additional AV Obligations or Senior Revenue Obligations, other than from delinquent AV Obligation Payments or Senior Revenue Obligation Payments, respectively, with respect thereto, shall occur only on Payment Dates.

If such Obligations are Additional AV Obligations, the instrument pursuant to which such Additional AV Obligations are incurred shall designate whether such Additional AV Obligations are Senior AV Obligations or Subordinate AV Obligations.

Subordinate Revenue Obligations. District No. 20 may at any time incur Subordinate Revenue Obligations, provided:

(a) There shall not have occurred and be continuing an Event of Default under the 2016 Installment Purchase Agreement.

(b) District No. 20 provides to each Obligation Trustee for Obligations a Written Certificate of District No. 20 demonstrating that Adjusted Net Gross Revenues for any 12 consecutive calendar months during the 24 calendar month period ending prior to the incurring of such Subordinate Revenue Obligations, determined in accordance with Generally Accepted Accounting Principles and as shown by the books of District No. 20, shall have amounted to at least 110% of Assumed Maximum Annual Debt Service on all Senior Obligations and Subordinate Revenue Obligations to be outstanding immediately after the incurring of such Subordinate Revenue Obligations. For purposes of demonstrating compliance with the foregoing, Adjusted Net Gross Revenues may be adjusted for (i) any changes in rates and charges for the services of the Sewerage System which have been adopted prior to the date of incurring such Subordinate Revenue Obligations, (ii) customers added to the Sewerage System subsequent to the commencement of the applicable 12 month computation period but prior to the date of incurring such Subordinate Revenue Obligations, and (iii) the estimated change in available Adjusted Net Gross Revenues which will result from the connection of existing residences or businesses to the Sewerage System within one year following completion of any project to be funded or any system to be acquired from the proceeds of such Subordinate Revenue Obligations.

(c) For purposes of preparing the Written Certificate of District No. 20 described above, District No. 20 may rely upon financial statements prepared by District No. 20 that have not been subject to audit by an independent certified public accountant if audited financial statements for the period are not available. Such Written Certificate of District No. 20 shall not be required if the Subordinate Revenue Obligations being incurred are Short-Term Obligations excluded from the calculation of Assumed Debt Service pursuant to clause (H) of the definition thereof. Such Written Certificate of District No. 20 shall also not be required if (i) the Subordinate Revenue Obligations being incurred are for the exclusive purpose of refunding then outstanding subordinate Revenue Obligations, and (ii) at the time of the incurring of such Subordinate Revenue Obligations a Written Certificate of District No. 20 shall be delivered showing that the present value of Assumed Debt Service on the refunding Subordinate Revenue Obligations through maturity will be less than the present value of Assumed Debt Service on the refunded Subordinate Revenue Obligations through maturity.

(d) The Subordinate Revenue Obligation Payments for such Subordinate Revenue Obligations shall not be subject to acceleration in the event of a default by District No. 20.

(e) The Support Payments, if any, payable by District No. 20 in connection with such Subordinate Revenue Obligations shall be payable only on Support Payment Due Dates.

(f) Any required transfer of Net Revenues for replenishment of an Obligation Reserve Fund for such Subordinate Revenue Obligations or for reimbursement of a claim paid under a Reserve Facility on deposit therein, other than from delinquent Subordinate Revenue Obligation Payments with respect thereto, shall occur only on Payment Dates.

No Other Additional Obligations. District No. 20 shall not incur any obligations payable from Net Revenues except as provided in the 2016 Installment Purchase Agreement; provided, however, that District No. 20 may from time to time incur obligations payable from Net Revenues after the payment or setting aside therefrom of amounts required for the payment of Debt Service on Senior Obligations, amounts required to build up or replenish Obligation Reserve Funds for Senior Obligations, amounts

required for the payment of Debt Service on Subordinate Obligations and amounts required to build up or replenish Obligation Reserve Funds for Subordinate Obligations.

Rate Covenant

District No. 20 has covenanted in the 2016 Installment Purchase Agreement, to the extent permitted by applicable law, to fix, prescribe and collect rates and charges for the services of the Sewerage System which will be at least sufficient to yield during each fiscal year (a) Revenues (herein defined) sufficient to make all payments required by the 2016 Installment Purchase Agreement, including payments of Maintenance and Operations Costs (herein defined), and (b) Net Gross Revenues (herein defined) equal to 110% of Debt Service on Senior Obligations and Subordinate Revenue Obligations for such Fiscal Year. District No. 20 has also covenanted in the Acquisition Agreements to fix, prescribe and collect rates and charges for the services of its Sewerage System so that, in each fiscal year, its Revenues will be sufficient to make all payments required therein, including payments of Maintenance and Operations Costs, and its Net Gross Revenues will at least equal the sum of (i) 120% of Debt Service on Senior Revenue Obligations for such fiscal year; (ii) 20% of Debt Service on Ad Valorem Obligations for such fiscal year; (iii) 100% of the portion of Debt Service on Ad Valorem Obligations for such fiscal year not paid from its Ad Valorem Taxes; and (iv) 100% of its Debt Service on Subordinate Revenue Obligations for such fiscal year. District No. 20 may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless Revenues and Net Gross Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this Section.

Other Funds and Accounts

Pursuant to the Acquisition Agreements and the 2016 Installment Purchase Agreement, District No. 20 agrees to establish and maintain, so long as any of its AV Obligations or Revenue Obligations remain outstanding, an Operating Fund and a Capital Improvement Fund. District No. 20 also agrees, so long as any of its AV Obligations or Revenue Obligations remain outstanding, to establish and maintain within the Operating Fund, a Subordinate AV Obligation Payment Account and a Rate Stabilization Account, the latter of which has been established by District No. 20. The Acquisition Agreements also provide that after having paid, or having made provision for the payment of, its Maintenance and Operation Costs and after having made the transfers required by the Acquisition Agreements and the 2016 Installment Purchase Agreement to its Senior Revenue Obligation Payment Account, Senior AV Obligation Payment Account, Subordinate AV Obligation Payment Account, Senior Obligation Reserve Funds, Subordinate Revenue Obligation Payment Account and Subordinate Revenue Obligation Reserve Funds, then District No. 20 may on or before the Interest Payment Date immediately following the date on which said transfers are required to be made, transfer all or a portion of the Net Operating Revenues remaining in the Revenue Account to the Rate Stabilization Account.

Limitations on Enforcement by Owners

No Owner of 2016 Bonds has any right to institute any suit, action or proceeding for the enforcement of any remedy under the 2016 Indenture unless, among other things, the Owners of 2016 Bonds representing at least 25% in aggregate amount of the 2016 Bonds then outstanding have made a written request to the Trustee, have afforded the Trustee a reasonable opportunity to proceed in its own name and have offered indemnification to the Trustee as provided in the 2016 Indenture. See “INDENTURE – Events of Default and Remedies – Restriction on Owners’ Action” in Appendix C attached hereto. For a discussion of the Trustee’s and the Owners’ remedies upon an Event of Default under the 2016 Indenture, see “INDENTURE – Events of Default and Remedies” in Appendix C attached hereto.

Annual Budget

District No. 20 has covenanted in the 2016 Installment Purchase Agreement to adopt on or before July 1 of each fiscal year, commencing July 1, 2017, a budget approved by the Board of Directors of District No. 20 that appropriates amounts for the payment of its Obligations (including the 2016 Installment Payments) payable during such fiscal year. For information relating to the budgetary process of District No. 20, see “DISTRICT NO. 20 – Budgetary Process.”

Other Covenants of District No. 20

For a further description of other covenants of District No. 20 under the 2016 Installment Purchase Agreement, see “INSTALLMENT PURCHASE AGREEMENT – Covenants” in Appendix C attached hereto. Among other things, subject to certain exceptions specified in the 2016 Installment Purchase Agreement, District No. 20 agrees that it will not sell, lease or otherwise dispose of its Sewerage System or any part thereof essential to the proper operation of its Sewerage System or to the maintenance of its Revenues.

Debt Service Schedule

The following table sets forth the debt service schedule for District No. 20's outstanding Obligations, including the Acquisition Agreements and the 2016 Bonds.

TABLE 1
SCHEDULE OF DISTRICT NO. 20 OBLIGATIONS PAYMENTS
(as of October 1, 2016)

Fiscal Year Ending June 30	Senior Obligations Debt Service	2016 Installment Payments	Total Debt Service
2017	\$38,538	\$2,828,904	\$2,867,442
2018	383,405	10,621,869	11,005,274
2019	382,569	10,623,619	11,006,188
2020	382,090	10,621,744	11,003,834
2021	381,512	10,626,244	11,007,756
2022	124,187	10,880,119	11,004,306
2023	90,914	10,916,744	11,007,658
2024	90,867	10,916,744	11,007,611
2025		11,008,119	11,008,119
2026		11,005,244	11,005,244
2027		11,004,744	11,004,744
2028		11,005,869	11,005,869
2029		11,002,994	11,002,994
2030		11,005,369	11,005,369
2031		11,007,119	11,007,119
2032		11,007,494	11,007,494
2033		11,007,494	11,007,494
2034		11,005,194	11,005,194
2035		11,006,494	11,006,494
2036		11,004,394	11,004,394
2037		11,002,897	11,002,897
2038		11,006,900	11,006,900
2039		11,006,300	11,006,300
2040		11,006,000	11,006,000
2041		11,005,400	11,005,400
2042		11,003,900	11,003,900
2043		11,005,800	11,005,800
Total	\$1,874,083	\$287,143,707	\$289,017,789

THE AUTHORITY

The Authority was formed pursuant to the provisions of the Joint Exercise of Powers Law and the Joint Powers Agreement. The membership of the Authority is currently comprised of the Sanitation Districts, including the County Sanitation Districts Nos. 1, 2, 3, 4, 5, 8, 9, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 27, 28 and 29 of Los Angeles County, South Bay Cities Sanitation District of Los Angeles County and Santa Clarita Valley Sanitation District of Los Angeles County. Two other sanitation districts within the County (County Sanitation District No. 34 of Los Angeles County and Newhall Ranch Sanitation District of Los Angeles County) are currently inactive and are not members of the Authority.

The Authority was created for the purpose of, among other things, assisting the Sanitation Districts in the planning, financing, development, acquisition, construction, operation and maintenance of projects relating to the Sanitation Districts' wastewater systems. The Joint Powers Agreement expires upon the later of April 14, 2043 or the date on which no obligations of the Authority remain outstanding and no material contracts to which the Authority is a party remain in effect. Additional sanitation districts may become parties to the Joint Powers Agreement upon the filing of certain documents with the Authority.

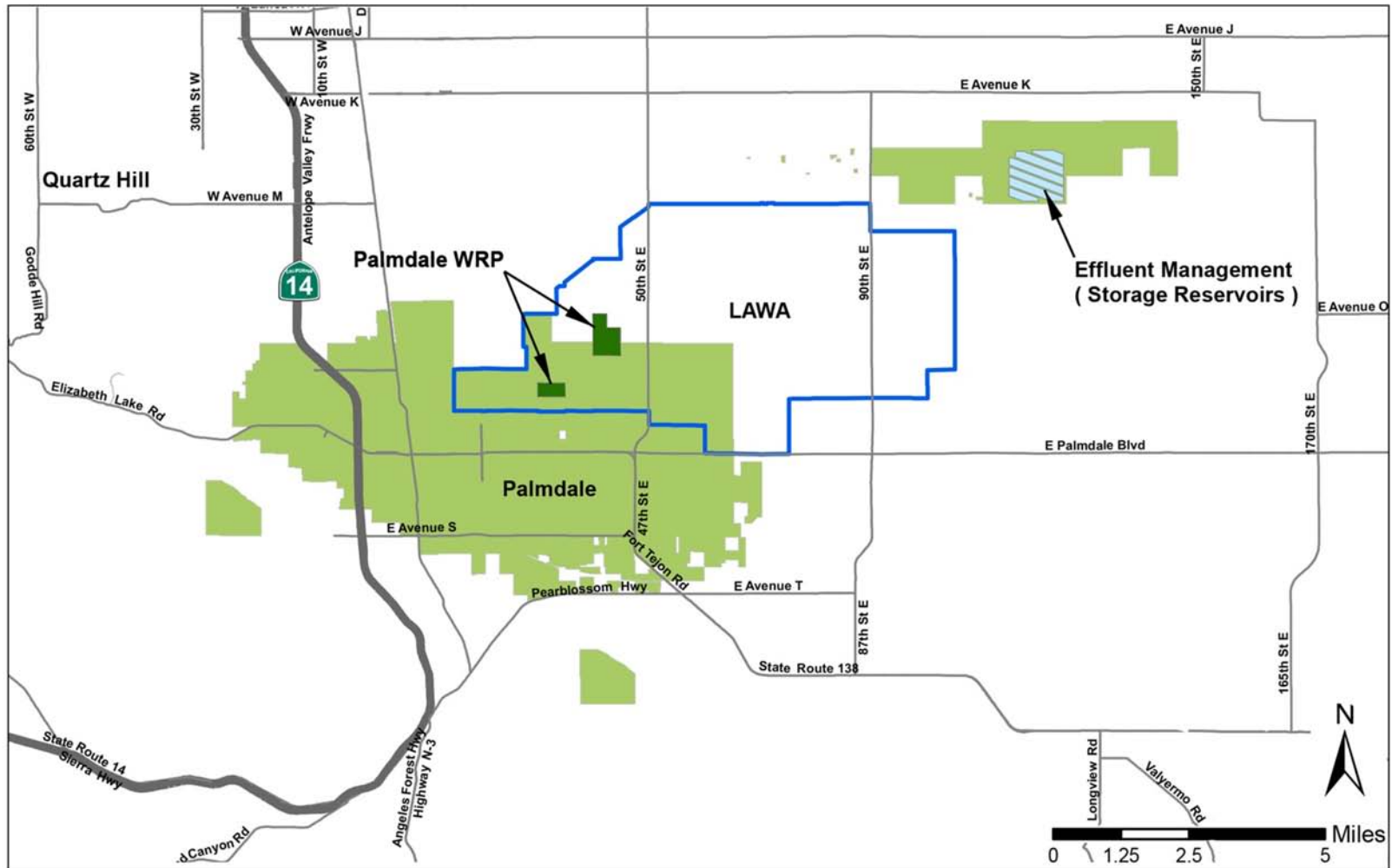
The Authority is governed by a Commission consisting of the Chairperson of each of the Sanitation Districts. The Commission may exercise all rights, powers, duties and privileges of the Commission set forth in the Joint Powers Agreement. The current officers of the Authority are listed under "LOS ANGELES COUNTY SANITATION DISTRICTS FINANCING AUTHORITY" at the beginning of this Official Statement.

DISTRICT NO. 20

Organization

District No. 20 is one of the 24 sanitation districts within the County (the 22 Sanitation Districts plus 2 inactive sanitation districts, collectively the "LACSD"). It was formed on August 7, 1951 to serve what was then unincorporated Antelope Valley located in the northern portion of the County. District No. 20 presently serves most of the populated portions of central and eastern Palmdale and adjacent unincorporated County areas. A map of District No. 20's boundaries is on the following page. District No. 20 currently encompasses approximately 26,400 acres and serves nearly 128,000 people. District No. 20 is governed by a three member Board of Directors comprised of the mayor of Palmdale, a city council member from Palmdale, and the chairperson of the County Board of Supervisors. The following are the members of the Board of Directors of District No. 20:

<u>Jurisdiction</u>	<u>Director</u>	<u>Alternate</u>
Palmdale	James C. Ledford (Chairman)	Roxana Martinez
Palmdale	Steven D. Hofbauer	Roxana Martinez
Los Angeles County	Hilda L. Solis	Michael D. Antonovich



AREA MAP

Legend

- Los Angeles World Airports Boundary
- District 20
- Palmdale Water Reclamation Plant
- Water Reservoirs

District 20



Administration

District No. 20, along with the other 23 sanitation districts in Los Angeles County, is signatory to an agreement (the “Joint Administration Agreement”) providing for the joint administration for the LACSD. Under the Joint Administration Agreement, a single staff is employed to manage the day-to-day affairs of the LACSD. That staff maintains and operates the sewerage and solid waste management systems throughout the LACSD, is responsible for the design of the sewage conveyance and treatment facilities currently operating, and manages the construction of all of the capital projects undertaken by the LACSD. Overall, there are nearly 1,700 employees, including 237 engineers, to operate and maintain existing facilities, provide for the design and construction of new facilities, and provide for management of the LACSD sewerage and solid waste management systems. The LACSD presently are operating under three memoranda of understanding with various employee unions and have historically experienced excellent labor relations.

The following are brief resumes of key staff that provide services for District No. 20:

Grace R. Hyde, B.S., M.S., Chief Engineer and General Manager. Ms. Hyde is a Registered Civil Engineer, State of California, a Board Certified member of the American Academy of Environmental Engineers, and a member of the Water Environment Federation, the California Water Environment Association, the American Society of Civil Engineers, the American Public Works Association, and Solid Waste Association North America (“SWANA”).

Ms. Hyde has been a member of the engineering staff of the LACSD since 1983, primarily serving in various capacities related to solid waste management. From 2006 to 2008, Ms. Hyde was the Department Head in charge of the Solid Waste Management Department, where she directed all of the planning, research, design, and operation and maintenance of the LACSD landfills, transfer station, and refuse-to-energy project development. In 2008, Ms. Hyde became the Assistant Chief Engineer and Assistant General Manager. She held this position until January 2012, when she became the LACSD Chief Engineer and General Manager.

Robert C. Ferrante, B.S., M.S., Assistant Chief Engineer and Assistant General Manager. Mr. Ferrante is a Registered Mechanical Engineer, State of California, a Board Certified member of the American Academy of Environmental Engineers, and a member of SWANA, the Water Environment Federation, and the California Water Environment Association.

Mr. Ferrante has been a member of the LACSD engineering staff since 1993, primarily serving in roles related to air quality and power production. He served in the Air Quality Section responsible for permitting, regulatory review, and project development related to wastewater treatment and electrical power production. In 1998, Mr. Ferrante became the Operations Engineer for the Total Energy Facility, a 30-megawatt combined cycle gas turbine plant at the LACSD Joint Water Pollution Control Plant. In 2003, he became Section Head of Energy Recovery Operations, under which he served as the Project Manager for the Commerce Refuse-to-Energy Authority. In 2008, Mr. Ferrante became the Department Head for Solid Waste Management Department, a position he held until 2012 when he was promoted to Assistant Chief Engineer and Assistant General Manager.

David B. Bruns, B.S., M.S., Department Head, Financial Management Department. Mr. Bruns is a Registered Civil Engineer, State of California, a Board Certified member of the American Academy of Environmental Engineers, and a member of the Water Environment Federation and the California Water Environment Association.

Mr. Bruns has been a member of the engineering staff of the LACSD since 1979, primarily serving in various capacities related to wastewater planning and financial management. From August 1991 to April 2005, Mr. Bruns served as the Section Head in charge of the Financial Planning Section, where he was responsible for the wastewater system budgeting and rate setting for both annual user charges and one-time connection fees, budgeting and rate setting for the solid waste system, and property management and acquisition. In May 2005, he became the Assistant Department Head for what is now the Financial Management Department. Mr. Bruns held this position until May 2016, when he became Department Head.

Raymond L. Tremblay, B.S., M.S., Department Head, Facilities Planning Department. Mr. Tremblay is a Registered Civil Engineer, State of California, and is a member of the Water Environment Federation, the California Water Environment Association, and American Society of Civil Engineers. Mr. Tremblay serves on the Board of Directors for both the Urban Water Institute and WateReuse Research Foundation (Treasurer).

Mr. Tremblay has been a member of the LACSD engineering staff since 1993 serving in various capacities in wastewater treatment and solid waste facilities planning, construction, operation, and regulatory compliance. In 2005, Mr. Tremblay became the Monitoring Section Head, responsible for water quality at all LACSD wastewater treatment facilities. In 2008, he was promoted to Assistant Department Head of the Technical Services Department, management of water quality, water recycling, biosolids and air permit compliance, research programs, laboratory processes, public information, and regulatory and legislative advocacy functions. In December 2013, Mr. Tremblay became the Department Head of Facilities Planning, responsible for planning and environmental review for new facilities, property management, and all LACSD information services.

Calvin G. Jin, B.S., M.S., Department Head, Engineering Department. Mr. Jin is a Registered Civil Engineer, State of California and is a member of the Water Environment Federation, the California Water Environment Association, and the American Society of Civil Engineers.

Mr. Jin has been a member of the engineering staff of the LACSD since 1977, serving in various capacities. From April 1990 to August 1999, Mr. Jin was in charge of the Sewer Design Section, responsible for the design of all sewer relief, replacement, and rehabilitation projects at the LACSD. From August 1999 to May 2003, Mr. Jin was in charge of the Sewerage System Section, with responsibility for operation and maintenance of the LACSD regional collection system. From May 2003 to May 2005 Mr. Jin served as the Field Engineering Manager, responsible for the construction of all wastewater collection, wastewater treatment, and solid waste facilities within the Districts. From May 2005 to January 2007, Mr. Jin was the Assistant Department Head of the Engineering Department, and in January 2007, became the Department Head. The Engineering Department is responsible for the design and construction of all wastewater collection, wastewater treatment, and solid waste facilities in the LACSD.

Victoria O. Conway, B.S., M.S., Department Head, Wastewater Management Department. Ms. Conway is a Registered Mechanical Engineer, State of California and is a member of the Water Environment Federation, the California Water Environment Association, the American Society of Civil Engineers, the American Water Works Association, and the American Society of Mechanical Engineers.

Ms. Conway has been a member of the engineering staff of the LACSD since 1991, serving in various capacities related to wastewater management. From July 2007 to present, Ms. Conway has been the Department Head of the Wastewater Management Department where she oversees the operation and maintenance of the LACSD wastewater management facilities. In her current position, she also oversees the Industrial Waste Section, which regulates 1,000 Significant Industrial User dischargers into the LACSD collection system. Prior to her current position, Ms. Conway was the Assistant Department Head

of the Technical Services Department where she was responsible for the overall administration of permitting, compliance, water reclamation, laboratory, and research programs.

Philip L. Friess, B.S., M.S., Department Head, Technical Services Department. Mr. Friess is a Registered Civil Engineer, State of California, and is a member of the Water Environment Federation, California Water Environment Association, and a Board Certified member of the American Academy of Environmental Engineers.

Mr. Friess has been a member of the LACSD engineering staff since 1980, serving in a variety of capacities including design, construction, and wastewater treatment operations. From July 2007 to the present Mr. Friess has been responsible for management of water quality, water recycling, biosolids and air permit compliance, research programs, laboratory processes, public information, and regulatory and legislative advocacy functions. Prior to these responsibilities Mr. Friess was responsible for the management and operation of the LACSD regional wastewater management system.

Thomas J. Mueller, B.S., Chief Accountant. Mr. Mueller is a Certified Public Accountant, State of California, the Government Finance Officers Association, and the California Society of Municipal Finance Officers, and is a member and past president of the National Association of Government Defined Contribution Administrators and of the Arthur N. Caple Foundation.

Mr. Mueller has been a member of the accounting staff of the LACSD since 1991. In 1995 Mr. Mueller became the Chief Accountant, where he has been responsible for managing all of the Districts' accounting functions, cash management, investments, internal audit, and the administration of the employees' deferred compensation plan.

Matthew A. Eaton, B.S., M.S., Assistant Department Head, Financial Management Department. Mr. Eaton is a Registered Mechanical Engineer, State of California, a member of Solid Waste Association of North America and the American Society of Mechanical Engineers.

Mr. Eaton has been a member of the LACSD engineering staff since 1991, serving in a variety of capacities including engineering positions in solid waste and wastewater departments. In 2011, he became Section Head of the Solid Waste Department's Energy Recovery Section. In May 2016, Mr. Eaton became the Assistant Department Head of the Financial Management Department. He also serves as the Project Manager for the Commerce Refuse-to-Energy Authority.

Employees

Collectively, the LACSD have nearly 1,700 full-time monthly and hourly employees. The work force of the LACSD is diverse, with the largest concentration of employees serving in the operation and maintenance of the LACSD wastewater and solid waste facilities. As of July 1, 2016, the LACSD had an engineering staff of 237, engineers including 201 licensed professional engineers, and nearly 100 professionals in other technical and scientific disciplines (chemists, biologists, geologists, and accountants).

The monthly employees are divided into nine units, three of which are represented by national labor organizations. The represented units are the Blue Collar unit, consisting of 707 employees, and the White Collar Unit, consisting of 100 employees, both represented by Local 721, S.E.I.U., CTW, CLC; and the Technical Support Unit, consisting of 300 employees, represented by the California Association of Professional Employees. The non-represented units are the Energy Recovery Unit, consisting of 33 employees; the Professional Unit, consisting of 294 employees; the Confidential Unit, consisting of 29

employees; the Professional Supervisory Unit, consisting of 62 employees; the Supervisory Unit, consisting of 79 employees; and the Management Unit, consisting of 50 employees.

The LACSD believe that labor relations have been excellent over the last 25 years. The Blue Collar Unit is working under a Memorandum of Understanding that expires on June 30, 2017. The White Collar Unit is working under a Memorandum of Understanding that expires on June 30, 2019. The Technical Support Unit is currently working under a Memorandum of Understanding that expires on June 30, 2019.

Existing Wastewater Facilities

District No. 20 owns, operates, and maintains an extensive sewage collection and conveyance network, consisting of approximately 45 miles of trunk sewers. The sewage collection system currently conveys wastewater from approximately 32,100 residential, commercial and industrial parcels. The local collector sewer lines, although tributary to District No. 20's trunk sewer network, are owned and maintained by Palmdale or the County, depending on the location of the applicable local sewer line. The wastewater is then conveyed to the Palmdale WRP for treatment and effluent management.

The Palmdale WRP is located on a 286 acre parcel near the intersection of 30th Street East and Avenue P, adjacent to Palmdale. Although located within the boundaries of the properties acquired by the Los Angeles World Airports ("LAWA") for the formerly proposed Palmdale International Airport, District No. 20 owns the land on which its treatment facilities are situated. Originally constructed in 1953, the plant consisted of primary sedimentation followed by secondary biological treatment. Because of the rural setting and relatively small population being served at the time, the biological treatment was accomplished through oxidation ponds, a process that requires more time and is more land intensive but has lower operational costs than conventional activated sludge secondary treatment. As the region grew in the 1980's, additional oxidation ponds were constructed at a second site located on 40th Street East north of Avenue P, which land is also owned by the District.

The Antelope Valley, in which District No. 20 is located, is a closed basin with no natural outlet that can be used for effluent disposal. As a result, effluent from the Palmdale WRP was historically used in agricultural and land application operations on excess land owned by and under the control of LAWA. In 2004, the State regulatory agency, the Lahontan Regional Water Quality Control Board (the "Regional Board") issued a Cease and Desist Order for the Palmdale WRP related to those practices. In response to the new requirements, District No. 20, after receiving community input, developed a plan to modify its recycled water management practices. The resulting facilities (the "Upgraded Treatment Facilities"), which became operational in December 2011, included construction of a tertiary treatment system, lined storage reservoirs for seasonal storage of recycled water, acquisition of additional agricultural reuse sites to irrigate fodder crops at or below agronomic rates, and other improvements. District No. 20 utilized a combination of the proceeds of the 2007 Bonds and the Existing State Loan to finance the construction of the Upgraded Treatment Facilities. See "FINANCIAL INFORMATION – Existing Obligations." At its June 9, 2011 Board meeting, the Regional Board rescinded the Cease and Desist Order for the Palmdale WRP.

For information relating to compliance and significant regulatory issues with respect to District No. 20's Sewerage System, see "DISTRICT NO. 20 – Operations."

Effluent Management

As described herein, the Palmdale WRP historically used oxidation ponds as the primary means of treatment. With the large surface area of the ponds and the hot, arid climate, the evaporative losses

were roughly equal to the influent flows and no additional effluent management options were required except for a small portion of the effluent that was sent to a local farmer for irrigation of alfalfa crops. This proved satisfactory until the late 1980's when housing development significantly increased and flows at the Palmdale WRP increased dramatically, outpacing the rate of evaporation. In order to meet the new effluent disposal needs of the Palmdale WRP, District No. 20 entered into a long-term contract with LAWA, giving LAWA rights to the effluent and the responsibility of managing it properly. LAWA subsequently engaged in limited agricultural operations and land application.

Land application was not the best or highest use of the effluent and ultimately led to other issues. See "DISTRICT NO. 20 – Operations" and "DISTRICT NO. 20 – Significant Regulatory Issues." In response, a new 20-year master contract was entered into by the two agencies in February 2002. Under the terms of this new contract, District No. 20 leased 2,680 acres from LAWA, with the right to sublet the acreage to local farming operations. In 2003, Antelope Valley Farming began using the property on a 3-year contract that has been renewed multiple times since then. Under the terms of the sublet agreement, Antelope Valley Farming can only apply the effluent at agronomic rates to ensure compliance with District No. 20's discharge permits.

The current contract with LAWA is set to expire in 2022. District No. 20 staff has begun negotiations with LAWA staff to renew the agreement for another 20 year period. While District No. 20 believes these negotiations will be successful, there can be no guarantee that an agreement will be reached or that the contract will be renewed. To help protect against that possibility, District No. 20 is in the process of implementing other strategies for effluent management. These include working with the City of Palmdale to extend its municipal reuse system (a park in Palmdale is already receiving recycled water), working with the Palmdale Water District on a proposed groundwater recharge project, and purchasing land for alternative farming operations near the effluent storage reservoirs as it becomes available. To date, District No. 20 has purchased nearly 1,100 acres (roughly half of what would be needed if the LAWA contract is not renewed).

System Capacity and Demand

The Upgraded Treatment Facilities increased the capacity of the Palmdale WRP to 12 million gallons per day ("mgd"), providing a reserve capacity of approximately 3 mgd above the existing flows. As shown in Table 2, flows have remained relatively steady over the last several years, with minimal to no increase in overall demand. Prior to this time, flows had been increasing at a significant rate on a yearly basis. The slowdown in the rate of increase is partially due to various water conservation efforts that have been implemented over the last decade, requiring the installation of low-flow devices in new construction and the retrofitting of existing buildings. These water conservation efforts have been intensified with the lingering severe drought conditions in the western United States. The downturn in the economy since 2008 has also played a role as the number of new housing starts, which had been significant in the Antelope Valley, has been delayed. Although there has been some recovery in the housing market, based on current population projections (and the concurrent increase in flow), no additional capacity is anticipated to be needed before 2031. See "DISTRICT NO. 20 – Growth" for additional information on potential growth and increases in demand.

TABLE 2
Average Daily Flow from District No. 20
in Millions of Gallons per Day;
Fiscal Years 2011-12 through 2015-16

Fiscal Year <u>2011-12</u>	Fiscal Year <u>2012-13</u>	Fiscal Year <u>2013-14</u>	Fiscal Year <u>2014-15</u>	Fiscal Year <u>2015-16</u>
9.2	9.3	9.2	9.2	9.4

Source: District No. 20.

Operations

District No. 20 is the sole provider of wastewater treatment services within its service area. District No. 20's wastewater treatment and disposal facilities are operated and maintained by LACSD staff on behalf of District No. 20.

Customer Base. The estimated number of sewage units (billing units) served by District No. 20 during fiscal years 2011-12 through 2015-16 are presented in Table 3 and the corresponding user fees and ad valorem taxes related to those years are shown in Table 4. A sewage unit is defined to be the average daily quantity of wastewater flow and strength from a single family home. Table 5 is a list of the ten largest customers of District No. 20, their total billing for fiscal year 2015-16, and the percentage each represents of the total user charges collected that year.

TABLE 3
Estimated Sewage Units By Customer Type and Total Parcels
Fiscal Years 2011-12 Through 2015-16

Fiscal Year	Number of Sewage Units⁽¹⁾					Total Parcels
	Residential⁽²⁾	Commercial	Industrial	Contract	Total	
2011-12	35,065	8,953 ⁽³⁾	281	28	44,327	31,936
2012-13	35,002	9,497 ^(3,4)	289	28	44,816	32,034
2013-14	35,227	8,212 ⁽⁵⁾	292	28	43,759	32,084
2014-15	35,248	8,305 ⁽⁵⁾	232	28	43,813	32,135
2015-16	35,202	7,710 ⁽⁵⁾	267	28	43,207	32,284

⁽¹⁾ A sewage unit is the average daily quantity of sewage flow and strength from a single family home.

⁽²⁾ The residential sewage units are adjusted each year to reflect reductions in sewage units for parcels that applied for and received a low-water rebate in the preceding fiscal year. See "FINANCIAL INFORMATION – Revenues – Service Charges".

⁽³⁾ In fiscal years 2011-12 and 2012-13, a limited number of commercial parcels were credited with a reduced number of sewage units based on their previous year's water consumption data as submitted through the low-water rebate program. Those reduced sewage units are reflected herein. Most commercial parcels only received a rebate and no reduction was made in their sewage units. See "FINANCIAL INFORMATION – Revenues – Service Charges".

⁽⁴⁾ In fiscal years 2012-13, District No. 20 re-categorized several retail outlets as shopping center (previously they had been categorized as stores) and adjusted their sewage units accordingly.

⁽⁵⁾ Beginning with fiscal year 2013-14, the low-water rebate program was modified so that the sewage units attributable to any commercial discharger could be reduced in subsequent fiscal years based on the preceding year's water consumption data as submitted through the low-water rebate program. Those reductions are reflected herein. See "FINANCIAL INFORMATION – Revenues – Service Charges".

TABLE 4
User Fees and Ad Valorem Taxes
Fiscal Years 2011-12 Through 2015-16
(\$ in thousands)

Fiscal Year	Service Charges Collected⁽¹⁾	Service Charge Rebates⁽²⁾	Net Service Charge Revenue	IW Surcharge Revenue	Total User Fees	A.V. Taxes⁽³⁾
2011-12	18,878	(1,285) ⁽⁴⁾	17,593	292	17,885	973
2012-13	21,226	(488)	20,738	284	21,022	1,004 ⁽⁵⁾
2013-14	22,805	(1,830)	20,975	369	21,344	846 ⁽⁵⁾
2014-15	23,301	(1,041)	22,260	326	22,586	1,103
2015-16 ⁽⁶⁾	23,601	(2,451) ⁽⁷⁾	21,150	348	21,397	1,306

⁽¹⁾ Actual amount collected before any consideration is given for parcels that have qualified for and received a rebate under District No. 20's low-water rebate program. See "FINANCIAL INFORMATION – Revenues – Service Charges".

⁽²⁾ Rebates issued pursuant to the low-water rebate program. See "FINANCIAL INFORMATION – Revenues – Service Charges" for details of the program. Rebates are recorded in the year in which claims are processed, not in the years for which they are being made.

⁽³⁾ Actual amount collected. See "DISTRICT NO. 20 – Revenues – Ad Valorem Taxes" for a discussion of the amount of ad valorem taxes retained by District No. 20.

⁽⁴⁾ Effective July 1, 2011, the low-water rebate program was amended to allow dischargers a one-time opportunity to retroactively apply for 4 years of reduced charges.

⁽⁵⁾ At the end of FY 2012-13, District No. 20 mistakenly received \$73,055 in Prop. 1A Securitization Payments from the Los Angeles County Treasurer and Tax Collector. The County realized its error in early FY 2013-14, and the Prop. 1A Securitization monies were returned.

⁽⁶⁾ Based on FY 2015-16 unaudited actual data.

⁽⁷⁾ The 4-year retroactivity provision of the low-water rebate program expired on June 30, 2015. A significant number of claims were filed just before this deadline. However, the claims were not processed until FY 2015-16 and are recorded in that fiscal year.

TABLE 5
TEN LARGEST CUSTOMERS
Fiscal Year 2015-16

Customer	Fiscal Year 2015-16 Billing	Percentage of User Charges Collected
1. Antelope Valley Mall LLC (Shopping Center)	\$ 296,471	1.26%
2. Lockheed Martin (Aerospace Manufacturing)	249,212	1.06
3. Target Corporation (Shopping Center)	181,625	0.77
4. Golden Spectrum Property LLC (Shopping Center)	112,048	0.47
5. Universal Health Care (Acute Care Hospital)	98,509	0.42
6. Palm Chaparral Apartments LLC	97,680	0.41
7. 2200 Town Square East LLC (Shopping Center)	84,484	0.36
8. Walmart Real Estate Business Trust (Store)	83,068	0.35
9. Canyon Creek Apartments	79,200	0.34
10. LY Developers and Management LLC (Store/Warehouse)	78,736	0.33
TOTAL	<u><u>\$1,361,033</u></u>	<u><u>5.77%</u></u>

Source: District No. 20.

Supplies. All essential supplies for the operation and maintenance of the facilities of District No. 20 are presently readily available at reasonable market prices. All chemicals are stored in quantities sufficient to supply operations for several weeks. Back up supplies are maintained in case of emergency or system failure.

Permits, Licenses and Other Regulations. The federal, state and local regulations relating to District No. 20 are revised regularly, and the costs to District No. 20 of compliance with such revisions can be substantial. The Palmdale WRP currently operates under Waste Discharge Requirements (WDRs) No. R6V 2011-0012 (including all amendments thereto), and is permitted to provide recycled water for various uses (e.g. irrigation, agriculture) under Reuse Permit No. R6V 2012-0002. Both the WDRs and Reuse Permit have no expiration date and are amended only as needed. District No. 20 believes it is in material compliance with all applicable permits and regulations; however exceedances of applicable regulations have occurred on an infrequent basis in the past. When such exceedances of applicable regulations have occurred in the past or may occur in the future, District No. 20 has taken and will take immediate corrective actions.

District No. 20 also operates under Cleanup and Abatement Order No. R6V-2003-056 (the “CAO”) due to elevated nitrate levels in groundwater associated with past land application practices. In response to clean up strategies submitted to the Regional Board, Resolution No. R6V-2005-0010 (“Resolution”) was issued to District No. 20 and LAWA. The Resolution directed District No. 20 and LAWA to pursue a cleanup method that would reduce nitrates in groundwater to concentrations less than 10 mg/L (as N) in the shortest possible time, while not exacerbating overdraft conditions existing in the basin. An evaluation of additional options for remediation was submitted to the Regional Board, as required, on April 13, 2006.

On February 23, 2007, District No. 20, along with County Sanitation District No. 14 of Los Angeles County (“District No. 14”; collectively “Districts Nos. 14 and 20”), entered into a Settlement Agreement and Mutual Release (the “Settlement Agreement”) with the Regional Board. It provided for a proposed settlement of litigation between the two Districts and the Regional Board, including issuance of Administrative Civil Liability Order No. R6V-2007-0034 (the “ACL Order”). Under the terms of the

Settlement Agreement, its amendments, and the ACL Order, Districts Nos. 14 and 20 were required, among other things, to pay six annual payments totaling \$4,550,000 to the Regional Board pre-approved Supplemental Environmental Project for construction of components of the Antelope Valley Recycled Water Project, through an escrow account. Final payment to the escrow account was deposited by Districts Nos. 14 and 20 in June 2013. Funds were disbursed in accordance with the conditions of the escrow account agreement made between the two Districts and U.S. Bank National Association.

District No. 20 believes that it has obtained all permits and licenses presently necessary to operate the Sewerage System in accordance with federal and state laws. There can be no assurance that costs associated with compliance with federal, state and local regulations with respect to the Sewerage System will not materially exceed District No. 20's estimates. Significant increases in such costs of compliance could adversely affect the ability of District No. 20 to generate Net Revenues in the amounts sufficient to pay Installment Payments. See "CERTAIN RISK FACTORS – Statutory and Regulatory Impact" herein and Appendix C "INSTALLMENT PURCHASE AGREEMENT – Covenants" attached hereto. The facilities plan being developed by the Sanitation Districts, including District No. 20, contemplates the acquisition and maintenance of such permits and licenses to address wastewater management needs for the next 20 years. District No. 20 intends to take into account as part of such facilities plan reasonably foreseeable changes in federal, state and local regulations. See "DISTRICT NO. 20 – Growth."

Significant Regulatory Issues

As discussed previously, District No. 20 operates under the CAO. As required by the CAO, a Cleanup and Remediation Plan was developed and is being implemented for the site. In order to pay a portion of the capital costs in connection with this remediation project, District No. 20 entered into a Subordinate Obligation with the Los Angeles County Sanitation Districts Financing Authority in connection with the issuance by the Authority of its 2005 Bonds. As part of the plan, District No. 20 added lined storage reservoirs for seasonal storage of recycled water, increased the number of agricultural fields in production, and irrigates fodder crops with recycled water at or below agronomic rates. In November 2012, the Regional Board issued Investigative Order R6V-2012-0056 (the "Investigative Order") jointly to District No. 20 and to LAWA, the landowner of the site used for effluent management as well as other surrounding parcels that have been leased out to different farming interests, to: evaluate nitrate containment and delineation at the site; prepare an extracted groundwater reuse plan; and develop a technical report that re-evaluates technologies and updates costs for remediation of nitrate impacted groundwater. The nitrate containment and delineation evaluation, along with the extracted groundwater reuse plans, have been developed and are currently being implemented. A technical report evaluating groundwater remediation technologies and costs (the "Technical Report") was submitted to the Regional Board in October 2013. District No. 20 continues to work with the Regional Board to implement the recommendations from the Technical Report, including the installation of additional groundwater monitoring wells in zones of high nitrate concentration. Based on the current Cleanup and Remediation Plan, it is anticipated that District No. 20 will spend approximately \$400,000 every other year over the next 45 to 50 years. This expense has already been included in District No. 20's projected operating results. District No. 20 is also seeking contribution from LAWA for the cost of remediation.

Growth

From the 1980s through the early 2000's, the Antelope Valley was one of the fastest growing areas in California with Lancaster and Palmdale both seeing tremendous growth. However, with the onset of the Great Recession in 2008, the annual number of new connections decreased significantly, nearly to zero. While the number of new connections has begun to increase as the economy continues to recover, the rate of growth has remained relatively slow and no significant impacts are expected in the near term. The impact of new development has been further mitigated by the water conservation efforts that have

been implemented in response to the prolonged drought throughout California. As a result, flows at the Palmdale WRP have remained relatively stable over the last five years. See “TABLE 2 - Average Yearly Flow from District No. 20.”

To ensure that District No. 20 has sufficient facilities to properly manage the increased flows, staff has created a development monitoring system to track proposed development while such growth is still in its planning stages. Additionally, staff works closely with the Southern California Association of Governments, the regional agency responsible for developing population projections throughout Southern California. This information is then utilized in the facility planning process to project anticipated wastewater flows.

Under existing law, District No. 20 is not empowered to control land use planning within its service area. Palmdale is responsible for land use planning in the incorporated areas of District No. 20, while the County is responsible for land use planning in the unincorporated areas of District No. 20. District No. 20 has implemented an exchange of information program with the local jurisdictions whereby development and planning information is exchanged. District No. 20 provides Palmdale and the County with information on existing wastewater facilities and future facilities planning (including population forecasts and development monitoring lists) and, in turn, receives development and land use information from Palmdale and the County. This exchange aids the local jurisdictions in the development of their general plans and allows District No. 20 to maintain current estimates of projected wastewater demand.

District No. 20 has implemented financial policies to ensure that the new growth pays for itself and that existing users are not required to subsidize new developments. See “DISTRICT NO. 20 – Financial Policies.” Any territory outside of District No. 20’s current service area must first annex to District No. 20 before service can be provided. In accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, District No. 20 has established certain policies and procedures relating to annexation of territory, including requiring that the other governmental agencies receiving a portion of the property taxes from the territory proposed for annexation sign a tax sharing agreement whereby District No. 20 will receive a pro rata share of the incremental increase in the ad valorem taxes. Before a new project can physically connect to the Sewerage System, the developer thereof must pay a connection fee in proportion to the anticipated increase in burden that will be placed on the sewerage system. The fee is based on the cost of constructing an incremental expansion of the Sewerage System (conveyance, treatment, and disposal) to accommodate the new flow. The connection fees are accumulated in a restricted fund and withdrawn as necessary to construct expansion-related facilities.

Capital Improvement Program

District No. 20 routinely monitors the condition of its conveyance, treatment and disposal systems. Capital improvement projects are developed, as needed, to: (i) renovate or replace existing facilities; (ii) upgrade existing facilities to comply with new or changing laws or regulations; or (iii) provide additional capacity as demand for its services grows.

Staff engineers routinely inspect the sewers for physical damage, to monitor flows and to determine available capacity in the various sewers. Based on this information, a detailed report on the status of each sewer system is prepared. Capital improvement projects are developed and scheduled based on the need for relief (through expanded capacity) or rehabilitation of each sewer. These projects are then sent out for competitive bid and constructed. Staff engineers also routinely monitor the physical condition and performance of the existing treatment plants, their ability to comply with existing and emerging regulatory requirements, and the amount of treatment capacity remaining at the plants. As needs arise, the staff engineers evaluate alternatives and identify the most environmentally safe and cost effective solution to meet such future needs of District No. 20. Once defined, detailed designs, cost estimates and

construction schedules are prepared for the capital improvement projects, which are constructed by contractors selected through a competitive bidding process.

Current and Future Capital Improvement Activities. District No. 20 owns a sewer (the 35th Street East Relief Trunk Sewer) which is located under a dirt road adjacent to an unimproved streambed. Periodically, stormflows in the streambed have meandered across the dirt road, scouring the soil and exposing some of the manhole shafts. The City of Palmdale has placed riprap around the manholes to stabilize them and there is no immediate threat to the structural integrity of the sewer. However, the long-term solution to this issue will be to undertake a streambed stabilization project at a cost of approximately \$2 million during fiscal year 2017-18.

Construction of the new storage reservoirs for effluent management required the removal of small areas of Joshua Tree Woodlands and reduced available habitat for wildlife species in the project region. As mitigation for this biological impact, District No. 20 is committed to the acquisition and preservation of appropriate open space land. The procurement of this land is expected to cost approximately \$1 million and will occur as suitable lands are identified.

As previously discussed, District No. 20 is installing additional groundwater monitoring wells pursuant to the Investigative Order and the ensuing Technical Report. See “DISTRICT NO. 20 – Significant Regulatory Issues.” It is anticipated that District No. 20 will spend approximately \$400,000 every other year over the next 45 to 50 years.

The Upgrade Treatment Facilities included the replacement of the oxidation ponds with conventional activated sludge operations. With the higher level of treatment, the process now produces biosolids, which are treated residuals from wastewater processing. In order to minimize costs, the biosolids are de-watered before hauling to remote locations for reuse on agricultural lands. Surplus centrifuges from the LACSD’s Joint Water Pollution Control Plant were relocated to the Palmdale WRP for this purpose. As these centrifuges reach the end of their useful life, they will be replaced with high speed centrifuges. Although the new centrifuges will not be needed for another eight to ten years, the cost (approximately \$16 million) will be spread over the intervening years and has already been factored into the projected rates.

District No. 20 will fund all of these additional capital improvements with a combination of existing cash reserves and user chargers. No additional borrowings (either bonds or loans) are anticipated at this time. There can be no assurance that these identified projects will not exceed the amounts presently projected by District No. 20.

FINANCIAL INFORMATION

Following is information concerning the revenues of District No. 20 as well as a description of the budgetary process.

Revenues

Ad Valorem Taxes

Historically, one of the primary revenue sources of District No. 20 was the pro rata share of the 1% ad valorem property tax levied by the County pursuant to Proposition 13. All of the ad valorem taxes received by District No. 20 are deposited into its operating fund as the primary pledge for repayment of the Acquisition Agreements. Any ad valorem taxes in excess of that needed for repayment of the Acquisition Agreements are first used to help offset operation and maintenance expenses and then any remaining Obligations of the District.

Property values in District No. 20 declined in recent years as a result of local and state-wide impacts of the Great Recession. As the economy has recovered, ad valorem (property) taxes leveled off and, in fact, have begun to rise slightly. Additionally, District No. 20 has seen a significant increase in ad valorem taxes with the dissolution of redevelopment agencies and the redistribution of their ad valorem taxes. See “Historical and Projected Operating Data – Ad Valorem Taxes” for a discussion on the assumptions regarding future ad valorem taxes and Table 9 for the historical ad valorem receipts of District No. 20.

Service Charges

Subsequent to the passage of Proposition 13 in 1978, District No. 20 implemented a user fee program establishing the structure and mechanism for levying a charge on all residential and commercial users. Each user’s cost is based on its proportionate usage of the Sewerage System, measured in terms of flow and strength (chemical oxygen demand and suspended solids). These two parameters are combined into a single factor, the sewage unit. A sewage unit is equal to the discharge from a single-family home, and all other users are proportioned according to that standard. Under this system, each discharger is placed in a user category with assumed loading factors per unit of usage (e.g., number of units, square footage) that reflect the expected discharge from that category. By determining the number of units of usage for a given parcel, the number of sewage units attributable to each parcel can be calculated. The charge per sewage unit is then calculated by dividing the required supplemental revenue by the total number of sewage units in District No. 20. The resulting service charge is designed to recoup the cost of operation and maintenance expenses and upgrade capital. Such service charges are the major source of Revenues available for payment of Installment Payments. To ensure complete and speedy payment of the service charge, it is collected as a separate line item on the property tax bill. Nonpayment of any portion of the bill results in the imposition of a specific lien on the property. See “DISTRICT NO. 20 – Financial Management” and “FINANCIAL INFORMATION – Tax Levies and Delinquencies.”

During the recent drought in California, most water purveyors implemented severe water conservation measures. The biggest decrease in water use resulted from reductions in landscape irrigation, water that never makes its way into the sewerage system. For those sewerage agencies that charge on a volumetric basis related to water consumption, this means they have seen a significant decrease in revenues without a commensurate reduction in service or flows being treated. However, because District No. 20 bases its charges on estimated discharge to the sewer system and not on water consumption, the water conservation measures have had little or no impact on District No. 20’s revenues.

Although water conservation efforts had the biggest impact on landscape irrigation, there has also been a smaller, more gradual reduction in indoor water use and an associated reduction in sewage flows. In addition, some commercial discharges have implemented various strategies to reduce their sewage output. In order to reward these practices and ensure that users of the Sewerage System are not charged for more than what they generate, District No. 20 has implemented a low-water rebate program. Under this program, dischargers only receive a rebate and/or reduced amount on their service charge if their actual water usage drops below their estimated sewage discharge. This is predicated on the fact that generally the amount of sewage coming out of a parcel cannot be greater than the amount of water going into it.

During fiscal years 2011-12 and 2012-13, a limited number of commercial discharges were credited with reduced sewage units based on the water consumption data they submitted the previous fiscal year under the low-water rebate program. Most commercial dischargers continued to apply for a rebate and no reductions were made in the number of sewage units attributable to those parcels. Starting with fiscal year 2013-14, the low-water rebate program became prospective for all commercial parcels, meaning that the previous year’s water consumption data supplied with the rebate claim was used to

adjust the number of sewage units attributable to a parcel for the forthcoming fiscal year. In this way, dischargers only received a rebate the very first time a claim was filed and received a reduced charge in subsequent years. This means that the number of rebates (and the corresponding dollar amounts) will diminish over time as the number of eligible parcels that have not filed a claim also diminishes.

Set forth below is a summary of the historical and projected service charge rates in District No. 20. The existing service charge rate ordinance, adopted on July 16, 2015, established the current service charge rate of \$565 per year per sewage unit (equivalent single-family home). That ordinance also set service charge rates for fiscal years 2017-18 and 2018-19, which were predicated on the assumption that no bond refunding would occur and that District No. 20 would continue to pay the existing debt service on the 2005 and 2007 Bonds and the Existing State Loan. Given the substantial savings to be realized by the reduced debt service of the 2016 Bonds, it is anticipated that the Board of Directors will consider a new rate ordinance that incorporates a portion of the savings in reduced service charge rates as shown in Table 6. Because the proposed rates in each year are now less than what was previously adopted, District No. 20 will not be required to follow the notice and protest provisions of Proposition 218 for adopting the new rates. If the Board of Directors does not adopt a new rate ordinance, the existing higher rates will remain in effect.

TABLE 6
HISTORICAL AND PROJECTED SERVICE CHARGE RATES
(Dollars Per Single Family Home Per Year)

Fiscal Year	Service Charge Rate
2011-12	429
2012-13	477
2013-14	525
2014-15	535
2015-16	550
2016-17	565
2017-18	565 ^(1,2)
2018-19	575 ^(1,3)
2019-20	585 ⁽¹⁾
2020-21	595 ⁽¹⁾

⁽¹⁾ Assumes that the 2016 Bonds will be used to refund the 2005 and 2007 Bonds and to refinance the Existing State Loan.

⁽²⁾ Adopted service charge rate pursuant to the current Service Charge Rate Ordinance is \$580.

⁽³⁾ Adopted service charge rate pursuant to the current Service Charge Rate Ordinance is \$595.

Source: District No. 20.

In order to put these rates in perspective, a table has been provided comparing the total cost of service to a homeowner in District No. 20 with those of other sewerage agencies primarily located in southern California. The total cost of service includes the cost of the local collection system (which may be provided by a different agency), the cost of treatment, and any other revenues such as ad valorem property taxes used to offset expenses. Agencies that treat storm water flows through a combined sewer system or use ocean discharge for ultimate disposal were not included in the survey as they are not comparable to the level of service provided by District No. 20.

The majority of the agencies shown in Table 7 are located in the Mojave Desert. Even though they are in the same geographical and climatic region as District No. 20, it is difficult to find a true

“apples-to-apples” comparison. Some of the agencies provide a lower level of treatment, which minimizes their future opportunities for reuse. When the Upgraded Treatment Facilities were being planned, District No. 20’s Board of Directors, with community support, opted to go with a higher (albeit more expensive) level of treatment with the foresight that municipal reuse will be a critical factor in the future for addressing California’s ongoing water shortage. Other agencies have nearby rivers into which they can discharge their effluent. District No. 20 is in an enclosed basin and does not have a river available for discharge; it must use a system of storage reservoirs and agricultural reuse for its disposal. As municipal reuse continues to expand, the agricultural land represents an asset that can be used to generate revenue for the District. As a last comparison, the statewide average for all agencies that provide tertiary-level treatment was included.

TABLE 7
FISCAL YEAR 2016-17 ANNUAL COST OF SERVICE
IN CERTAIN OTHER JURISDICTIONS IN SOUTHERN CALIFORNIA
(Dollars Per Year Per Single Family Home)

Agency	Total Cost⁽¹⁾	Level of Service	Disposal Means
Victorville ⁽²⁾	323	Tertiary	River Discharge/Percolation
Apple Valley ⁽²⁾	420	Tertiary	River Discharge/Percolation
Tehachapi	455	Secondary	Flood Irrigation
Rosamond	478	Partial Tertiary	Evaporation Ponds
District No. 14	570	Tertiary	Agricultural Reuse
Statewide Average	611 ⁽³⁾	Tertiary	Various
District No. 20	688	Tertiary	Agricultural Reuse

⁽¹⁾ Includes service charge rates effective as of fiscal year 2016-17, any local sewer maintenance fees that may be charged by another entity, and any ad valorem property taxes dedicated to wastewater management.

⁽²⁾ Both agencies use the same regional system (Victor Valley Wastewater Authority). Difference in rates is due to the cost of local conveyance.

⁽³⁾ The statewide average is for fiscal year 2014-15, the last year for which the State has made data available.

Source: District No. 20.

Connection Fees

Connection fees are levied upon all dischargers who either are connecting to the Sewerage System for the first time or who are significantly increasing their level of discharge. The program is designed such that each user pays for the cost of constructing the capacity required to accommodate the user’s anticipated discharge. See “DISTRICT NO. 20 – Financial Management.” Anticipated discharge is measured in terms of flow and strength (chemical oxygen demand and suspended solids), and based on loadings per unit of usage (for residential and commercial users) or by an engineer’s evaluation of the actual facility (for industrial waste users). The connection fee rate is based on the estimated cost of constructing an incremental expansion of the Sewerage System (both treatment and conveyance). All connection fees are placed in the Capital Improvement Fund and are only withdrawn to pay for expansion-related capital projects. There can be no assurance that the connection fees received by District No. 20 will be sufficient to pay for expansion-related capital projects when they are needed or that payment of any deficiency from Revenues will not materially adversely affect the ability of District No. 20 to generate Net Revenues in the amounts sufficient to pay Installment Payments.

Set forth below is a summary of the historical and projected additional added capacity units and connection fees in District No. 20. The projected data for fiscal year 2016-17 and thereafter is based on

25% of the average number of new capacity units that were actually realized during the five-year period of fiscal years 2010-11 through 2014-15. While District No. 20 believes these assumptions and forecasts are reasonable (and, in fact, very conservative) for the purposes of the selected projected data, there can be no assurances that growth will occur as projected. To the extent that actual future conditions differ from those assumed herein, actual results will vary.

TABLE 8
HISTORICAL AND PROJECTED CONNECTION FEES
Fiscal Years 2011-12 Through 2020-21

Fiscal Year	Connection Fee Rate (\$ per Capacity Unit)	Number of Additional Capacity Units	Total Connection Fees⁽¹⁾
2010-11	6,190	95	587,559
2011-12	6,190	77	476,196
2012-13	6,190	177	1,098,476
2013-14	6,190	62	184,729 ⁽²⁾
2014-15	6,190	109	674,087
2015-16	6,190	374	2,316,323
2016-17 ⁽³⁾	6,190	27	167,130
2017-18 ⁽³⁾	6,190	27	167,130
2018-19 ⁽³⁾	6,190	27	167,130
2019-20 ⁽³⁾	6,190	27	167,130
2020-21 ⁽³⁾	6,190	27	167,130

⁽¹⁾ Net revenue collected, i.e. connection fees received less refunds from prior years.

⁽²⁾ A large development project for which connection fees were paid in 2007 was abandoned and the connection fees were refunded in May 2014. The actual revenue collected in fiscal year 2014 was \$386,129.

⁽³⁾ Projected connection fee revenues based on current adopted rate and annual number of new connections equal to 25% of the average annual connections made during fiscal year 2010-11 through 2014-15.

Source: District No. 20.

Industrial Wastewater Surcharge

In 1972, District No. 20 instituted a surcharge program for industrial wastewater dischargers. The program requires industrial wastewater dischargers to pay for operating, maintenance and upgrade capital according to their use of the Sewerage System. Usage is measured in terms of three parameters: flow, chemical oxygen demand and suspended solids. Also, dischargers with excessive peak flows must pay an additional peak flow charge. Lastly, industrial wastewater dischargers must pay a supplemental charge if their wastewater contains either benzene or thiosulfate. The method for determining the surcharge rates is similar to that for determining the service charge rate. See “Revenues – Service Charges” above.

Contracts

District No. 20 generates revenue from the sale of recycled water and the leasing of agricultural lands owned by District No. 20 or to which it has contractual rights. Such revenues are received through long-term contracts and are set by present market conditions. District No. 20 also generates revenue through the sale of sewage disposal services to certain facilities outside of the District’s boundaries. Because all of the wastewater received by District No. 20 from such facilities is industrial in nature, the revenue generated under these contracts is included with the Industrial Wastewater Surcharge revenue.

Investment Income

District No. 20's investment income is comprised of interest received on funds maintained by District No. 20 during each fiscal year. The amount of such income varies from year to year and depends on both the cash balances maintained by District No. 20 and the prevailing interest rates. District No. 20 has adopted an investment policy that provides for safety of principal, adequate liquidity, and earns a market rate of return. The investment policy further defines the permissible investments and establishes requirements for diversification to eliminate the risk of loss resulting from an overconcentration of assets in a specific issuer or a specific class of securities.

Budgetary Process

District No. 20's budget consists of three major categories: (i) operation and maintenance, (ii) capital, and (iii) debt service. District No. 20 is also allocated certain joint costs pertaining to joint administration of the Sanitation Districts.

Operation and maintenance budget estimates are prepared each year by LACSD staff members based upon historical information and projected changes in the sewerage facilities or requirements for the upcoming fiscal year. As many of the costs (e.g., pumping and chemicals) are directly related to flow, projections of the anticipated flows at each facility are made concurrently. Staffing requirements and changes in salaries and wages are also incorporated into the budget. These figures are projected over a five-year period, and anticipated changes or other anomalies are incorporated.

LACSD staff routinely prepares a detailed report on the status of the sewer system. This report is based on information gathered by field personnel who monitor flows and available capacity in the various sewers and who inspect the sewers for any sulfide corrosion. Each of the sewers is then prioritized for relief (through expanded capacity) or rehabilitation. This information is forwarded to the Sewer Design Section and a detailed sewer design and construction schedule is developed.

The Treatment Plant Operations Section identifies necessary capital improvements to the Palmdale WRP based on operational considerations. This information is forwarded to the Treatment Plant Design Section for preparation of a detailed design and construction schedule. Included in this schedule are any facilities that may be mandated by law or regulation. Information is also provided by the facilities Planning Section to project population growth and flow increases so that Palmdale WRP expansions can be scheduled appropriately.

Debt service currently consists of the installment payments (both the annual interest and principal payments) on the 2005 Bonds, the 2007 Bonds, the 2011 Bonds, the 2013 Bonds, and the Existing State Loan. Each year these amounts are adjusted to include any new Obligations that may have been issued or incurred during the previous year. Adjustments are also made for any Obligations that may have been retired during the previous year. In the future, the installment payments on the 2005 Bonds, the 2007 Bonds, and the Existing State Loan will be replaced with the 2016 Installment Payments.

Once all the costs (operations, maintenance and capital, including debt service) have been identified, the costs pertaining to the joint administration of the Sanitation Districts are apportioned to the respective Sanitation Districts. The apportionment is based on the proportionate usage, as measured by total sewage units in each Sanitation District. The joint costs apportioned to District No. 20 are then added to its individual costs (including debt service) to determine District No. 20's total budget.

The known revenue sources are identified after the budget expenditures are projected. The primary revenue sources (other than service charges and industrial waste surcharges) include District

No. 20's share of ad valorem taxes, investment income and the rate stabilization fund. To the degree that there are expansion-related capital projects, the Capital Improvement Fund (accumulated connection fees) is also utilized as a revenue source. Proceeds from the issuance or incurrence of Obligations are used as a revenue source to offset capital expenses if they are available; the corresponding debt service is included as an expense in subsequent years. See "DISTRICT NO. 20 – Revenues." The remaining difference between the expenditures and known revenues equals the amount of supplemental revenue that must be collected through the user charge program. The user charge rate is equal to the required supplemental revenue divided by the total number of equivalent users (sewage units) in the District No. 20. This process is repeated for each year of the 5-year planning period, and adjustments are made for rate stabilization.

Tax revenues and supplemental user charges are received from the County in periodic installments, with the largest receipts occurring in December and April. To provide sufficient revenues between July 1, the beginning of District No. 20's fiscal year, and December 31, District No. 20 includes in its operating fund budget a cash flow requirement to cover the period from the beginning of the fiscal year (July 1) until the first installment is received (December). The cash flow requirement is equal to the estimated expenses from July 1 through December 31, less any anticipated revenues.

Every year District No. 20's Board of Directors is presented with a preliminary budget and projected supplemental user charges. If a rate increase is recommended, individual mailed notices that comply with the terms of Proposition 218 are sent to all property owners informing them of a scheduled public hearing. See "FINANCIAL INFORMATION – Legal Debt and Tax Limitations – Statutory Limitations – Proposition 218." After the public hearing and review by the Directors, the Board of Directors sets the service charge rates by ordinance. If the rate is proposed to remain the same, the Board of Directors need only consider the adoption of a Service Charge Report pursuant to the California Health and Safety Code, § 5473. If the rate is proposed to decrease, the Board must consider adoption of the Service Charge Report followed by adoption of an ordinance with the new rates, but is not subject to any of the Proposition 218 requirements. In June, the Board of Directors is presented with a final budget (including any revisions to its preliminary budget) for its consideration and approval. At the same time, pursuant to California law, District No. 20's Board of Directors must adopt an appropriations limit relating to the proceeds of taxes. See "FINANCIAL INFORMATION – Legal Debt and Tax Limitations – Appropriations Limitations."

Relevant Financial Policies

Traditionally, District No. 20's financial policies have been tailored to two groups: (i) existing users and (ii) new users.

(i) Charges to existing users fund operations and maintenance of existing facilities and construction of any necessary capital upgrades (either the rehabilitation of existing facilities or the construction of new facilities that will provide a higher level of treatment without increasing capacity). Though District No. 20 continues to receive a pro rata share of ad valorem taxes to pay for sewerage services, this amount has been insufficient to meet all necessary expenses. In addition, over time the ad valorem tax revenue has become a much smaller percentage of the revenue stream and the shortfall has been made up through the residential and commercial service charge and the industrial wastewater surcharge programs. District No. 20's Board of Directors sets the service charge and industrial wastewater surcharge rates by ordinance. These rates are based on the District's budget, which consists of three major categories: (i) operations and maintenance, (ii) capital, and (iii) debt service. Tax revenues and service charges are received in periodic installments, with the largest receipts occurring in December and April of each fiscal year.

(ii) The Board of Directors has consistently endorsed a policy that the costs of additional facilities necessitated by increased flows from new development should be borne by new users, not existing users. Consequently, District No. 20 has implemented a Master Connection Fee Ordinance establishing the structure and mechanism for levying and collecting connection fees. The Board of Directors has adopted a connection fee rate ordinance, with a rate based on the incremental cost of expansion of all facilities. A new discharger's connection fee is based on the anticipated use of the sewerage system and is levied at the time a sewer permit is issued. The connection fees are accumulated in a restricted fund and withdrawn as necessary to construct expansion-related projects.

District No. 20 has aggressively pursued State Loans, which provide wastewater agencies 100% of eligible capital construction costs at an interest rate equal to one-half of the rate of the State's most recent general obligation bond for a period of up to 30 years.

District No. 20 has adopted an investment policy with safety of principal the primary objective, while maintaining liquidity and a market rate of return on its portfolio. District No. 20's investment policy is governed by and is in full compliance with the California Government Code. The District's Treasurer matches investments with anticipated cash flow requirements and does not invest in securities maturing more than five years from the date of purchase unless approved by the District's Board of Directors.

Historical and Projected Operating and Financial Data

Set forth below in Table 9 is a summary of selected historical and projected operating data of District No. 20. The summary shows debt service coverage on a June 30 fiscal year (not bond year) basis. The preparation of such projected data was based upon certain assumptions and certain forecasts with respect to conditions that may occur in the future. While District No. 20 believes these assumptions and forecasts are reasonable for the purposes of the selected projected operating data, District No. 20 makes no representations that they will occur. To the extent that actual future conditions differ from those assumed herein, actual results will vary.

Service Charges

The total service charge revenue is equal to the number of sewage units (equivalent users) multiplied times the service charge rate. The number of sewage units in fiscal year 2014-15 is based on the actual billings that were prepared using data provided by the Los Angeles County Assessor. In each subsequent year, the number of sewage units is projected to increase by 25% of the average number of new connections that occurred annually from fiscal year 2010-11 through 2014-15. This equates to approximately 27 new sewage units per year, a growth rate of 0.06%. See "FINANCIAL DATA – Historical and Projected Operating and Financial Data – Connection Fees" for additional information.

The projections assume that the previously adopted rate for fiscal year 2016-17 will not be amended or revised to reflect the new debt service associated with the 2016 Bonds. Although service charge rates were also adopted for fiscal years 2017-18 and 2018-19, the projections do assume that the Board of Directors will consider a new rate ordinance that incorporates a portion of the savings to be realized by the new debt service of the 2016 Bonds in reduced service charge rates as shown in Table 6. If the Board of Directors does not adopt a new rate ordinance, the existing higher rates will remain in effect.

Service charges collected by District No. 20 are relatively stable, tracking the change in rates and the variations in the number of sewage units. Changes in the service charge rebates, issued through the low-water rebate program, can vary widely from year to year. This was most noticeable in fiscal year 2013-14 when an amended Master Service Charge Ordinance first became effective and again in fiscal

year 2015-16 when certain rebates were eliminated effective July 1, 2015 (a rush of claim forms were received just prior to the deadline and were processed in fiscal year 2015-16). As previously noted, rebates are recorded in the year in which they are processed, regardless of the year for which the claim is filed. It is anticipated that, in future years, the number of rebate claims will decrease as there will be fewer and fewer parcels remaining that have not previously applied and/or qualified for the rebate.

Ad Valorem Taxes

During the Great Recession property values declined in District No. 20 and there was a concurrent decrease in ad valorem (property) taxes. As the economy has recovered, ad valorem (property) taxes leveled off and, in fact, have begun to rise slightly. District No. 20 also received some additional ad valorem taxes with the redistribution of ad valorem taxes previously received by redevelopment agencies (abolished in 2011). Since the ultimate disposition of these “surplus” tax revenues is the subject of numerous lawsuits throughout the State of California, District No. 20 cannot rely on continuing to receive such “surplus” taxes in the future. Consequently, the projections conservatively assume that the ad valorem taxes for fiscal year 2016-17 will only be 2% higher than the ad valorem taxes received in fiscal year 2015-16, less any monies previously attributed to the redevelopment agencies. In all subsequent fiscal years ad valorem taxes are assumed to increase by 2% per year.

Contract Revenues

The wastewater and solid waste systems have always been financially independent of each other. However, through fiscal year 2014-15, the wastewater system paid for all of the combined administrative expenses and then was reimbursed by the solid waste system for its share of those expenses. In the Comprehensive Annual Financial Reports, this reimbursement was recorded as contract revenue. New accounting software was implemented in fiscal year 2015-16 that allows the wastewater system to be charged for only its share of the combined administrative expenses, eliminating the need for offsetting revenue from the solid waste system. In order to make Table 9 consistent across all fiscal years, the solid waste reimbursement has been removed from the “Contract Revenue” for fiscal years 2011-12 through 2014-15 and the “Total O&M” has been adjusted to reflect the portion of the combined administrative expenses related only to the wastewater system. The net revenue (revenues less expenses) remains the same and there is no impact on the coverage calculation.

The contract revenue related to the sale of reclaimed water to the Palmdale Recycled Water Authority (the “Water Purveyor”) is based upon the minimum deliveries required under the contract. However, the Water Purveyor has indicated they plan to take significantly more water, which could result in revenues increasing by nearly \$500,000 per year by fiscal year 2019-20.

Connection Fees

The annual number of new connections in District No. 20 dropped dramatically with the onset of the Great Recession in 2008-09. As the economy has begun to recover that number has leveled off. However, as a conservative assumption, the projections assume that the number of new connections will only be 25% of the annual average over the last five years.

Operating Expenses

The operating expenses in District No. 20 rose dramatically over the 2-year period from fiscal year 2011-12 to fiscal year 2013-14. This increase is related to the startup and operation of the Upgraded Treatment Facilities, which because they utilize conventional activated sludge process are more energy intensive than the historic oxidation ponds. Now that the Upgrade Treatment Facilities are fully

operational, no similar large increases are anticipated and future operating expenses are assumed to increase by 3% per year in the future.

Capital Improvements

The projections assume that District No. 20 will implement those capital improvements described in “DISTRICT NO. 20 - Current and Future Capital Improvement Activities”. The projections further assume that all of these future projects will be fully funded with service charge revenues and existing cash reserves.

Rate Stabilization Fund

Historically, in any given year in which the coverage ratio exceeded the minimum (1.1x), the surplus revenues were transferred to the Rate Stabilization Fund and the coverage ratio was artificially reduced to minimum levels. In fiscal year 2013-14, funds were withdrawn from the Rate Stabilization Fund in order to meet the coverage requirements. This was necessitated by an unusually large number of low-water rebate claims processed that fiscal year, even though most of the claims were for prior years and were not reflective of the expenses or revenues attributable to fiscal year 2013-14.

Although District No. 20 has set aside \$19.5 million in a Rate Stabilization Fund, the projections assume no use of those monies.

Debt Service

The projections reflect debt service as set forth in “Table 1 – Schedule of District No. 20 Obligations Payments.”

Availability of Connection Fees for Payment of Debt Service and Calculation of Debt Service Coverage

The projections shown in Table 9 include all Connection Fees as available for debt service and have therefore included such amounts in the calculation of debt service coverage. The projections assume that new connections will annually occur at a rate equal to 25% of the average rate at which they occurred during the five-year period of fiscal years 2010-11 through 2014-15.

Cautionary Statement

While District No. 20 believes that the assumptions used to prepare the projections are reasonable, actual conditions are likely to differ from those assumed in the projected operating results set forth in Table 9, and such differences may be significant. There can be no assurances that, if actual conditions materially differ from those assumed in connection with the preparation of Table 9, such circumstances would not materially adversely affect the financial condition of District No. 20. See “RISK FACTORS” herein.

TABLE 9
DISTRICT NO. 20's HISTORICAL AND PROJECTED OPERATING DATA
(\$ in thousands)

	<i>Historical Operating Data</i>					<i>Projected Operating Data⁽¹⁾</i>				
DISTRICT NO. 20	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15	Fiscal Year 2015/16⁽²⁾	Fiscal Year 2016/17	Fiscal Year 2017/18	Fiscal Year 2018/19	Fiscal Year 2019/20	Fiscal Year 2020/21
REVENUE SOURCES										
A.V. Tax	973	1,004	846	1,103	1,306	870	888	906	924	942
Service Charges Collected ⁽³⁾	18,878	21,226	22,805	23,301	23,601	23,497	23,512	23,944	24,376	24,809
Service Charge Rebates ⁽⁴⁾	(1,285)	(488)	(1,830)	(1,041)	(2,451)	(650)	(350)	(200)	(100)	0
Industrial Waste	292	284	369	326	348	348	348	352	360	365
Contract	413	582	584	652	521	553	556	559	563	564
Interest	277	211	168	186	216	136	155	158	179	202
Rate Stabilization Fund	0	0	800	0	0					
Subtotal	19,548	22,819	23,742	24,527	23,541	24,754	25,109	25,719	26,302	26,882
Connection Fees	3,832	2,343	3,980	3,960	2,316	168	168	168	168	168
Revenue for Sr Debt	23,380	25,162	27,722	28,487	25,857	24,922	25,277	25,887	26,470	27,050
Connection Fees	476	1,098	185	674	2,316	168	168	168	168	168
Revenue for Sub Debt	20,024	23,917	23,927	25,201	25,857	24,922	25,277	25,887	26,470	27,050
EXPENSES										
Total O&M	8,855	9,300	10,211	10,405	10,579 ⁽⁵⁾	11,274	11,529	11,851	12,329	12,667
Rate Stabilization Fund ⁽⁶⁾	1,500	4,980	0	1,025	1,450	0	0	0	0	0
Total Expenses	10,355	14,280	10,211	11,430	12,029	11,274	11,529	11,851	12,329	12,667
DEBT SERVICE										
Senior AV										
Bonds	389	387	386	384	383	383	383	383	382	382
State Loans	0	0	0	0	0					
Total Senior Debt Service	389	387	386	384	383	383	383	383	382	382
Subordinate Revenue										
Bonds	8,391	8,392	8,389	8,391	8,391	7,859	10,622	10,624	10,622	10,626
State Loans	0	0	3,749	3,749	3,749	2,989	0	0	0	0
Total Debt Service	8,780	8,779	12,524	12,524	12,523	11,231	11,005	11,007	11,004	11,008
SENIOR DEBT SERVICE COVERAGE	11.91	6.43	13.92	12.80	4.41	7.31	8.16	8.91	9.21	9.84
SUBORDINATE DEBT SERVICE COVERAGE	1.10	1.10	1.10	1.10	1.10	1.22	1.25	1.28	1.29	1.31

- (1) See “Financial Data” for significant assumptions utilized in the preparation of projected operating results.
- (2) Revenues for fiscal year 2015-16 are unaudited actuals for the 12-month period. Total O&M Expenses are based on unaudited actuals for the first 10 months of the fiscal year and then projected forward for the full 12 months.
- (3) Amount either actually collected or projected to be collected before any consideration is given for parcels that have qualified for and received a rebate under District No. 20’s low-water rebate program or other adjustments. See “FINANCIAL INFORMATION – Revenues – Service Charges”.
- (4) Rebates actually issued or projected to be issued pursuant to the low-water rebate program and other refunds related to corrections. See “FINANCIAL INFORMATION – Revenues – Service Charges” for details of the program. Rebates are recorded in the year in which claims are processed, not in the years for which they are being made. Because rebates are only given the very first time a discharger submits a claim, the number of rebates is projected to diminish as fewer and fewer dischargers remain who are both eligible for a rebate and have never previously submitted a claim.
- (5) Although actual expenses for 2014/15 and estimated expenses 2015/16 were below budget, and were both less than a 3% per year increase from 2013/14 (the first year of operation with the new treatment plant configuration), projected expenses beginning in 2016/17 reflect a more conservative annual increase of approximately 3% from the base year of 2013/14.
- (6) Historically, when the subordinate debt service coverage was above 1.1, cash transfers were made into the rate stabilization fund, reducing the debt service coverage to 1.1. In the projected years, no transfers to the rate stabilization fund are shown even when the debt service coverage is above 1.1. In practice, District No. 20 may elect to make transfers in those years if the debt service coverage is at least 1.1.

Certain Existing Reserves

District No. 20 maintains reserves for operating costs, capital costs, and rate stabilization. The operating fund can be used for any authorized expense of the District. In addition, a portion of the operating fund consists of Net Operating Revenues that have been transferred to the Rate Stabilization Fund in the fiscal year in which they were accrued and are therefore available to be recognized as Revenues in future fiscal years in accordance with the Acquisition Agreements and the 2016 Installment Purchase Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – General.” Table 10 shows the fund balance as of June 30, 2016.

TABLE 10
FUND BALANCES AS OF JUNE 30, 2016

Operating Fund	
Total Fund	Available as Rate Stabilization Fund
\$20,582,743	\$19,545,000

Existing Obligations

District No. 20 has entered into a variety of obligations in order to finance or refinance improvements to its sewerage system, as described below.

Senior Acquisition Agreements

In connection with the issuance of the 2011 Bonds by the Authority, District No. 20 entered into the 2011 Acquisition Agreement; and in connection with the issuance of the 2013 Bonds by the Authority, the District entered into the 2013 Acquisition Agreement. Both Acquisition Agreements constitute “Ad Valorem Obligations” and “Senior Revenue Obligations” of the District. District No. 20 may not issue any additional Senior Obligations other than in connection with the refunding of the existing Senior Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Additional Obligations; No Additional Senior Obligations.”

Subordinate Installment Purchase Agreements

As described herein, in connection with the issuance of the 2016 Bonds, District No. 20 will enter into the 2016 Installment Purchase Agreement, which will constitute a “Subordinate Revenue Obligation” of District No. 20, payable from Net Revenues. However, the only Senior Obligations of District No. 20 outstanding are in the principal amount of approximately \$1.63 million debt, and District No. 20 may not issue any additional Senior Obligations other than in connection with the refunding of the existing Senior Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Additional Obligations; No Additional Senior Obligations.”

Information Relating to Acquisition Agreements and Subordinate Installment Purchase Agreements

Table 11 contains information concerning the Acquisition Agreements and the 2016 Installment Purchase Agreement, including a description of the purpose of the obligation, the payment priority of such obligation with respect to ad valorem taxes and Net Revenues, and the currently outstanding principal amount.

As described herein, the Acquisition Agreements the 2016 Installment Purchase Agreement are subject to acceleration under certain circumstances.

TABLE 11
OUTSTANDING OBLIGATIONS

	<u>Debt Balance</u> <u>(as of 10/1/2016)</u>	<u>Final Maturity</u>
SENIOR A.V. OBLIGATIONS		
2011 Acquisition Agreement	\$ 1,445,851	10/1/2023
2013 Acquisition Agreement	181,929	10/1/2021
TOTAL SENIOR A.V. OBLIGATION:	\$ 1,627,780	
SUBORDINATE REVENUE OBLIGATIONS (PURPOSE OF OBLIGATION SET FORTH BELOW)		
2016 Installment Purchase Agreement	\$ 170,265,000*	10/1/2042
TOTAL SUBORDINATE REVENUE OBLIGATION:	\$ 170,265,000	
TOTAL OBLIGATION:	\$ 171,892,780	

* As of the date of issuance of the 2016 Bonds.

Tax Levies and Delinquencies

In accordance with the California Revenue and Taxation Code, the Los Angeles County Tax Collector (the “County Tax Collector”) collects secured levies for each fiscal year. One-half of the levy is due November 1 and becomes delinquent December 10; the second installment is due February 1 and becomes delinquent April 10. A 10% penalty is added to any late installment. If no payments have been made on delinquent taxes at the end of five years, the property is deeded to the State. Such properties may thereafter be conveyed to the County tax collector as provided by law. Property owners may redeem property upon payment of delinquent taxes and penalties. Properties sold to the State incur a redemption penalty of 1.5% of the delinquent taxes per month of delinquency. Properties may be redeemed under an installment plan by paying current taxes plus 20% of delinquent taxes over a five year period. Interest accrues at 1.5% per month on the unpaid balance.

For most parcels located in District No. 20’s service area, the annual service charge is placed on the property tax bill prepared by the County Tax Collector as a separate line item under the heading of “Direct Charges.” It is not part of the 1% general tax levy allowable under Proposition 13 nor is it considered voted indebtedness. However, the County Tax Collector considers the property tax bill as a single total quantity; the taxpayer cannot choose to withhold a portion of the charges due and designate how his/her partial payment is to be applied. Hence, any failure to pay the service charge is treated as a property tax delinquency and is subject to the same penalty provisions described above. District No. 20 mails a direct bill to the property owners of the few parcels (generally non-local governmental parcels constituting less than 0.1% of the total number of parcels) that do not receive property tax bills. Pursuant to District No. 20’s Master Service Charge Ordinances, delinquencies on direct bills are subject to a late payment penalty of 10% plus interest at the maximum rate allowed by law (currently 1.5% per month).

Pension Plan

For a description of the California Public Employees Retirement System (“CalPERS”), in which District No. 20 participates, see Note 11 to the basic financial statements of the LACSD for fiscal year 2014-15 set forth in Appendix A attached hereto. The LACSD have contributed 100% of the actuarially required contribution to the California Public Employees Retirement System every year. Pursuant to the Joint Administration Agreement, District No. 20 is responsible for retirement benefits in an amount equal

to its portion of overhead charges plus retirement benefits with respect to personnel who work specifically on District No. 20 projects. District No. 20's payments to CalPERS were approximately \$500,000 in Fiscal Year 2014-15 and approximately \$500,000 again in Fiscal Year 2015-16. District No. 20 projects that its payments to CalPERS will be approximately \$600,000 in Fiscal Year 2016-17. The CalPERS plan for the LACSD in the aggregate has a funded status of 79.6% (market value basis). The cost of providing retirement benefits has increased significantly over the last several years and there can be no assurance that District No. 20's required contributions to CalPERS will not materially exceed its estimates. See Note 11 in Appendix A – "Audited Financial Statements of the Sanitation Districts."

Changes to Pension Reporting. On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved two new standards with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new standards are set forth in GASB Statements 67 and 68 and replaced GASB Statement 27 and most of GASB Statements 25 and 50. The objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions.

While the new accounting standards change financial statement reporting requirements, they do not impact funding policies of the pension systems. These Statements are effective for periods beginning after June 15, 2014. LACSD implemented GASB Statement 68; however, GASB Statement 67 was not implemented since it is not applicable to the LACSD. The audited Comprehensive Annual Financial Report of the LACSD for the Fiscal Year ended June 30, 2015 reflects implementation of the new GASB requirements, and resulted in the recognition of an aggregate net pension liability of approximately \$266 million for all of the Sanitation Districts. See Note 11 in Appendix A – "Audited Financial Statements of the Sanitation Districts."

Other Post-Employment Benefits (OPEB)

Pursuant to the Joint Administration Agreement, District No. 20 pays a proportionate share of overhead charges plus health care benefits and certain dental care benefits for retired employees of the staff of the LACSD. The LACSD have contributed 100% of the OPEB actuarially required contribution every year. District No. 20's payments related to these benefits were approximately \$300,000 in Fiscal Year 2014-15 and approximately \$300,000 again in Fiscal Year 2015-16. District No. 20 projects that its payments will be approximately \$300,000 in Fiscal Year 2016-17. The plan for the LACSD in the aggregate has a funded status of 38.0% (market value basis). See Note 12 to the basic financial statements of the LACSD for fiscal year 2014-15 set forth in Appendix A attached hereto.

Accrued Employee Absences (Vacation and Sick Leave)

The LACSD employees' vacation and sick leave pay is recorded as an expense when earned. These employees, who work on behalf of all of the LACSD, may accumulate vacation and/or sick leave over time in accordance with their bargaining unit or salary resolution. Upon retirement or termination, employees may be paid for accumulated vacation and/or sick leave in accordance with their bargaining unit or salary resolution. District No. 20's share in the Accrued Employee Absences at June 30, 2016, was \$972,670.

Insurance

The risk management objectives of District No. 20 are to protect against financial consequences of accidental losses which are catastrophic in nature and to preserve District No. 20's assets and public service capabilities from loss, destruction or depletion. The LACSD currently have \$25 million of umbrella liability insurance with a \$1,000,000 self-insured retention for general liability and an

underlying \$1,000,000 automobile liability coverage. Fire and theft insurance has been purchased on specific buildings, their contents, and equipment in the amount of \$423,581,746. Each of the aforementioned policies is available to District No. 20 through the LACSD. See Note 9 to the basic financial statements of the LACSD for fiscal year 2014-15 set forth in Appendix A attached hereto. The Sanitation Districts are self-insured for workers' compensation and employer's liability. Lastly, there is a \$5,000,000 pollution legal liability policy protecting the LACSD against third party damages due to sewage backups.

All the Sanitation Districts' construction contracts require the contractor to adhere strictly to the insurance and letter of credit requirements outlined in the projects' specifications, as set forth in the Special Provisions, as well as to the requirements listed in the most current edition of Standard Specifications for Public Works Construction.

State Financial Conditions

The State of California experiences financial stress from time to time, including multi-billion dollar budget shortfalls in recent fiscal years. From time to time legislative proposals have been made which would materially adversely impact the financial condition of District No. 20, including reducing property tax revenues received by District No. 20. There can be no assurances that actions taken by the State from time to time will not adversely affect the financial condition of District No. 20.

Legal Debt and Tax Limitations

The ability of District No. 20 to raise taxes and to impose rates, fees and charges is subject to statutory and constitutional limitations. Certain of these limitations are described below.

Property Tax Rate Limitation – Article XIII A

Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed 1% of the "full cash value" which is defined as "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment," subject to exceptions for certain circumstances of transfer or reconstruction and except with respect to certain voter-approved debt. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% per year, or decreases in the consumer price index or comparable local data, or to reflect reduction in property value caused by damage, destruction or other factors.

Article XIII A requires a vote of two-thirds of the qualified electorate to impose special taxes, while generally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. As amended, Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service on certain voter-approved general obligation bonds for the acquisition or improvement of real property. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State laws resulting in increased tax revenues.

Appropriations Limitations

The State and most entities of local government are subject to an annual "appropriations limit" imposed by Article XIII B of the State Constitution. Article XIII B prohibits an entity of the government from spending "appropriations subject to limitation" in excess of the appropriations limit imposed. Article XIII B, originally adopted in 1979, was modified substantially by Propositions 98 and 111 in 1988

and 1990, respectively. “Appropriations subject to limitation” are authorizations to spend “proceeds of taxes,” which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service,” but “proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on appropriations of funds that are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds.

Not included in the Article XIII B limit are appropriations for the debt service costs of bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government and appropriations for qualified capital outlay projects. The appropriations limit may also be exceeded in certain cases of emergency.

The appropriations limit for District No. 20 in each year is based on its limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at District No. 20’s option, either (1) the percentage change in California per capita personal income, or (2) the percentage change in the local assessment roll on nonresidential property. Either test is likely to be greater than the change in the cost of living index, which was used prior to Proposition 111. Change in population is to be measured either within the jurisdiction of District No. 20 or the County as a whole.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received by District No. 20 over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedule over the subsequent two years. As originally enacted in 1979, each District No. 20’s appropriations limit was based on 1978-79 authorizations to expend proceeds of taxes and was adjusted annually to reflect changes in cost of living and population (using different definitions, which were modified by Proposition 111). The appropriations limit is recalculated annually by taking the actual Fiscal Year 1986-87 limit, and applying the annual adjustments provided for in Proposition 111. District No. 20 anticipates that any such appropriations limitations will not impair its ability to make its 2016 Installment Payments.

Proposition 62

On November 4, 1986, California voters approved Proposition 62, which added Sections 53720 et seq. to the California Government Code and which: (i) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities, such as District No. 20, be approved by a two-thirds vote of the governmental entity’s legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax; (ii) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax; (iii) restricts the use of revenues from a special tax to the purposes or for the services for which the special tax was imposed; (iv) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution; (v) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (vi) requires that any tax imposed by a local governmental entity on or after August 1, 1985 and prior to the effective date of Proposition 62 be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

District No. 20 does not believe that Proposition 62 will impair its ability to make its 2016 Installment Payments.

Proposition 218

On November 5, 1996, the voters of the California approved Proposition 218, a constitutional initiative, entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contained a number of provisions affecting the ability of local governments, including District No. 20, to levy and collect both 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 July 1, 1997. As described below, Proposition 218 provides for broad initiative powers to reduce or repeal any local tax, assessment, fee, or charge. This initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments, fees or charges. However, other than an impact resulting from the exercise of this initiative power or the majority protest provisions of Proposition 218, as described below, District No. 20 does not believe that the potential financial impact of Proposition 218 will adversely affect its ability to make 2016 Installment Payments as and when due.

Article XIII D of Proposition 218 adds several provisions affecting “fees” and “charges,” which are defined as “any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.” All new and, after June 30, 1998, existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. A hearing must then be held upon the proposed imposition or increase of such property based fee, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the jurisdiction may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. District No. 20 has provided notice in compliance with the notice procedures outlined in Proposition 218.

“Fees” and “charges” are not defined in Article XIII C or SB 919. However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the “Bighorn Decision”) that charges for ongoing water delivery are property related fees and charges within the meaning of Article XIII D and are also fees or charges within the meaning of Section 3 of Article XIII C. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIII C.

In the Bighorn Decision, the Supreme Court did state that nothing in Section 3 of Article XIII C authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Pursuant to the 2016 Installment Purchase Agreement, District No. 20 has covenanted to impose rates and charge at specified levels. No assurance can be provided that District No. 20 will be able to meet such covenant if any proposed increased service charges cannot be imposed as a result of a majority protest under Proposition 218.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expands the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. District No. 20 does not believe it is currently charging any fees that will have to be reduced or eliminated as a result of Proposition 26.

No Default

None of the obligations for borrowed money of District No. 20 has been in default as to principal or interest payments or in any other material respect, and none of the agreements or legal proceedings of District No. 20 relating to any such obligations have been declared invalid or unenforceable.

CERTAIN RISK FACTORS

The following factors, which represent certain major risk factors, should be considered along with all other information in this Official Statement by potential investors in evaluating the 2016 Bonds. There can be no assurance made that other major risk factors do not currently exist or will not become evident at any future time.

Rate Covenant Not a Guarantee; Failure to Meet Projections

The ability of District No. 20 to make the 2016 Installment Payments and any other payments required to be made by it under the 2016 Installment Purchase Agreement depends on the ability of District No. 20 to generate Net Revenues at the levels required by the 2016 Installment Purchase Agreement. District No. 20's projected operating results, as set forth herein, contemplate that even with a reduction in service charges on residential and commercial users, District No. 20 will be able to make all of its required 2016 Installment Payments. Although, as more particularly described herein, District No. 20 expects that sufficient revenues will be generated through the imposition and collection of fees and charges described herein, there is no assurance that such imposition of such fees and charges will result in the generation of Net Revenues in the amounts sufficient to pay 2016 Installment Payments. As a result, District No. 20 may be unable to comply with the covenants under the 2016 Installment Purchase Agreement regarding generation of revenues and the District No. 20's covenant does not constitute a guarantee that sufficient Net Revenues will be available to pay the 2016 Installment Payments. Failure by District No. 20 to make its 2016 Installment Payments under the 2016 Installment Purchase Agreement could materially affect the Authority's ability to timely pay debt service on the 2016 Bonds.

In addition, District No. 20's financial projections are based on a number of assumptions. Changes in circumstances could have a material adverse impact on the ability of District No. 20 to pay the 2016 Installment Payments.

Statutory and Regulatory Impact

Laws and regulations governing wastewater management are enacted and promulgated by government agencies on the federal, state and local levels. Compliance with these laws and regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs will likely increase. Claims against District No. 20 with respect to its wastewater facilities and services could be significant. Such claims are payable from assets of District No. 20 or from other legally available sources. See "DISTRICT NO. 20 – Operations – Permits, Licenses and Other Regulations."

Although rates are the major source of funding for regulatory costs and District No. 20 has covenanted in the 2016 Installment Purchase Agreement to establish such rates as are necessary to enable District No. 20 to make all payments required to be made pursuant to the 2016 Installment Purchase Agreement, no assurance can be given that the cost of remediation of identified environmental conditions or compliance with such laws and regulations will not materially adversely affect the ability of District No. 20 to generate Net Revenues in the amounts sufficient to pay 2016 Installment Payments.

Earthquake or Other Natural Disasters

Southern California is traversed by many active faults that have generated large and moderate earthquakes in the past. Over the last 30 years, the most severe of these earthquakes was the January 17, 1994 Northridge earthquake.

The occurrence of an earthquake or other natural disaster which results in the temporary or permanent closure of major components of District No. 20 or its Sewerage System or results in significantly increased costs could materially adversely affect the ability of District No. 20 to generate Net Revenues in the amounts sufficient to pay 2016 Installment Payments.

Hazardous Waste

Although District No. 20 has developed a hazardous waste management plan to prevent inadvertent acceptance of hazardous waste in its service area, no prediction can be made presently as to the adequacy of such plan or as to the cost of implementing such plan. In addition, in the event that hazardous waste is inadvertently deposited in the Sewerage System, which ultimately requires significant remediation costs for which District No. 20 may be responsible, no assurance can be given that such cost of remediation will not materially adversely affect the ability of District No. 20 to generate Net Revenues in the amounts sufficient to pay the 2016 Installment Payments.

Certain Limitations on Ability of District No. 20 to Impose Taxes, Fees and Charges

Certain statutory limitations on District No. 20's ability to impose taxes, fees and charges are discussed in "DISTRICT NO. 20 – Financial Management" and in "FINANCIAL INFORMATION – Legal Debt and Tax Limitations - Statutory Limitations – Proposition 218." There can be no assurances that further legislation or initiatives will not affect District No. 20's ability to raise rates and charges.

LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, regulatory agency, public board or body, pending or, to the best knowledge of the Authority and District No. 20, threatened against the Authority or District No. 20, affecting the existence of the Authority or District No. 20 or the titles of their directors or officers to their respective offices or affecting or seeking to prohibit, restrain or enjoin the issuance of the 2016 Bonds, the application of the proceeds thereof in accordance with the 2016 Indenture, or in any way contesting or affecting the validity or enforceability of the 2016 Bonds, the 2016 Indenture, the 2016 Installment Purchase Agreement, the 2016 Continuing Disclosure Agreement or any action of the Authority or District No. 20 contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement, or contesting the powers of the Authority or District No. 20 or the authority of the Authority or District No. 20, as applicable, with respect to the 2016 Bonds, the execution and delivery of the 2016 Indenture, the 2016 Installment Purchase Agreement or the 2016 Continuing Disclosure Agreement, or any action of the Authority or District No. 20 contemplated by any of said documents, nor to the knowledge of the Authority and District No. 20, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the 2016 Bonds, the 2016 Indenture, the 2016 Installment Purchase Agreement or the 2016 Continuing Disclosure Agreement.

To the best knowledge of District No. 20, there is no action, suit, proceeding, inquiry or investigation, at law or in equity before or by any court, regulatory agency, public board or body pending or threatened against District No. 20 contesting or affecting the ability of District No. 20 to collect amounts from which 2016 Installment Payments are payable, or which would have a material adverse effect on District No. 20's ability to make 2016 Installment Payments.

CERTAIN LEGAL MATTERS

The validity of the 2016 Bonds and certain other matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. A copy of the proposed form of the opinion of Bond Counsel is contained in Appendix E attached hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for District No. 20 and the Authority by Lewis Brisbois Bisgaard & Smith LLP, Los Angeles, California

and for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Los Angeles, California.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2016 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the 2016 Bonds is less than the amount to be paid at maturity of such 2016 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2016 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2016 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2016 Bonds is the first price at which a substantial amount of such maturity of the 2016 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2016 Bonds accrues daily over the term to maturity of such 2016 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2016 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2016 Bonds. Beneficial Owners of the 2016 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2016 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2016 Bonds in the original offering to the public at the first price at which a substantial amount of such 2016 Bonds is sold to the public.

2016 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2016 Bonds. District No. 20 and the Authority have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2016 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2016 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2016 Bonds. The opinion of Bond Counsel

assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2016 Bonds may adversely affect the value of, or the tax status of interest on, the 2016 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2016 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2016 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2016 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the 2016 Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2016 Bonds. Prospective purchasers of the 2016 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2016 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of District No. 20 and the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. District No. 20 and the Authority have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2016 Bonds ends with the issuance of the 2016 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend District No. 20, the Authority or the Beneficial Owners regarding the tax-exempt status of the 2016 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than District No. 20, the Authority and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which District No. 20 or the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the 2016 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2016 Bonds, and may cause District No. 20, the Authority or the Beneficial Owner to incur significant expense.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the 2016 Bonds, Causey Demgen & Moore P.C., independent certified public accountants will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the amounts deposited pursuant to the Escrow Agreement to pay the applicable principal and redemption price of and accrued interest on, the 2007 Bonds on their respective payment and redemption dates.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of Owners and beneficial owners of the 2016 Bonds to provide certain financial information and operating data relating to the Authority and District No. 20 by not later than March 1 of each year (the “Annual Report”), commencing with the Annual Report for the 2015-16 Fiscal Year (due by March 1, 2017), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of specified events will be filed by the Authority with the Municipal Securities Rulemaking Board through its EMMA system. The specific nature of the information to be contained in the Annual Report or the notices of specified events is set forth in APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” hereto. These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). The Authority has not failed in the last five years to comply in all material respects with previous undertakings with regard to said Rule to provide annual reports or notices of specified events. The Authority provided the Annual Report for fiscal year 2012-13 to the dissemination agent in a timely manner, but the dissemination agent filed the Annual Report 18 days late. In addition, the Authority did not make timely filings with respect to certain changes in ratings of municipal bond insurers.

FINANCIAL STATEMENTS

Separate financial statements for District No. 20 are not prepared but, rather, the financial statements for all of the Sanitation Districts are prepared on a consolidated basis. Audited financial statements of the Sanitation Districts for the fiscal year ended June 30, 2015, and the independent Auditor’s Report regarding the financial statements are set forth in Appendix A attached hereto. Such audited financial statements exclude certain information relating to funds that are not available for payment of Installment Payments. The audited financial statements as set forth in Appendix A attached hereto, including the footnotes thereto, should be reviewed in their entirety. The financial statements for the fiscal year ended June 30, 2015 have been audited by Moss Levy & Hartzheim, LLP independent certified public accountants, as stated in its report. Moss Levy & Hartzheim, LLP was not requested to consent to the inclusion of its report in Appendix A and it has not undertaken to update the financial statements included as Appendix A or its report, and no opinion is expressed by Moss Levy & Hartzheim, LLP with respect to any event subsequent to its report.

RATINGS

Fitch Ratings and Standard & Poor’s Global Ratings have assigned ratings to the 2016 Bonds of “AA-” and “A+” respectively. The ratings reflect only the views of the rating agencies and any explanation of the significance of such ratings and any ratings on any of the Authority’s outstanding obligations may be obtained only from such rating agencies. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, or any of them, if, in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the 2016 Bonds.

UNDERWRITING

The 2016 Bonds will be purchased by the Underwriters under a Contract of Purchase pursuant to which the Underwriters agree to purchase all, but not less than all, of the 2016 Bonds for an aggregate purchase price of \$192,587,456.59 (representing the principal amount of the 2016 Bonds, plus an original issue premium of \$22,702,521.35 and less Underwriters' discount of \$380,064.76).

The initial public offering prices or yields stated on the cover page of this official Statement may be changed from time to time by the Underwriters. The Underwriters may offer and sell the 2016 Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices and yields.

The following paragraphs have been provided by the Underwriters:

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for District No. 20 and LACSD, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of District No. 20 and LACSD.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MUNICIPAL ADVISOR

Montague DeRose and Associates, LLC, Westlake Village, California, is employed as Municipal Advisor to the Authority in connection with the issuance of the 2016 Bonds. The Municipal Advisor's full fee for services rendered with respect to the sale of the 2016 Bonds is contingent upon the issuance and delivery of the 2016 Bonds. However, they are entitled to a reduce fee based on the amount of work performed, up to a maximum limit, if the 2016 Bonds are not issued. Montague DeRose and Associates, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the 2016 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Municipal Advisor to the Authority has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, as a part of, its responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

MISCELLANEOUS

Insofar as any statements in this Official Statement involve matters of opinion or estimates or projections, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2016 Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

LOS ANGELES COUNTY SANITATION
DISTRICTS FINANCING AUTHORITY

By: /s/Margaret Finlay
Chairperson

COUNTY SANITATION DISTRICT NO. 20
OF LOS ANGELES COUNTY

By: /s/James C. Ledford
Chairperson of County Sanitation
District No. 20 of Los Angeles County

APPENDIX A
AUDITED FINANCIAL STATEMENTS OF THE SANITATION DISTRICTS

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SANITATION DISTRICTS OF LOS ANGELES COUNTY CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



SOLID WASTE



WASTEWATER



GREEN ENERGY



RECYCLING

YEAR ENDED

June 30, 2015

GRACE ROBINSON HYDE

Chief Engineer & General Manager

**COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY,
CALIFORNIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

Prepared by the Accounting Section

Mr. Thomas J. Mueller
Chief Accountant

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Comprehensive Annual Financial Report

June 30, 2015

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COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Comprehensive Annual Financial Report

June 30, 2015

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COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Comprehensive Annual Financial Report

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COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

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GRACE ROBINSON HYDE
Chief Engineer and General Manager

December 18, 2015

Honorable Boards of Director
County Sanitation Districts
of Los Angeles County

Directors:

In accordance with California Government Code, we hereby submit the Comprehensive Annual Financial Report (CAFR) of the County Sanitation Districts of Los Angeles County for the fiscal year ended June 30, 2015. The CAFR contains a complete set of financial statements presented in conformity with generally accepted accounting principles and audited in accordance with generally accepted auditing standards.

This report consists of representations by Districts' management concerning the finances of the Districts. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. Management has established a comprehensive internal control framework that is designed to ensure that the assets of the Districts are adequately protected from loss, theft, or misuse, and that sufficient reliable information is compiled for the preparation of the Districts' financial statements in conformance with accounting principles generally accepted in the United States of America. Recognizing that the cost of internal controls should not outweigh their benefits, the Districts' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Districts' financial statements have been audited by Moss, Levy & Hartzheim, LLP, a firm of licensed certified public accountants. The independent auditor concluded that the Districts' financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) can be found immediately following the report of the independent auditors and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The County Sanitation Districts of Los Angeles County are a confederation of 24 independent special districts created under the County Sanitation District Act, California Health & Safety Code Section 4700, et seq., to provide sanitation services. The Districts provide environmentally sound, cost-effective wastewater and solid waste management to approximately 5.6 million people in Los Angeles County. The Districts' service area covers approximately 850 square miles and encompasses 78 cities and unincorporated territory within the County, excluding the majority of the City of Los Angeles.

During fiscal year 2014-2015, a 24th sanitation district, the Newhall Ranch Sanitation District (NRSD), joined the confederation. Although created on June 27, 2006, with the Los Angeles County Department of Public Works acting as staff, it did not take action until March 11, 2014, to become signatory to the Amended Joint Administration Agreement (Amended JAA). This is the agreement whereby all of the districts have agreed to be administered by a single shared staff and legal counsel. The last of the other 23 districts party to the JAA approved the change to the Amended JAA on September 10, 2014. During the interim, while the other 23 districts were taking action, NRSD appointed the officers and counsel of District No. 2 to serve as interim officers and interim counsel in order to carry out the business.

The governing body of each district is comprised of a Board of Directors generally consisting of the mayor of each city within the Districts' boundaries and the Chair of the County Board of Supervisors for unincorporated territory. The Boards are responsible for, among other things, adopting budgets, establishing user charges, and establishing policies. All of the districts party to the Amended JAA are served by one administrative staff, led by the Chief Engineer and General Manager and the Assistant Chief Engineer and Assistant General Manager. The Districts employ 1,663 full-time monthly and hourly employees, organized into seven departments. The workforce is diverse, with the largest concentration of employees serving in the operation and maintenance of the Districts' wastewater and solid waste management facilities.

The Districts' wastewater management system consists of approximately 1,400 miles of main trunk sewers, 48 active pumping plants, and 11 wastewater treatment plants. The Districts currently convey and treat approximately 400 million gallons per day (mgd) of wastewater, which is roughly one half of the total wastewater generated in the County. Approximately 138 mgd of the treated wastewater is available for reuse, after receiving a high level of treatment.

The Districts' solid waste management facilities handle an average of 5,500 tons per day of refuse and recyclable materials. The Districts operate two active sanitary landfills, one refuse-to-energy facility, one recycling center, three materials recovery/transfer facilities, and three gas-to-energy facilities. The Districts also maintain four former sanitary landfill sites and, through a Joint Powers Agreement, have participated in the development and implementation of another refuse-to-energy facility. The Districts have acquired one remote landfill site and have developed this site as part of the initial implementation of a waste-by-rail system. The Districts are currently finishing the construction of an intermodal facility and rail siding to complete the waste-by-rail system. Completion of the waste-by-rail system is expected in early 2016.

The Districts have entered into six Joint Powers Agreements that formed the basis of the following authorities: (1) the Southern California Coastal Water Research Project Authority; (2) the Commerce Refuse to Energy Authority; (3) the Southeast Resource Recovery Facility Authority; (4) the Puente Hills Habitat Preservation Authority; (5) the Inland Empire Regional Composting Authority; and (6) the Los Angeles County Sanitation Districts Financing Authority. The governing bodies of these

authorities are appointed pursuant to each of the Joint Powers Agreements. Except as discussed below, the budgeting and financing functions are maintained by the individual authorities.

Consolidated Entity

The Districts' CAFR also includes the financial activities of the Los Angeles County Sanitation Districts Financing Authority. The twenty-two active districts created the Financing Authority on April 14, 1993. District No. 34 and the newest district, NRSD, are not members of the Financing Authority. The Financing Authority exists solely to facilitate the issuance of long-term debt and has no daily operations and does not conduct business on its own behalf. Since the Financing Authority's governing body is entirely comprised of members of the Districts' Boards and the Financing Authority provides services entirely for the Districts, the Financing Authority's financial activities have been consolidated with the Districts' financial activities for financial reporting purposes.

Budget

Each district annually adopts a wastewater budget that outlines the major elements of the forthcoming fiscal year's operating and capital programs. From that, management allocates the funds necessary for the next year's specific activities and projects. Additionally, an annual budget is prepared for solid waste management activities. The annual operating budgets are used to serve as a basis for monitoring financial progress and determining future wastewater and solid waste user rates. During each fiscal year, operating and capital programs may be amended as circumstances dictate. The overall wastewater and solid waste management budgets for fiscal year 2014-2015 were \$534 million and \$175 million, respectively. Actual expenses for wastewater and solid waste management were \$500 million and \$162 million, respectively.

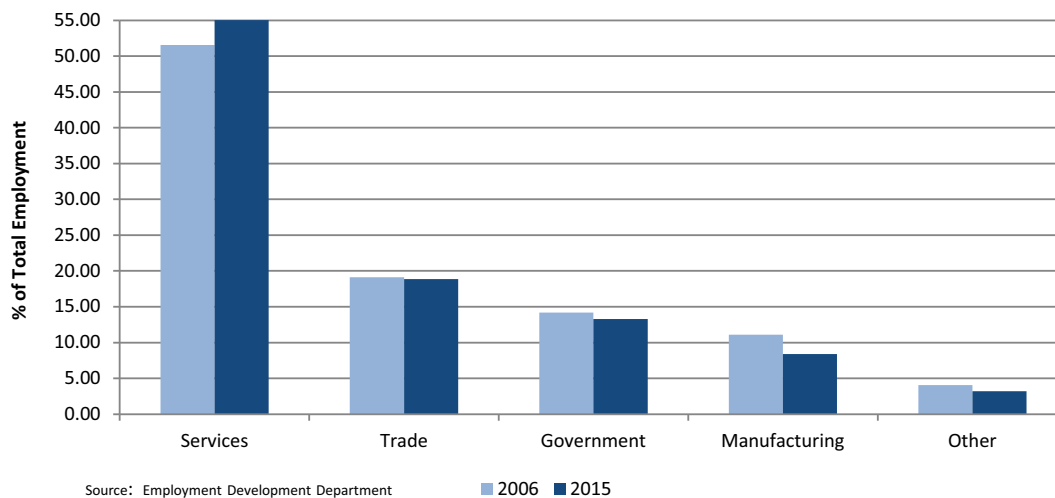
INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

The County has experienced a population decrease of 1.26% since 2006, and the California Department of Finance predicts the County will see an increase of 5.42% by 2025. Per capita personal income increased 39.39% during the past 10 years. A table showing more economic indicators is located on page 100 of the Statistical Section.

The unemployment rate in the County more than tripled from December 2006 (4.3%) to July 2010 (13.2%). Since reaching that high point, unemployment has steadily decreased to the current (June 2015) level of 7.4%. However, because of the increase in the size of the overall workforce, the total number of civilian employees has actually increased by 2.4% since 2006, with increases seen in the educational and health services sector, which saw a 32.53% increase, the leisure and hospitality sector, which saw a 23.72% increase, and the professional and business services sector, which saw a 3.61% increase. Employment in the services sector continues to be an increasing percentage of total employment in the County, as shown on Figure 1, increasing from 51.55% of total employment in 2006 to 56.27% in 2015, while manufacturing jobs decreased from 11.08% of total employment in 2006 to 8.39% in 2015. According to the Los Angeles County Economic Development Corporation, healthcare and social assistance; construction; professional, scientific, and technical services; and administrative, support, and waste services will see the most job growth over the next few years.

Figure 1
L.A. County Economic Sectors
2006 vs. 2015



California's water supply continues to be a concern due to projected population increases and frequent periods of time with low precipitation levels. This concern has increased with the severity of the current drought condition and the emergency water conservation measures being enacted by the state and local governments. This, in turn, has increased interest in the use of recycled water for groundwater recharge, industrial uses, and irrigation. The Districts are continuing to work with local and regional water purveyors in planning and constructing recycled water, advanced treatment, and delivery systems throughout their service areas.

In recent years, there has been a noticeable decrease in wastewater flows generated within a majority of the Districts' service area. The impact of this observed decrease in flows varies at different Districts' facilities, but the overall wastewater flow to the Districts' 11 treatment plants has decreased more than 22% since 2005. The decrease in wastewater flow is believed to be associated with the combined effects of the recent economic downturn, specifically a 25% decrease in Joint Outfall System industrial flow since fiscal year 2005-2006, and water conservation measures. While some increase in wastewater flows may be expected following the economic recovery, much of the reduction due to water conservation measures will stay in place as these efforts become part of everyday life and are reflected in changes to building and plumbing codes.

Long-Term Financial Planning and Major Projects

In the spring of 2014, nearly all of the Joint Outfall Districts adopted three-year rate ordinances covering fiscal years 2014-2015 through 2016-2017. Rate increases enacted by these ordinances were driven by the need to upgrade treatment facilities and infrastructure, to comply with increasingly stringent regulatory requirements, and to continue a phased approach to replenishing reserves to targeted levels. The average increase was approximately \$4.40 per year per single-family home. (A table reflecting each district's 10-year service charge rate history is located on page 91 of the Statistical Section.) Overall, the Districts' rates remain very favorable when compared to similar agencies.

The Districts' wastewater management system is critically dependent on its ability to dispose of the portion of treated effluent that is not recycled. The majority of the Districts' effluent is discharged, either directly or indirectly, to the Pacific Ocean, with a smaller portion being reused. The Joint Water Pollution Control Plant (JWPCP) discharges effluent through a tunnel and ocean outfall system, originally constructed in 1937, and expanded in 1958 and 1967. The tunnel and outfall system must remain in continuous operation, making it very difficult and, in the case of the tunnels, not practical for the Districts to fully determine the physical condition of these critical facilities. Therefore, the Districts evaluated a new tunnel and/or ocean outfall system in the context of a broader Joint Outfall System Master Facilities Plan to ensure the overall reliability of the wastewater management system. The board-approved project consists of an additional tunnel and cathodic protection of the existing ocean outfalls. This is expected to cost approximately \$700 million (in 2015 dollars). The Board of Directors of District No. 2 certified the Clearwater Environmental Impact Report and approved the Master Facilities Plan on November 28, 2012. The U.S. Army Corps of Engineers approved the federal Environmental Impact Statement on July 31, 2013. Final design and geotechnical work for a new 6.9-mile-long, 18-foot-diameter tunnel is underway and is scheduled to be completed by late 2016. Construction of the tunnel will take 6-7 years.

To address continued changes in available biosolids management options, a number of years ago the Districts undertook an effort to plan and develop a project that would offer the Districts long-term reliability at a controlled cost for managing biosolids produced from their wastewater treatment plants. Construction of the first phase of the Tulare Lake Compost (previously named Westlake Farm Composting Facility), located in Kings County, was completed in 2015. The Phase I project, at a cost of \$64 million, will provide facilities to compost approximately 100,000 wet tons of biosolids and 80,000 wet tons of bulking agent annually. The facility will be "state-of-the-art," utilizing an indoor receiving and mixing facility and engineered fabric covers to control air emissions from the composting process. The facility will produce an "exceptional quality" (as defined by USEPA) compost that will be applied to the Districts' adjacent 14,500 acres of farmland, currently leased by a local farmer. Benefits of the application of compost to the farmland include replenishing the organic matter in depleted topsoil, which will increase productivity of the agricultural land by improving moisture retention, porosity, and nutrient conditions in the soil. Phase I will have sufficient capacity to compost 100,000 wet tons per year, which represents approximately 23% of the biosolids produced by the Districts' wastewater treatment facilities, but will be initially started up in early 2016 at a level of 40,000 wet tons per year, about 9% of the biosolids produced by the Districts' wastewater treatment facilities. The design of the facility is such that additional phases can be added in the future, in 100,000 wet tons per year increments, for an ultimate capacity of 500,000 wet tons of biosolids annually, according to the needs of the Districts.

In 2004, the Districts implemented a treatment process upgrade project at the San Jose Creek WRP in order to meet new discharge limits for nitrogen compounds. The upgrades, however, necessitated a reduction in treatment flow in order to reliably meet the discharge limits. In October 2014, the Districts' Board approved the San Jose Creek WRP East Process Optimization Facilities Plan for a flow equalization project that will enhance the treatment process, providing for more reliable operations at higher wastewater flows. Providing for the treatment of higher flows at the San Jose Creek WRP will also make more effluent available for reuse. The project will cost approximately \$58 million. The Districts will be applying for funding through SRF loans and have already secured approximately \$3 million in Proposition 84 grant funding. Design of the project is in progress, with construction anticipated to begin in 2017.

The Lancaster and Palmdale Water Reclamation Plants (WRPs), located in the Antelope Valley, serve the wastewater management needs for the cities of Lancaster and Palmdale and adjacent unincorporated areas of Los Angeles County. Management of the recycled water produced at both WRPs

has been an ongoing issue, since the Antelope Valley is an enclosed watershed basin with no natural outlets. Both WRPs were upgraded to provide tertiary-level treatment, providing a quality of recycled water that is suitable for a multitude of uses in compliance with requirements imposed by the Lahontan Regional Water Quality Control Board. Currently, the vast majority of the recycled water is used for irrigation of fodder crops; however, the Districts are working with the two cities to develop and implement a regional municipal reuse system.

The major capital requirements in the Antelope Valley resulted in the need for significant increases in service charge rates, which were implemented prior to the start-up of the facilities in 2011. The District No. 20 Board of Directors approved the proposed four-year rate package, with increases of \$48, \$48, \$48, and \$10 per single-family home per year, covering fiscal years 2011-2012 through 2014-2015. The District No. 14 Board of Directors opted to defer a rate increase for fiscal year 2011-2012, based on the knowledge that the debt service associated with the SRF loan would not begin until July 2012. In August 2012, they did approve the necessary rate increases of \$88, \$24, and \$24 per single-family home per year, covering fiscal years 2012-2013 through 2014-2015.

Throughout the spring of 2015, Districts' staff analyzed the possibility of refinancing District No. 14's debt. After pricing in June, followed by approval by the Financing Authority, on July 8, 2015, District No. 14 issued its Capital Projects Revenue Bonds, 2015 Series A, in order to refund its then-outstanding Capital Projects Revenue Bonds, 2005 Series B. This reduced the annual debt service of District No. 14 by approximately \$1.1 million per year, affording the District the opportunity to enact a service charge rate decrease. Therefore, the Board of Directors took action in June 2015 to adopt an ordinance with an immediate \$20 per single-family home reduction in the service charge rate for fiscal year 2015-2016 and then remaining unchanged for each of the following three fiscal years (2016-2017 through 2018-2019).

District No. 20 did not sell the majority of its revenue bonds until 2007; therefore, the only way it could have undertaken a restructuring of its debt would have been as an advanced refunding. However, the negative arbitrage associated with having the funds in an escrow account until the bonds could be called in October 2017 would have negated most of the savings that could have been realized. As a result, the Board of Directors opted to wait until 2017 before undertaking a refunding of those bonds. In order to ensure the long-term financial stability of District No. 20, they enacted a service charge rate ordinance that imposed a \$15 per year per single-family home rate increase for each of fiscal years 2014-2015 through 2018-2019.

The Santa Clarita Valley Sanitation District (SCVSD) owns and operates the Saugus and Valencia WRPs, which serve the wastewater management needs of the Santa Clarita Valley. In 2007, the SCVSD received the State Water Board's regulatory mandate to reduce chloride levels in treated effluent discharged from these facilities to the Santa Clara River. After failed attempts in 2009 and 2010 to obtain Board approval of rates necessary to implement watershed-based approaches to compliance, the SCVSD has been working with regulators and stakeholders to explore other opportunities for more cost-effective compliance, while at the same time moving forward with preparation of a Facilities Plan and Environmental Impact Report to comply with the original regulatory standard. The SCVSD Board of Directors approved the Chloride Compliance Project (the Project) and certified the associated environmental impact report (EIR) on October 28, 2013. The approved Project will cost approximately \$130 million and consist of installing ultra-violet light disinfection at both the Saugus and the Valencia WRPs and advanced-treatment facilities at the Valencia WRP only. The approved project included a brine disposal component by deep well injection. However, due to concerns raised by the community, in March 2015, the SCVSD Board directed staff to evaluate other alternatives for brine management. A Supplemental EIR will be prepared evaluating brine concentration technology with truck disposal to an

existing industrial site. Certification of the Supplemental EIR is scheduled for spring 2016. Design has begun on the project and will continue through 2017. In 2014, after extensive public outreach, the Board approved a series of rate increases to fund the project. Per direction from the Board, outside funding for the project is being sought.

In the area of solid waste management, the Districts are continuing efforts to recycle materials and to finalize the development of a waste-by-rail system to be utilized when the capacities of more cost effective in-County and near-County disposal sites become inadequate. The waste-by-rail system will be comprised of materials recovery/transfer facilities, intermodal facilities, rail operations, and a remote landfill. The Puente Hills MRF and the Downey Area Recycling and Transfer facility will process waste to remove recyclable materials, and the residual waste will be put into sealed "intermodal containers," which will look like any other shipping containers. The containerized waste will be transported to intermodal rail facilities where the containers will be loaded onto rail cars for transport to a remote landfill. Containerized waste arriving at the remote landfill will be unloaded from the rail cars and transported to an operating area where the waste is emptied from the containers for disposal.

The Districts have acquired one remote disposal site, the Mesquite Regional Landfill in Imperial County. Projects to prepare the site for initial operations have been constructed, and the site is now ready to accept waste by truck delivery. The Mesquite Regional Landfill could provide 20,000 tons per day of permitted disposal capacity to Districts' cities and unincorporated County territories when needed. The operation of this site will provide more than 100 years of disposal capacity for Los Angeles County.

The Puente Hills Intermodal Facility (PHIMF), a 17-acre site located at 2500 Pellissier Place in the City of Industry, will have the capacity to load/unload two trains per day (4,000 tons per train) for transport to the Mesquite Regional Landfill. Construction of the PHIMF began in July 2009 and is expected to be complete in 2016.

Previously, a disposal capacity shortfall was expected to occur in the County when the Puente Hills Landfill closed on October 31, 2013. But, due to the economic downturn that significantly reduced tonnage County-wide and the successful permitting of additional nearby landfill capacity, there will be adequate disposal capacity within the region well beyond 2015. While there is adequate disposal capacity within the region, it is unlikely that customers will pay the higher cost of transporting waste over a 200-mile distance from Los Angeles County to a remote landfill. Therefore, utilization of the waste-by-rail system is not anticipated until local capacity is diminished. Until needed, the waste-by-rail system will be standing by, along with the option of truck hauling, to transport waste to the remote landfill. On April 24, 2013, the Districts executed an agreement with Orange County for short-term disposal capacity to serve the disposal needs of the Districts' materials recovery/transfer facilities.

The Districts were among the first to utilize landfill gas as a natural resource to produce renewable energy. The Districts constructed landfill energy recovery facilities at the Puente Hills, Spadra, Calabasas, and Palos Verdes Landfills that provide reliable and economic power that helps to serve California's increasing energy needs. The Palos Verdes Landfill Gas-to-Energy Facility, which started operations in 1988, was shut down permanently on October 1, 2011, because it was no longer economical to operate. The gas is now sent to an ultra-low emissions flare. The Districts sell their electrical output from the Puente Hills and Spadra Landfill Gas-to-Energy Facilities to Southern California Edison under 30-year Qualifying Facility (QF) contracts executed when the facilities were constructed in the 1980's. The QF contract for the Puente Hills Gas-to-Energy Facility expires at the end of 2016. The Districts have entered into a new power purchase agreement with Southern California Public Power Authority, effective January 1, 2017, at a fixed price of 8 cents/kW-hr. The agreement provides more revenue than other alternatives for selling the power, and it provides a reliable income

stream that will allow the facility to operate cost-effectively through 2030. Energy production at the Spadra Gas-to-Energy Facility has been declining since the landfill closed in 2000. The power output is down from a high of 8 MW in 2001 to less than 4 MW today. Because of the low power production, this facility is no longer cost effective to operate and is scheduled to be permanently shut down on October 1, 2015. At this time, there are no other commercially available energy recovery systems to cost-effectively re-use the landfill gas.

The Districts sell their electricity, renewable attributes, and capacity attributes from the Calabasas Landfill Gas-to-Energy Facility to various buyers under agreements that are in effect through 2016. Most of the electricity generated at Calabasas is sold to Districts' wastewater facilities at a fixed price of 4.9 cents/kW-hr. The remainder, approximately 1 MW, is sold to the California grid at prices in the 4-cents/KW-hr. range. The average income for the Calabasas facility, including electricity and other attributes, is approximately 8 cents/kW-hr.

Relevant Financial Policies

The Districts' mission is to protect public health and the environment through innovative and cost-effective wastewater and solid waste management and, in doing so, convert waste into resources such as reclaimed water, energy, and recycled materials. In terms of meeting the Districts' mission as it relates to its financial goals, the relevant financial policies are addressed as follows:

Traditionally, the Districts' wastewater financial policies have been tailored to two groups: existing users and new users. Charges to existing users of the system fund operations and maintenance of existing facilities and construction of any necessary capital upgrades (either the rehabilitation of existing facilities or the construction of new facilities that will provide a higher level of treatment, without increasing capacity). Though the Districts continue to receive a pro rata share of the 1% general property tax levy to pay for sanitation services, this amount is insufficient to meet all necessary expenses. The Districts make up this revenue shortfall through outside funding, including SRF loans and bond proceeds, and through the residential and commercial service charge and the industrial waste surcharge program. Each district's board of directors sets service charge rates by ordinance. These rates are based on each district's budget, which consists of three major categories: (i) operations and maintenance; (ii) capital; and (iii) debt service. Tax revenues and service charges are received in periodic installments, with the largest receipts occurring in December and April.

The Boards of Directors have consistently endorsed a policy that the costs of additional facilities necessitated by increased flows from new development should be borne by new users, not existing users. Consequently, all of the districts have implemented a Master Connection Fee Ordinance establishing the structure and mechanism for levying and collecting connection fees. Each district's board of directors has adopted a connection fee rate ordinance, with a rate based on the incremental cost of expansion of all facilities. A new discharger's connection fee is based on the anticipated use of the sewerage system and is levied at the time a sewer permit is issued. The connection fees are accumulated in a restricted fund and withdrawn as necessary to construct expansion-related projects.

The Districts have aggressively pursued SRF loans offered by the State of California, which provide wastewater agencies 100% of eligible capital construction costs at an interest rate equal to one half of the State's current general obligation bond for a period of 20 years, to supplement the financing of capital upgrades. The State recently amended the SRF loan policy to extend the repayment period to 30 years, with no change in the interest rate. During fiscal year 2014-2015, the Districts received approximately \$18.9 million from SRF loans.

The Board of Directors of District No. 2 sets solid waste disposal tipping fees by ordinance for Districts-operated facilities, except for the Calabasas Landfill, for which rates are set by the Board of Supervisors of the County of Los Angeles after discussion with and recommendations by the Districts. The tipping fees include factors for solid waste facilities operations and maintenance costs, taxes, state and local regulatory agency fees, capital upgrade and expansion projects, and relevant future closure and postclosure costs.

Each district has adopted an investment policy with safety of principal the primary objective, while maintaining liquidity and a market rate of return on its portfolio. The Districts' investment policies are governed by and are in full compliance with the California Government Code. The Districts' Treasurer matches investments with anticipated cash flow requirements and does not invest in securities maturing more than five years from the date of purchase unless approved by the Districts' Boards of Directors. See accompanying Note 3 to the basic financial statements for additional information.

As part of the overall goal to protect the long-term financial viability of the Districts, an informal policy has been established regarding reserves. The targeted reserves for each sanitation district are equal to its six months of operations and maintenance expenses and one year of debt service. While it would be desirable to reach this goal in a single year, it would not be practical. Instead, reserves will be built up over a number of years so that the target can be reached in each district within six to ten years.

Major Initiatives

In an effort to help alleviate the statewide drought, the Districts continue to work toward maximizing recycling of the high-quality effluent produced by the WRPs. Working with local water agencies, a number of new projects are being considered to further displace some of the use of imported water with recycled water. This collaborative effort includes new distribution piping systems to meet irrigation and industrial supply needs that will serve areas within the County not previously served. During fiscal year 2014-2015, the Districts supplied an average of 79 million gallons per day of recycled water to almost 800 reuse sites.

Furthermore, efforts to implement new projects are underway to expand the recharge of groundwater basins in the eastern areas of the County with recycled water. The Districts have been working for some time with the Water Replenishment District of Southern California on a Groundwater Reliability Improvement Program that would recycle an additional 10,000 acre feet per year of advanced treated water for replenishment of the Central Coast groundwater basins. The Districts are also working with the Upper San Gabriel Valley Municipal Water District on plans to use recycled water for replenishment of the Main San Gabriel groundwater basin.

Legislation

During 2015, in accordance with direction from the Sanitation Districts' Board of Directors, and since many of the cities served by the Sanitation Districts would benefit from assistance from the Sanitation Districts in meeting the requirements of the Los Angeles Regional Water Quality Control Board municipal stormwater permit, the Sanitation Districts sponsored new legislation, SB 485, authored by Senator Ed Hernandez, to give the Sanitation Districts the authority to assist local jurisdictions with stormwater and urban runoff projects. The legislation, which was signed by the governor on October 10, 2015, would afford the Sanitation Districts the authority to acquire, construct, operate, and maintain facilities to divert, manage, discharge, and beneficially use stormwater and dry weather runoff from the stormwater drainage system. The Sanitation Districts would provide these services to cities on a case-by-case, reimbursable basis.

Last year, two laws were passed in California intended to divert organic waste away from landfill disposal: AB 1826, Mandatory Commercial Organic Recycling, and AB 1594, Green Waste Alternative Daily Cover. AB 1826 requires businesses to recycle organic waste such as food waste, wood waste, and green waste beginning in April 2016. The law initially targets businesses that generate eight or more cubic yards of organic waste per week and later expands to include businesses that generate four cubic yards per week. AB 1594 defines that green waste used as daily cover at landfills will no longer qualify as diversion and instead will be considered disposal starting January 2020. The Districts currently have programs in place at our two MRF's and transfer station to recover wood and green waste and transport it for recycling at compost and biomass facilities. In February 2014, the Districts began a demonstration project to recycle clean processed food waste using anaerobic digestion at JWPCP. Food waste slurry is delivered via tanker trucks by a private waste company and is pumped into an existing treatment plant digester where it is co-digested with solids recovered from the wastewater treatment process. The food waste is consumed by bacteria in the digester and produces biogas that can be beneficially used as a fuel to produce electricity. The Districts are also partnering with Los Angeles County on a pilot food waste recycling project serving unincorporated areas of the County. A County franchise hauler will collect food waste from businesses such as restaurants and grocery stores and deliver it to the Districts' Puente Hills MRF for recycling starting in September 2015.

AWARDS AND ACKNOWLEDGEMENTS

The National Association of Clean Water Agencies Peak Performance Awards recognize member agency facilities for outstanding compliance of their National Pollutant Discharge Elimination System (NPDES) permit limits. This recognition program consists of three categories: Platinum, which recognizes facilities that have achieved 100% compliance with NPDES permit limits for five consecutive years; Gold, which recognizes facilities that have achieved 100% compliance with NPDES permit limits within the calendar year; and Silver, which recognizes eligible facilities that have received no more than five NPDES permit violations within the calendar year. For calendar year 2014, the Districts received Platinum Awards for the JWPCP, Long Beach WRP, San Jose Creek West WRP, Whittier Narrows WRP, Valencia WRP, and Saugus WRP; Gold Awards for the Los Coyotes WRP, San Jose Creek East WRP, Palmdale WRP, Pomona WRP, and La Canada WRP; and a Silver Award for the Lancaster WRP. This past year was the first time the Palmdale, Lancaster, and La Canada WRPs were eligible for the NACWA award.

The Santa Clarita Valley Sanitation District Chloride Compliance Program was awarded the Grand Prize in the Planning category of the 2015 Excellence in Environmental Engineering and Science Competition by the American Academy of Environmental Engineers and Scientists.

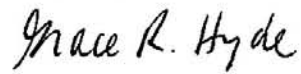
Certificate of Achievement

The Districts' CAFR for the fiscal year ended June 30, 2015, has been completed by Districts' staff and audited by Moss, Levy & Hartzheim, LLP. The CAFR details all of the Districts' financial activities for the entire agency. The independent auditor concluded that the Districts' financial statements present fairly, in all material respects, the financial position of the Districts in accordance with generally accepted accounting principles. The Districts have also received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the past 31 consecutive years and have submitted this year's CAFR for consideration as well.

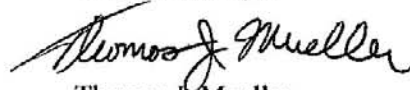
Acknowledgments

In submitting this 2014-2015 CAFR, appreciation is expressed to all departments and personnel that participated in preparing this report, and particularly to the Accounting Section members.

Very truly yours,



Grace Robinson Hyde
Chief Engineer and
General Manager



Thomas J. Mueller
Chief Accountant

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Boards of Directors Membership

As of June 30, 2015

<u>City</u>	<u>District(s)</u>	<u>Director/Mayor ^{1/}</u> <u>(2ND Director/Councilmembers)</u>	<u>Alternate Director ^{2/}</u> <u>(Councilmember/Surpervisor)</u>
Alhambra	2-16	Luis Ayala	Barbara A. Messina
Arcadia	15-22	Gary Kovacic	Roger Chandler
Artesia	2-18-19	Miguel Canales	Sally Ann Flowers
Azusa	22	Joseph R. Rocha	Edward J. Alvarez
Baldwin Park	15-22	Manuel Lozano	Cruz Baca
Bell	1-2	Ali Saleh	Alicia Romero
Bell Gardens	2	Jennifer Rodriguez	Pedro Aceituno
Bellflower	2-3-18	Scott A. Larsen	Dan Koops
Beverly Hills	4	Julian Gold	Nancy Krasne
Bradbury	15-22	Richard T. Hale	Richard G. Barakat
Carson	8	Albert Robles	Elito Santarina
Cerritos	2-3-18-19	Carol Chen	George Ray
Claremont	21	Corey Calaycay	Opanyi Nasiali
Commerce (City of)	2	Lilia Leon	Tina Baca Del Rio
Compton	1-2-8	Aja Brown	Isaac Jacob Galvan
Covina	22	John King	Kevin Stapleton
Cudahy	1	Cristian Markovich	- - -vacant- - -
Culver City	5	Micheal O'Leary	Jeffrey Cooper
Diamond Bar	21	Steve Tye	Nancy Lyons
Downey	2-18	Luis H. Marquez	Alex Saab
Duarte	15-22	Tzeitel Paras-Caracci	Margaret Finlay
El Monte	15	Andre Quintero	Victoria Martinez
El Segundo	SBC-5	Suzanne Fuentes	Carl Jacobson
Gardena	5	Paul K. Tanaka	Dan Medina
Glendora	22	Karen Davis	Gene Murabito
Hawaiian Gardens	19	Barry Bruce	Michael Gomez
Hawthorne	5	Chris Brown	- - -vacant- - -

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Boards of Directors Membership

As of June 30, 2015

<u>City</u>	<u>District(s)</u>	<u>Director/Mayor ^{1/}</u> <u>(2ND Director/Councilmembers)</u>	<u>Alternate Director ^{2/}</u> <u>(Councilmember/Surpervisor)</u>
Hermosa Beach	SBC	Peter C. Tucker	Nanette Barragan
Huntington Park	1	Karina Macias	Marilyn Sanabria
Industry (City of)	15-18-21	Mark D. Radecki	Jeff Parriott
Inglewood	5	James T. Butts	- - -vacant- - -
Irwindale	15-22	Mark A. Breceda	Manuel R. Garcia
La Cañada Flintridge*	28-34	Michael A. Davitt	not applicable
La Cañada Flintridge*	28-34	Jonathan C. Curtis	—”—
La Cañada Flintridge*	28-34	Teresa “Terry” Walker	—”—
La Cañada Flintridge*	28-34	David A. Spence	—”—
La Cañada Flintridge*	28-34	Leonard Pieroni	—”—
La Habra Heights	18	Michael Higgins	- - -vacant- - -
La Mirada	18	Pauline Deal	Steve De Ruse
La Puente	15-21	Dan Holloway	Charlie Klinakis
La Verne	21-22	Don A. Kendrick	Donna Redman
Lakewood	3-19	Jeff Wood	Ron Piazza
Lancaster	14	R. Rex Parris	Ken Mann
Lawndale	5	Robert Pullen-Miles	Pat Kearney
Lomita	5	Henry Sanchez, Jr.	James Gazeley
Long Beach	1-2-3-8-19	Robert Garcia	Dee Andrews
Los Angeles City	1-2-3-4-5-8-9-16	Herb Wesson, Jr.	Joe Buscaino
Lynwood	1	Jose Luis Solache	Edwin Hernandez
Manhattan Beach	SBC-5	Wayne Powell	Mark Burton
Maywood	1	Eddie De La Riva	Thomas Martin
Monrovia	15-22	Tom Adams	Becky A. Shevlin
Montebello	2-15	Jack Hadjinian	Art Barajas
Monterey Park	2-15	Hans Liang	Peter Chan
Norwalk	2-18	Leonard Shryock	Michael Mendez

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Boards of Directors Membership

As of June 30, 2015

<u>City</u>	<u>District(s)</u>		<u>Director/Mayor ^{1/}</u> <u>(2ND Director/Councilmembers)</u>	<u>Alternate Director ^{2/}</u> <u>(Councilmember/Surpervisor)</u>
Palmdale	14-20		James C. Ledford	Roxana Martinez
Palmdale	20	2 nd Dir	Steven Hofbauer	Roxana Martinez
Palos Verdes Estates	SBC-5		James Goodhart	Jennifer L. King
Paramount	1-2		Tom Hansen	Gene Daniels
Pasadena	15-16-17		Terry Tornek	- - - vacant - - -
Pico Rivera	2-18		Gregory Salcido	David Armenta
Pomona	21		Elliott Rothman	Paula Lantz
Rancho Palos Verdes	SBC-5		Jim Knight	Susan Brooks
Redondo Beach	SBC-5		Steve Aspel	Bill Brand
Rolling Hills	5		Jeff Pieper	Bea Dieringer
Rolling Hills Estates	SBC-5		John Addleman	Steven Zuckerman
Rosemead	15		Margaret Clark	Sandra Armenta
San Dimas	21-22		Curtis W. Morris	Denis Bertone
San Gabriel	2-15		Jason Pu	Juli Costanzo
San Marino	15-16		Eugene Sun	Allan Yung
Santa Clarita	SCV		Marsha McLean	Robert Kellar
Santa Clarita	SCV	2 nd Dir	Laurene Weste	—”—
Santa Fe Springs	18		Laurie Rios	Richard J. Moore
Sierra Madre	15		John Capoccia	- - - vacant - - -
Signal Hill*	3-29		Larry Forester	Lori Y. Woods
Signal Hill*	29		Michael J. Noll	not applicable
Signal Hill*	29		Larry Forester	—”—
Signal Hill*	29		Tina Hansen	—”—
Signal Hill*	29		Lori Y. Woods	—”—
South El Monte	15		Luis “Louie” Aguinaga	Hector Delgado
South Gate	1-2		Jorge Morales	William “Bill” De Witt
South Pasadena	16		Robert S. Joe	Diana Mahmud

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Boards of Directors Membership

As of June 30, 2015

<u>City</u>	<u>District(s)</u>	<u>Director/Mayor ^{1/}</u> <u>(2ND Director/Councilmembers)</u>	<u>Alternate Director ^{2/}</u> <u>(Councilmember/Surpervisor)</u>
Temple City	15	Edward Thomas Chavez	Cynthia Sternquist
Torrance	SBC-5	Patrick J. Furey	Geoff Rizzo
Vernon*	1-2-23	William M. McCormick	Melissa Ybarra D1 Alternate William J. Davis D2 Alternate
Vernon*	23	Luz A. Martinez	not applicable
Vernon*	23	Melissa Ybarra	—” —
Vernon*	23	William J. Davis	—” —
Vernon*	23	Yvette Woodruff-Perez	—” —
Walnut	21-22	Nancy Tragarz	Antonio “Tony” Cartagena
West Covina	15-21-22	Fredrick Sykes	James Toma
West Hollywood	4	Lindsey P. Horvath	John D’Amico
Whittier	2-15-18	Fernando Dutra	Cathy Warner
Los Angeles County	1, 2, 15, 18, 21, 22	Michael Antonovich	Hilda Solis
27***36***	8, 9, 14, SCV	“	Mark Ridley-Thomas
	3, 5, 9, 16, 17, 19, 20	“	Don Knabe
	9 2 nd Dir	Don Knabe	Mark Ridley-Thomas
	17 2 nd Dir	Mark Ridley-Thomas	Don Knabe

^{1/} Director is the Presiding officer of a city, all or part of which is in a Sanitation District. (§4730 Health & Safety Code)

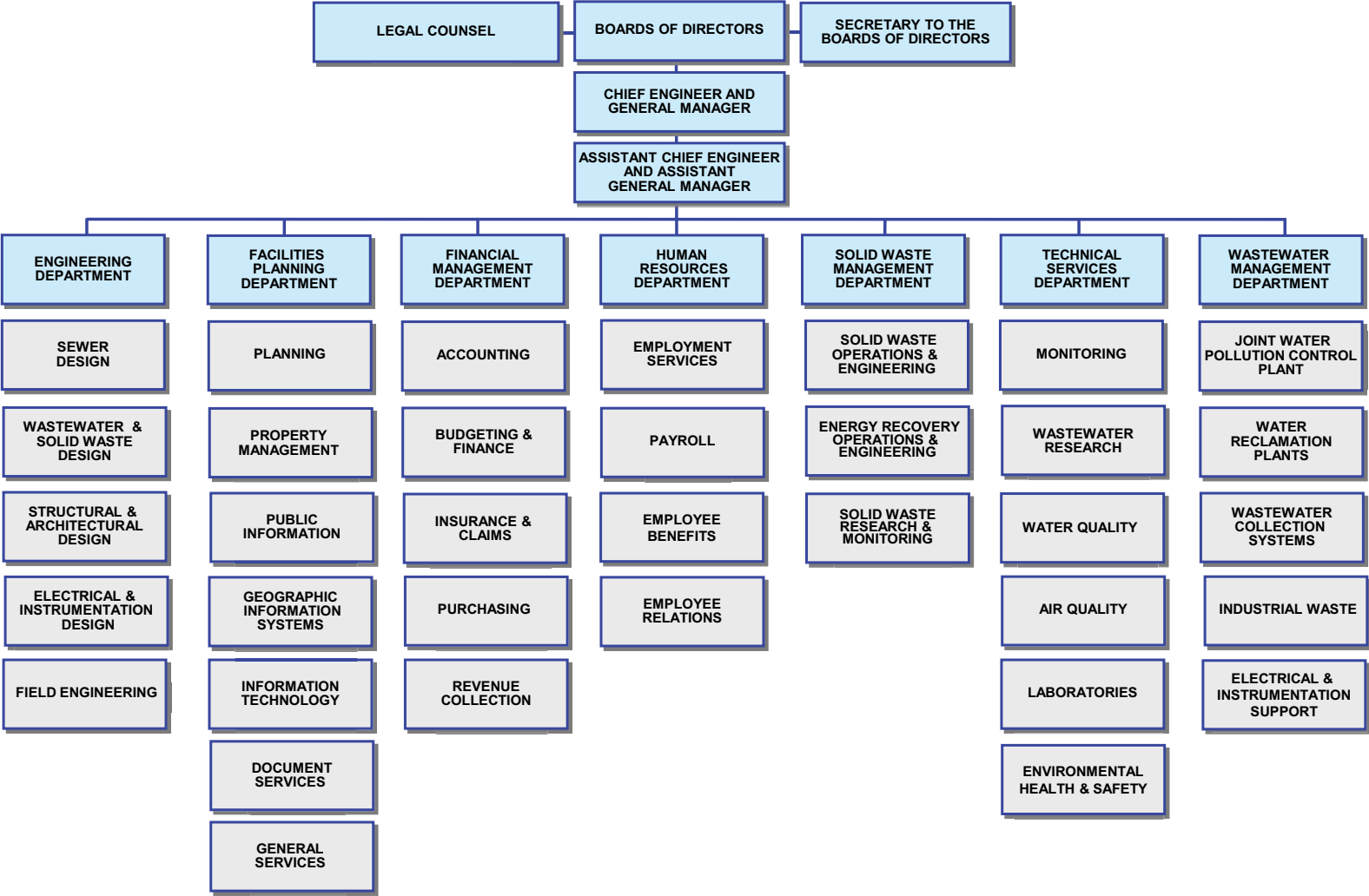
^{2/} Alternate is a member of and appointed by city council or is a member of and appointed by the Board of Supervisors to act in the absence, refusal, or inability of presiding officer to so act. (§4730 Health & Safety Code) (exception-CLA Alternate appointed by Council Pres.)

TOTAL CITIES IN SANITATION DISTRICTS: 78

* Districts whose boundaries are composed of city area only: 23(Vernon), 29(Signal Hill), 28 & 34 (La Cañada Flintridge). The Boards of Directors is comprised of each city’s City Council.

*** Districts whose boundaries are composed of only unincorporated area: 27-35-36(Newhall Ranch) (Board of Supervisors is Board of Directors)

Sanitation Districts of Los Angeles County Organization Chart





Government Finance Officers Association

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

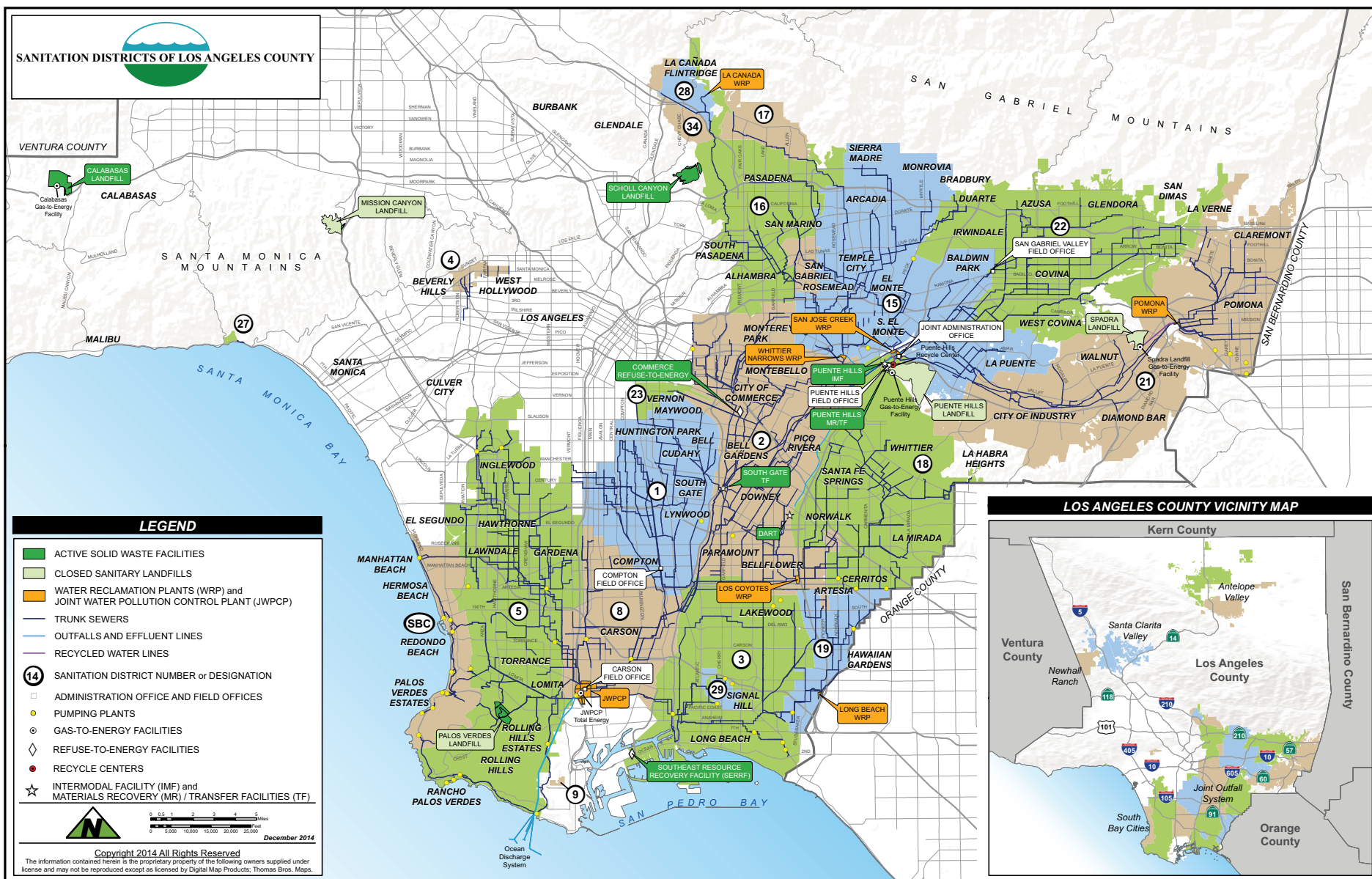
Presented to

**County Sanitation Districts
of Los Angeles, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

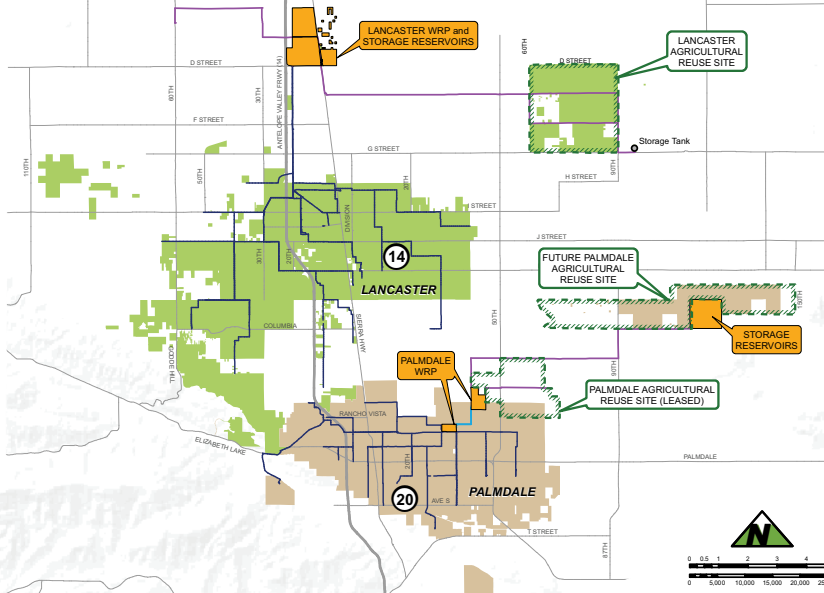
Executive Director/CEO



REGIONAL FACILITIES



KERN COUNTY LOS ANGELES COUNTY



SOLID WASTE FACILITIES

Sanitary Landfills	Placed in Operation	Area in Acres	Status
Palos Verdes	5/15/1957	288	Closed 12/31/1980
Spadra	7/15/1957	338	Closed 4/8/2000
Puente Hills	5/19/1958	1,368	Closed 10/31/2013
Mission Canyon	6/1/1960	373	Closed 1/9/92
Scholl Canyon	3/22/1961	431	Operating
Calabasas	2/14/1961	500	Operating
Mesquite	Operational 2009	2,290	Operational

Energy Facility	Operational	Net Electricity Production
Commerce Refuse-to-Energy	1/1/1987	10 MW
Puente Hills Gas-to-Energy	1/1/1987	46 MW
SERRF Refuse-to-Energy	12/1/1988	30 MW
Spadra Gas-to-Energy	4/5/1991	6 MW
Puente Hills Engines	5/1/2005	5.4 MW
Calabasas Gas-to-Energy	7/12/2010	5.6 MW

Other Solid Waste Facilities	Operational
South Gate TF	1/2/1958
Puente Hills Recycle Center	10/25/1982
DART MR/TF	3/2/1998
Puente Hills MR/TF	7/11/2005
Puente Hills IMF	Under Construction

SANITATION DISTRICTS DATA

District	Date of Formation	Placed in Operation	Area (Sq. Miles)	Population 2014	Cities/Partial Cities	Miles of District Sewers 2014	Pump Stations	Wastewater Management
SBC	12/24/1923	9/12/1926	14.6	117,671	8	25.4	11	Joint Outfall System
1	11/17/194	2/13/1928	41.3	571,853	11	105.5	1	Joint Outfall System
2	2/25/1924	2/13/1928	76.1	691,957	19	219.9	2	Joint Outfall System
3	5/19/1924	5/20/1948	52.3	509,518	4	78.3	6	Joint Outfall System
4	3/17/1924	12/9/1926	1.9	35,723	2	6.3	0	LA City Sewerage System
5	3/31/1924	2/13/1928	87.8	743,064	15	181.6	10	Joint Outfall System
8	9/21/1925	2/13/1928	31.3	140,803	4	87.6	3	Joint Outfall System
9	8/16/1926	5/10/1927	0.2	2,324	1	0.0	0	LA City Sewerage System
14	8/31/1938	12/2/1941	59.0	197,512	2	75.5	0	Lancaster Sewerage System
15	1/2/1945	2/27/1948	77.6	584,145	20	145.9	2	Joint Outfall System
16	1/2/1946	2/27/1948	37.4	268,140	5	43.6	0	Joint Outfall System
17	1/2/1946	11/23/1949	7.7	55,678	1	5.2	0	Joint Outfall System
18	11/23/1948	7/1/1950	60.1	338,844	11	83.9	3	Joint Outfall System
19	3/28/1950	5/19/1951	14.2	92,550	5	35.1	2	Joint Outfall System
20	8/7/1951	9/8/1952	41.3	127,655	1	45.6	0	Palmdale Sewerage System
21	11/13/1951	8/21/1954	84.7	410,055	9	85.6	4	Joint Outfall System
22	9/22/1953	12/6/1954	64.1	333,742	12	102.0	0	Joint Outfall System
23	7/10/1956	7/14/1959	2.5	122	1	2.1	0	Joint Outfall System
SCV	1/2/1961	5/10/1962	63.3	278,097	1	43.2	1	Santa Clarita Valley Sewerage System
27	4/20/1961	4/2/1962	0.2	2,241	0	0.4	0	LA City Sewerage System
28	9/14/1961	11/2/1962	4.1	11,447	1	4.1	0	Joint Outfall System
29	9/20/1962	11/12/1964	2.2	11,411	1	35.4	3	Joint Outfall System
34	10/31/1967	Inactive	4.0	7,696	1	0.0	0	Inactive
NR	9/10/2014	Inactive	18.7	3	0	0.0	0	Inactive
Total			846.9	5,532,252	78	1,411.9	48	

COMPOSTING FACILITIES

Composting Facility	Placed in Operation
Inland Empire	4/16/2007
Tulare Lake	Operational 2015

WASTEWATER FACILITIES

Facility	Placed in Operation	Permitted Capacity	Area in Acres
JWPCP	2/4/1928	400 mgd	381
Long Beach WRP	5/22/1973	25 mgd	17
Los Coyotes WRP	10/14/1970	37.5 mgd	36
Whittier Narrows WRP	7/27/1962	15 mgd	27
San Jose Creek WRP	6/29/1971	100 mgd	51
Pomona WRP	4/15/1954	15 mgd	12
La Canada WRP	11/2/1962	0.2 mgd	0
Valencia WRP	3/25/1966	21.6 mgd	26
Saugus WRP	7/1/1962	6.5 mgd	4
Palmdale WRP	11/28/1952	12 mgd	278
Lancaster WRP	10/1/1959	18 mgd	1,392

Energy Facility	Placed in Operation	Net Electricity Production
JWPCP Total Energy	12-20-85	22 MW

LEGEND

- SOLID WASTE FACILITIES
- WATER RECLAMATION FACILITIES
- AGRICULTURAL REUSE SITES
- COMPOSTING FACILITIES
- SANITATION DISTRICT NUMBER OR DESIGNATION
- PUMPING PLANTS
- TRUNK SEWERS
- OUTFALLS AND EFFLUENT LINES
- RECYCLED WATER LINES

**COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY,
CALIFORNIA**

BASIC FINANCIAL STATEMENTS

JUNE 30, 2015



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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Independent Auditor's Report

The Honorable Boards of Directors
County Sanitation Districts
of Los Angeles County:

Report on the Financial Statements

We have audited the accompanying financial statements of the County Sanitation Districts of Los Angeles County, California (Districts), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which comprise the Districts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the County Sanitation Districts of Los Angeles County as of June 30, 2015, and the changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As discussed in note 1(n) to the basic financial statements effective July 1, 2014, the District adopted Governmental Accounting Standards Board (GASB) Statement No 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

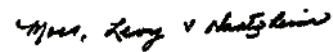
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the Schedule of Changes in the Net Pension Liability and Related Ratios on page 53, and Schedule of Contributions on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Districts' basic financial statements. The introductory section, combining and individual supplemental schedules, statistical section, and bond disclosure information are presented for purposes of additional analysis and are not required parts of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual supplemental schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section, statistical section, and bond disclosure information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, on our consideration of the Districts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and do not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Moss, Levy & Hartzheim, LLP
Culver City, California
December 21, 2015

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Management's Discussion and Analysis

June 30, 2015

Management's Discussion and Analysis (MD&A) is designed to provide an analysis of the Districts' financial condition and operating results and to inform the reader on the Districts' financial issues and activities. The MD&A section of the CAFR should be read in conjunction with the Transmittal Letter (beginning on page iv) and the Districts' basic financial statements (beginning on page 10).

Financial Highlights--Business-Type Activities

- Service charge rates increased in fiscal 2014-2015 for nearly all the Districts to fund improvements of existing facilities, fund construction of additional capital facilities, and address needs related to effluent and biosolids management. For those Districts that have approved new rates, the smallest increase was \$2 per single-family home and the largest increase was \$24 per single-family home. As part of the rate-setting process, consideration was given to the economic environment and planned capital expenses so that users don't experience significant fluctuations from year to year. A table of annual service charge rates by District is included on page 91.
- On September 10, 2014, the last of the other 23 Districts approved Newhall Ranch Sanitation District (NRSD) becoming signatory to the Joint Administration Agreement. This agreement provides for the joint administration of each of the Districts through a single staff and legal counsel. The NRSD is responsible for paying its own expenses and a share of all joint administrative expenses.
- On January 1, 2015, the solid waste disposal rate for municipal solid waste and segregated green waste increased for all solid waste sites.
- On March 31, 2015, the Palos Verdes Recycle Center permanently closed. This certified buy-back center was opened to the public beginning in 1970. New stormwater regulations set to go into effect in the summer of 2015 would have required significant modifications to the facility at an estimated cost of approximately \$1.5 million. Further, the costs of operating the recycle center consistently exceeded revenues, despite Districts' efforts to keep costs at a minimum.

Overview of the Basic Financial Statements

The basic financial statements included in this annual report are those of a special-purpose government engaged only in business-type activities. The CAFR consists of: a letter of transmittal, management's discussion and analysis, the basic financial statements, and supplemental information, including combining District level financial statements, various historical statistical tables designed to give the reader a 10-year financial perspective of the Districts' financial operations, a bond disclosure section, and the Districts' required reports on various federal loans and grants prepared in accordance with the U.S. Office of Management and Budget Circular A-133 (when applicable). The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The basic financial statements include the following:

- **Statement of Net Position** — Reports the Districts' assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference representing net position. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the Districts.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Management's Discussion and Analysis, Continued

- **Statement of Revenues, Expenses, and Changes in Net Position** — Reports the Districts' revenues and expenses and resulting change in net position for the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement measures the Districts' operations over the past fiscal year and can be useful in determining whether costs have been successfully recovered through user fees and other charges.
- **Statement of Cash Flows** — Reports the Districts' cash flows from operating, investing, capital, and noncapital activities. The primary purpose of this statement is to provide information about the Districts' cash receipts and cash payments over the past fiscal year.

The Districts maintain enterprise funds to account for all their sewerage and solid waste operations. The operations-level financial statements can be found on pages 55-82 of this report.

Financial Analysis of the Districts

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

Condensed Statement of Net Position (In millions of dollars)

	FY 2015	FY 2014	Dollar Change	Total Percent Change	
Current and Other Assets	\$ 2,179.0	\$ 2,153.2	\$ 25.8	1.2	%
Capital Assets, net	3,322.5	3,278.7	43.8	1.3	
Total Assets	5,501.5	5,431.9	69.6	1.3	
Deferred Outflow of Resources	36.4	17.3	19.1	110.4	
Current Liabilities	132.4	134.7	(2.3)	(1.7)	
Other Liabilities	632.9	339.8	293.1	86.3	
Long-Term Debt	839.5	884.6	(45.1)	(5.1)	
Total Liabilities	1,604.8	1,359.1	245.7	18.1	
Deferred Inflow of Resources	86.4	0.0	86.4	-	
Invested in Capital Assets	2,425.7	2,324.7	101.0	4.3	
Restricted	830.4	882.2	(51.8)	(5.9)	
Unrestricted	590.6	883.2	(292.6)	(33.1)	
Total Net Position	\$ 3,846.7	\$ 4,090.1	\$ (243.4)	(6.0)	%

The Districts' net investments in capital assets are used to provide services to residents and businesses; consequently, these assets are *not* available for future spending.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Management's Discussion and Analysis, Continued

The increase in other liabilities of \$293.1 million is primarily due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions".

The restricted net position represents resources that are subject to external restrictions on how they may be used by debt covenants, enabling legislation, or other legal restrictions.

Revenues, Expenses, and Changes in Net Position

A summary of the key elements that contributed to the increase in the Districts' net position is presented below:

Condensed Statement of Revenues, Expenses, and Changes in Net Position (In millions of dollars)

	FY 2015	FY 2014	Dollar Change	Total Percent Change	
Operating Revenues:					
Industrial Waste Surcharge	\$ 63.5	\$ 58.1	\$ 5.4	9.3	%
Refuse Tipping Fees	80.3	87.8	(7.5)	(8.5)	
Sale of Energy	30.4	35.3	(4.9)	(13.9)	
Service Charges	331.3	312.9	18.4	5.9	
Other	50.2	51.5	(1.3)	(2.5)	
Total Operating Revenues	<u>555.7</u>	<u>545.6</u>	<u>10.1</u>	<u>1.9</u>	
Operating Expenses:					
Depreciation	93.6	110.8	(17.2)	(15.5)	
Operations & Maintenance	202.6	194.7	7.9	4.1	
Salaries & Benefits	192.5	198.3	(5.8)	(2.9)	
Other	65.4	50.5	14.9	29.5	
Total Operating Expenses	<u>554.1</u>	<u>554.3</u>	<u>(0.2)</u>	<u>(0.0)</u>	
Nonoperating Revenues:					
Interest Revenue	17.6	15.7	1.9	12.1	
Taxes	67.9	55.2	12.7	23.0	
Other	14.5	19.8	(5.3)	(26.8)	
Total Nonoperating Revenues	<u>100.0</u>	<u>90.7</u>	<u>9.3</u>	<u>10.3</u>	
Nonoperating Expenses:					
Interest Expense	32.8	32.2	0.6	1.9	
Tax & Assessment Expense	7.1	14.0	(6.9)	(49.3)	
Other	1.9	5.0	(3.1)	(62.0)	
Total Nonoperating Expenses	<u>41.8</u>	<u>51.2</u>	<u>(9.4)</u>	<u>(18.4)</u>	
Income Before Capital					
Contribution Revenue	59.8	30.8	29.0	94.2	
Capital Contribution Revenue	33.0	38.8	(5.8)	(14.9)	
Beginning Net Position	4,089.9	4,025.1	64.8	1.6	
Prior-Period Adjustment	(336.2)	(4.8)	(331.4)	100.0	
Ending Net Position	\$ <u>3,846.5</u>	\$ <u>4,089.9</u>	\$ <u>(243.4)</u>	<u>(6.0)</u>	%

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Management's Discussion and Analysis, Continued

The Districts' operating revenues were primarily derived from wastewater service charges, industrial waste surcharges, and solid waste disposal tipping fees. These fees and charges were paid by users of the Districts' wastewater and solid waste facilities and collectively account for 85% of the Districts' operating revenue.

Other operating expenses increased by 29.5% due to changes in estimates for landfill closure and postclosure expenses. The decrease in tax and assessment expense of 49.3% was a result of the closure of the Puente Hills landfill in the prior fiscal year.

Capital Assets and Debt Administration

As of June 30, 2015, the Districts had \$5.1 billion invested in a broad range of assets as shown below:

Capital Assets (In millions of dollars)					
	FY 2015	FY 2014	Dollar Change	Total Percent Change	
Buildings and Equipment	\$ 72.5	\$ 69.5	\$ 3.0	4.3	%
Capital Improvements	541.4	536.3	5.1	1.0	
Construction in Progress	459.1	374.4	84.7	22.6	
Disposal Rights	79.9	77.8	2.1	2.7	
Equipment Pool	61.1	63.9	(2.8)	(4.4)	
Gas-to-Energy Facilities	221.2	221.6	(0.4)	(0.2)	
Joint Outfall Facilities	2,131.9	2,105.1	26.8	1.3	
Land	217.6	216.9	0.7	0.3	
Other	21.8	20.5	1.3	6.3	
Rail Facilities	54.1	54.1	0.0		
Recycling and Transfer Stations	63.2	62.5	0.7	1.1	
Treatment Plants	811.8	804.3	7.5	0.9	
Trunk Lines	345.3	341.5	3.8	1.1	
Use Rights	69.0	69.0	0.0	0.0	
Subtotal	<u>5,149.9</u>	<u>5,017.4</u>	<u>132.5</u>	2.6	
Less Accumulated Depreciation & Amortization	<u>1,827.4</u>	<u>1,738.7</u>	<u>88.7</u>	5.1	
Net Capital Assets	<u>\$ 3,322.5</u>	<u>\$ 3,278.7</u>	<u>\$ 43.8</u>	<u>1.3</u>	%

Major capital asset projects that were completed and placed in operation during fiscal year 2014-2015 included the following:

- \$8.2 million – various Joint Water Pollution Control Plant Modifications/Upgrades
- \$7.8 million – various Joint Outfall Trunk Sewer Rehabilitations
- \$2.7 million – San Jose Creek Water Reclamation Plant Boiler Modifications

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Management's Discussion and Analysis, Continued

Expenditures to date of ongoing construction projects (construction in progress) of \$459.1 million as of June 30, 2015 included, in part, the following projects:

- \$166.3 million - Puente Hills Intermodal Facilities development
- \$92.7 million – Tulare Lake Composting Facility development
- \$49.6 million - planning for Clearwater Program and design of JWPCP Effluent Outfall Tunnel
- \$52.2 million - various water reclamation and pumping plant modifications
- \$51.4 million - various Districts' trunk sewer relief/rehabilitation projects
- \$9.7 million - Waste-by-Rail Disposal System development

Additional information regarding the Districts' capital assets can be found in Note 7 to the financial statements on pages 29-30 of this report.

2014-2015 Capital Spending Plan (In millions of dollars)

Capital Project	Amount Planned
Landfill Acquisitions & Development	\$ 1.5
Sewer Relief and Rehabilitation	54.1
Long-Term Biosolids Recycling	0.9
Pumping Plant and Water Reclamation Plant Improvements and Expansions	76.9
Landfill General Improvements, Drainage, and Landscaping	2.7
Intermodal Facility Development	18.9
Gas Control Measures	1.4
Administration and Field Operations Improvements	7.4
Sewage Disposal Contracts	3.7
Total	\$ <u>167.5</u>

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Management's Discussion and Analysis, Continued

Outstanding Debt

During the fiscal year, the Districts' revenue bonds, state loans, and notes outstanding decreased by 4.8%.

Outstanding Debt (In millions of dollars)				
	FY 2015	FY 2014	Dollar Change	Total Percent Change
Revenue Bonds	\$ 539.0	\$ 574.0	\$ (35.0)	(6.1) %
Notes Payable	1.3	1.4	(0.1)	(7.1)
State Water Resources Control Board Loans	359.8	369.7	(9.9)	(2.7)
Total Long-Term Debt	\$ <u>900.1</u>	\$ <u>945.1</u>	\$ <u>(45.0)</u>	<u>(4.8) %</u>

Revenue Bond obligations decreased due to scheduled principal payments. State Water Resources Control Board obligations decreased due to scheduled principal payments, net of new obligations.

Not Yet Updated

Bond Debt Ratings As of June 30, 2015

	Standard & Poor's	Moody's Investor Service	Fitch Ratings
2005 Series A	AA-	N/A	AA-
2005 Series B	AA-	N/A	AA-
2007 Series A	A	N/A	AA-
2011 Series A	AA+	Aa1	N/A
2013 Series A	AA+	Aa1	N/A

The 2008 CREB bonds are a private placement with Bank of America and, therefore, are not rated. Additional information on the Districts' long-term debt is presented in Note 8 to the financial statements on pages 30-34 of this report.

Currently Known Significant Facts

- In July 2015, the Districts' Financing Authority issued \$149,940,000 in Capital Projects Revenue Bonds (District No. 14 Subordinate Revenue Bonds) (the 2015 Bonds). The purpose of the 2015 Bonds was to refund and defease the Authority's outstanding Capital Projects Revenue Bonds, 2005 Series B (District No. 14 Subordinate Revenue Bonds), and to pay for costs of issuance. These serial bonds mature in varying amounts on October 1 in the years 2015 through 2035 at coupon rates ranging from 2.0% to 5.0%. The 2015 Bonds are rated A+ by Standard & Poor's and AA- by Fitch Ratings.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Management's Discussion and Analysis, Continued

- Service charge rates will increase in fiscal 2015-2016 for nearly all the Districts to fund improvements of existing facilities, fund construction of additional capital facilities, and address needs related to effluent and biosolids management. For those Districts that have approved new rates, the smallest increase will be \$2 per single-family home and the largest increase will be \$20 per single-family home. With respect to District 14, the service charge rate was decreased by \$20 per single-family home due to a refunding of existing bond debt to a lower interest rate which allowed for significant savings.
- The Districts have been actively pursuing legislation to obtain the authority to assist local jurisdictions with stormwater and urban runoff. The legislation, which was signed into law by the Governor on October 9, 2015, affords the Districts the authority to acquire, construct, operate and maintain facilities to divert, manage, discharge, and beneficially reuse stormwater and dry weather runoff from stormwater drainage systems.

Financial Contact

The Districts' basic financial statements are designed to present users with a general overview of the Districts' finances and to demonstrate the Districts' accountability. If you have any questions about the report or need additional information, please contact the Accounting Section, Mr. Thomas J. Mueller, Chief Accountant, County Sanitation Districts of Los Angeles County, P.O. Box 4998, Whittier, California, 90607-4998.

Exhibit A
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Statement of Net Position
June 30, 2015

Assets

Current assets:	
Cash in bank (note 3)	\$ 869,002
Cash on hand (note 3)	40,816
Cash and cash equivalents (note 3)	<u>129,152,203</u>
Total unrestricted cash and cash equivalents	<u>130,062,021</u>
Receivables:	
Accounts (note 6)	32,786,707
Interest	6,713,705
Service charges	15,618,254
Taxes	<u>4,262,517</u>
Total receivables	<u>59,381,183</u>
Inventory	<u>18,743,582</u>
Restricted cash and investments (note 3):	
Cash and cash equivalents	705,599,482
Specific investments	1,092,168,742
Bond proceeds with Trustee	
Cash and cash equivalents	287,443
Investments	<u>10,571,715</u>
Total restricted cash and investments	<u>1,808,627,382</u>
Other specific investments (note 3)	<u>106,151,843</u>
Total current assets	<u>2,122,966,011</u>
Noncurrent assets:	
Investment in joint ventures (note 17)	56,046,173
Capital assets (note 7):	
Buildings and equipment	72,488,959
Capital improvements	541,447,350
Construction in progress (note 16)	459,064,805
Disposal rights	79,933,913
Equipment pool	61,154,618
Gas-to-energy facilities	221,243,276
Joint outfall facilities	2,131,855,758
Land (note 19)	217,603,174
Other	21,780,019
Rail facilities	54,060,853
Recycling and transfer facility	63,155,341
Treatment plants	811,759,640
Trunk lines	345,338,156
Less accumulated depreciation	(1,801,009,925)
Use rights	69,009,056
Less accumulated amortization	<u>(26,420,434)</u>
Net capital assets	<u>3,322,464,559</u>
Total noncurrent assets	<u>3,378,510,732</u>
Total assets	<u>5,501,476,743</u>

Deferred Outflow of Resources

Pension contribution subsequent to measurement date (note 11)	21,082,087
Deferred loss on refunding, net	<u>15,317,287</u>
	<u>\$ 36,399,374</u>

(Continued on following page)

Exhibit A-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Statement of Net Position
June 30, 2015

Liabilities

Current liabilities:	
Accounts payable	\$ 16,622,285
Accrued employee absences (note 1J and 14)	9,595,132
Amounts held for others	4,843,214
Bonds payable (note 8)	30,534,400
Claims liabilities (note 9)	5,555,481
Construction contracts payable	11,871,965
Estimated liability for closure and postclosure costs (note 18)	12,282,096
Estimated liability for pollution remediation (note 19)	465,000
Interest payable	10,338,254
Loans payable to State of California (note 8)	30,100,398
Note payable	44,437
Other	148,705
	<hr/>
Total current liabilities	132,401,367
	<hr/>
Long-term liabilities:	
Accrued employee absences (note 1J and 14)	27,495,766
Bonds payable, net (note 8)	508,494,576
Claims liabilities (note 9)	5,555,480
Estimated liability for closure and postclosure costs (note 18)	333,396,391
Estimated liability for pollution remediation (note 19)	800,000
Loans payable to State of California (note 8)	329,709,876
Note payable	1,328,376
Pension liability (note 11)	265,603,208
	<hr/>
Total noncurrent liabilities	1,472,383,673
	<hr/>
Total liabilities	1,604,785,040
	<hr/>

Deferred Inflow of Resources

Differences between projected and actual earnings on pension plan investments (note 11)	<hr/> 86,434,076
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Net Position

Net position (note 20):	
Net investment in capital assets	2,425,697,813
Restricted for capital projects	615,017,144
Restricted for closure/postclosure maintenance	125,943,265
Restricted for debt service	4,809,320
Restricted for disposal fees	732,866
Restricted for equipment pool	26,575,070
Restricted for noncapital projects	22,078,255
Restricted for site development	35,225,170
Unrestricted	590,578,098
	<hr/>
Total net position	\$ 3,846,657,001
	<hr/>

See accompanying notes to basic financial statements.

Exhibit B
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Statement of Revenues, Expenses,
and Changes in Net Position
Fiscal year ended June 30, 2015

Operating revenues:	
Commodities	\$ 8,778,882
Contract revenue	22,171,558
Equipment pool	14,645,027
Industrial waste surcharge	63,505,224
Refuse tipping fees	80,316,347
Sale of energy	30,355,733
Service charges (note 4)	331,261,144
Other	4,696,913
Total operating revenues	<u>555,730,828</u>
Operating expenses:	
Chemicals	33,675,018
Equipment and vehicle rentals	15,586,903
Hazardous waste siting study	(16,092)
Insurance and claims	5,104,991
Landfill closure and postclosure costs (note 18)	34,395,273
Materials and supplies	21,019,227
Operations, repairs and maintenance	30,960,214
Salaries and benefits (notes 11 and 12)	192,500,225
Services	91,973,154
Utilities	25,052,772
Total operations and maintenance	<u>450,251,685</u>
Charges for collections	474,800
Depreciation and amortization of use rights (note 7)	93,589,845
Research and development	6,152,206
Tonnage	3,636,397
Total operating expenses	<u>554,104,933</u>
Operating income	<u>1,625,895</u>
Nonoperating revenues (expenses):	
Interest revenue	17,646,286
Investment in joint ventures (note 17)	1,975,445
Taxes	67,962,582
Other nonoperating revenue	1,500,000
Amortization of bond premium	5,659,877
Amortization of deferred loss on refunding	(1,967,291)
Interest expense (note 8)	(32,816,826)
Loss on sale of equipment/assets	(6,962)
Tax and assessment expense	(7,049,931)
Unrealized gain on investments	5,188,482
Net nonoperating revenues	<u>58,091,662</u>
Income before capital contribution revenue	59,717,557
Capital contribution revenue:	
Connection fees	<u>32,966,053</u>
Change in net position	92,683,610
Total net assets, July 1, 2014, as previously stated	4,090,131,625
Prior-period adjustments (note 21)	<u>(336,158,234)</u>
Total net position, July 1, 2014, as restated	<u>3,753,973,391</u>
Total net position, June 30, 2015	<u><u>\$ 3,846,657,001</u></u>

See accompanying notes to basic financial statements.

Exhibit C
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Statement of Cash Flows
Fiscal year ended June 30, 2015

Cash flows from operating activities:	
Receipts from customers and users	\$ 544,623,146
Receipts for equipment rental	14,645,027
Payments to suppliers	(222,018,972)
Payments to employees	(200,428,840)
Payments applied to closure/postclosure liability	(6,843,778)
Payment for equipment rental within the Districts	(14,991,344)
Other payments	(18,589)
Net cash provided by operating activities	<u>114,966,650</u>
Cash flows from noncapital financing activities:	
Receipts from property taxes	67,042,029
Payments for tax and assessment	(7,049,931)
Net cash provided by noncapital financing activities	<u>59,992,098</u>
Cash flows from capital and related financing activities:	
Borrowings on loan from state	18,879,215
Contract proceeds from County of Los Angeles	1,500,000
Purchases of capital assets	(135,584,173)
Connection fees proceeds	32,713,345
Interest paid on capital-related debt	(30,941,557)
Principal payments on bonds	(29,264,400)
Principal payments on note	(41,338)
Principal payments on loan from state	(31,172,533)
Proceeds from sale of assets/equipment	2,384,640
Receipts from joint venture	131,163
Net cash used by capital and related financing activities	<u>(171,395,638)</u>
Cash flows from investing activities:	
Interest received	15,939,131
Purchases of investments	(610,933,002)
Proceeds from maturities of investments	863,261,627
Net cash provided by investing activities	<u>268,267,756</u>
Net increase in cash and cash equivalents	271,830,866
Cash and cash equivalents at beginning of fiscal year	<u>564,118,080</u>
Cash and cash equivalents at end of fiscal year	<u><u>\$ 835,948,946</u></u>
Reconciliation of cash and cash equivalents at end of fiscal year:	
Current assets:	
Cash in bank	\$ 869,002
Cash on hand	40,816
Cash in Los Angeles County treasury	129,152,203
Restricted cash and investments:	
Cash in Los Angeles County treasury and cash equivalents	705,599,482
Bond proceeds with Trustee	
Cash equivalents	<u>287,443</u>
	<u><u>\$ 835,948,946</u></u>

(Continued on following page)

Exhibit C-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Statement of Cash Flows
Fiscal year ended June 30, 2015

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,625,895
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	93,589,845
Landfill closure and postclosure costs	34,395,273
Increase in accounts receivable	(320,194)
Decrease in service charge receivable	3,857,541
Decrease in inventory	47,693
Increase in deferred outflows of resources	(21,082,087)
Decrease in accounts payable	(1,170,040)
Decrease in accrued employee absences	(2,725,574)
Decrease in estimated liability for closure and postclosure costs	(6,843,778)
Increase in claims liabilities related to self-insurance	51,588
Increase in pension liability	37,487,561
Decrease in amounts held for others	(2,319,117)
Decrease in other liabilities	(19,439)
Decrease in deferred inflows of resources	(21,608,517)
Net cash provided by operating activities	\$ 114,966,650
Schedule of noncash investing activity-	
Unrealized gain on fair value of investments	\$ 5,188,482
Investment in joint ventures	1,975,445

See accompanying notes to basic financial statements.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements

June 30, 2015

(1) Organization and Summary of Significant Accounting Policies

(A) Description of the Reporting Entity

The County Sanitation Districts of Los Angeles County are defined as “Special Districts.” The accompanying basic financial statements of the Districts include the operations of all independent Sanitation Districts operating within the County of Los Angeles providing both solid waste and wastewater management and disposal services. Each of the districts is governed by an independent board comprised of the presiding officer and, in some instances, additional members of the governing body of the cities and unincorporated areas of Los Angeles County within the respective district’s boundaries. For purposes of control and daily management, the Districts are jointly governed by a Joint Administration Agreement (see note 2). Administration of the Districts entails fiscal and management control of the Districts’ respective operations.

The Districts’ accompanying basic financial statements also include the financial activities of the Los Angeles County Sanitation Districts Financing Authority. Various sanitation districts within Los Angeles County (Participating Districts) created the Financing Authority on April 14, 1993, pursuant to a Joint Exercise of Powers Agreement (see note 2). The Financing Authority is governed by a Commission that consists of the Chairperson from each Participating District and exists solely to facilitate the issuance of long-term debt. The Financing Authority has no daily operations and does not conduct business on its own behalf. Since the Financing Authority’s governing body is entirely comprised of members of the Districts’ Boards and the Financing Authority provides services entirely for the Districts, the Financing Authority’s financial activities have been consolidated with the Districts’ financial activities for financial reporting purposes. Complete separate financial statements for the Financing Authority may be obtained by writing to the Accounting Department, P.O. Box 4998, Whittier, California, 90607-4998 or at the Districts’ Joint Administration Office.

The Districts are independent of and overlap many political jurisdictions. There are many governmental entities, including the County of Los Angeles, that operate within the Districts’ jurisdictions; however, financial information for these entities is not included in the accompanying basic financial statements.

(B) District Operations

The Districts’ accounts are maintained in a manner that facilitates compliance with the requirements and guidelines of the Controller of the State of California (State Controller). An annual report is filed with the State Controller for each district as required by Section 53891 of the California Government Code.

(C) Basis of Presentation

Enterprise Funds - The Districts’ Enterprise Funds are used to account for three types of operations: (a) ones that are financed and operated in a manner similar to private business enterprises, where the intent of the Boards of Directors is that the costs (expenses, including depreciation) of providing

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

services to the general public on a continuing basis be financed or recovered primarily through user charges; (b) ones where the intent of the Boards of Directors is that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes; or (c) ones that account for the financing of services provided by one district to other districts, or to other governments, on a cost-reimbursement basis.

(D) Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Districts use the flow of economic resources measurement focus. Accordingly, all assets and liabilities are included in their respective statement of net position. Reported net position (total reported assets, less total reported liabilities) provides an indication of the economic net worth of the respective funds. Operating statements report increases (revenues) and decreases (expenses) in total net position.

The accrual basis of accounting is followed by the Districts. Under the accrual basis of accounting, revenues are recorded in the period earned and expenses are recorded in the period incurred. As such, no consideration is given to when cash may be received or disbursed, with the result that net income is the difference between the revenues earned and the expenses incurred in earning those revenues.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues are charges to customers for service charges and tipping fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Districts have elected, for all business-type activities (enterprise funds), to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, the American Institute of Certified Public Accountants' (AICPA) Accounting Research Bulletins, and any FASB or AICPA pronouncements made applicable by a GASB Statement or Interpretation.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

The Districts operate various sub funds under the following bases of accounting:

Classification	Basis of Accounting	Purpose
Sewerage Operations	Accrual	To account for wastewater operations of the Districts, including debt service and capital improvement activities.
Solid Waste Facilities Operations	Accrual	To account for operations of the Districts' solid waste management system.
Trustee Solid Waste Facilities Operations	Accrual	To account for operations of the Los Angeles County Refuse Disposal Equipment Pool and for solid waste operations of the Trustee Landfills.
Service Operations	Accrual	To account for essential services and equipment rental provided to various sites and other governments.

(E) Operating Budgets

Each year, the Districts' personnel prepare annual budgets for each district. These annual operating budgets, as adopted by the respective Boards of Directors, are used to serve as a basis for monitoring financial progress and determining future wastewater service charge rates. During the fiscal year, such plans may be amended as circumstances or levels of operations dictate.

(F) Cash and Investments

The Districts' cash and investments are governed by each district's Investment Policy and are in compliance with the California Government Code. For purposes of the statement of cash flows, the Districts consider all highly liquid investments with original maturities of three months or less to be cash equivalents.

Securities purchased with original maturities greater than three months are reflected as investments in the accompanying basic financial statements.

Investments are generally stated at fair value. Fair value of investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

(G) Inventory

Inventory is stated at the lower of cost (weighted average cost, which approximates first-in, first-out) or market.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(H) Capital Assets

Outlays for capital assets, including property, plant, equipment, and construction in progress, are recorded by the individual districts. Such outlays may be for either individual District assets or their respective share of jointly owned assets. Capital assets are recorded at cost. Capital assets acquired by contribution are recorded at fair value at the time received. The Districts' capitalization threshold for capital assets is \$5,000.

Depreciation - General

The enterprise fund approach is used for accounting for capital assets. This approach requires that capital assets be capitalized and periodically charged against the operations of the Districts through depreciation.

Depreciation expense is provided using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Useful Lives</u>
Buildings and equipment	5 to 20 years
Pumping plants	40 years
Wastewater treatment plants	40 years
Trunk sewer rehabilitations or repairs	50 years
Trunk sewer lines, replacements, relocations, or reliefs	75 years

Depreciation - Districts' and Trustee Solid Waste Facilities

Depreciation of capital improvements at landfill sites is determined annually, using the ratio of the number of tons disposed during the fiscal year to the total estimated capacity of each landfill and applying this ratio to the gross book value of the capital improvements.

Capital improvements at the South Gate Transfer Station are depreciated over a 10-year period using the straight-line method. The gas-to-energy facilities and related capital improvements at the Puente Hills and Spadra Landfills are depreciated over a 40-year period using the straight-line method. The recycling and transfer facilities and related capital improvements at the Downey Area Recycling and Transfer (DART) and Puente Hills Materials Recovery Facilities are depreciated over a 40-year period using the straight-line method.

Depreciation - Equipment Pools

Depreciation of assets maintained in the Equipment Pools is determined by either: (1) the straight-line method, using years of useful life as a basis; or (2) the vehicle mileage method, using miles driven as a basis. The depreciation basis selected is based on the type of asset and its usage. If the useful life basis is used, the assets are depreciated over a period of 8 to 12 years, depending on the type of asset.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

Disposal Rights - Sewerage Operations

Because of geographic conditions, certain districts have found it advantageous to enter into reciprocal agreements with other public agencies. In these agreements, the public agencies grant the Districts specific sewerage disposal rights and assess the Districts for the cost of the additional capital investment for treatment facilities necessary to dispose of the Districts' discharge. Disposal rights are amortized over a 30-year period using the straight-line method. Such amortization is included as a charge to operations in determining the respective district's results of operations.

Amortization of Use Rights - Districts' and Trustee Solid Waste Facilities

Use rights, as they apply to the cost of the Districts' landfills and the Trustee landfills, represent the Districts' right to dispose of waste material. As the landfills are used, their value is reduced. The reduction of the usefulness of the landfills is amortized against operations and is termed amortization of use rights. Amortization charges are determined annually using the ratio of the number of tons disposed of during the fiscal year to the total estimated capacity of each landfill and applying this ratio to the gross book value. The capacity of each landfill is determined by engineering estimates.

(I) Landfill Site Closure Costs

The Districts have adopted Governmental Accounting Standards Board Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs" (GASB 18). Federal and State laws and regulations require the government to place a final cover on its landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. GASB 18 requires the government to accrue a liability for anticipated costs to provide the required care of closing landfill sites, plus the costs of monitoring and maintaining the sites during the postclosure period.

In compliance with GASB 18, the Districts recognize a portion of the closure and postclosure care costs as an operating expense and a liability in each period based on landfill capacity used as of each statement of net position date, although closure and postclosure care cost will be paid only near or after the date the landfills stop accepting waste. Recognition of such costs begins on the date the landfills begin accepting solid waste and continues in each period that the landfill accepts waste. It is intended that the costs of closure and postclosure care will be completed by the time the landfills stop accepting waste. The cumulative amounts recognized to date are reflected in the accompanying basic financial statements (see note 18).

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(J) Accrued Employee Absences - Service Operations

Vacation and sick leave pay is recorded as an expense when earned by Districts' employees. As of June 30, 2015, accrued vacation and sick leave aggregated \$37,090,898 and is based upon the following criteria:

Monthly employees earn a maximum of 80 hours of vacation leave during each of the first 5 years of service. After 5 years of service, a maximum of 120 hours are earned each year, and after 10 years of service, 8 additional hours of vacation are earned per year up to 160 hours. After 25 years of service, monthly employees (with the exception of those in management positions) earn an additional 40 hours of vacation. In addition, earned vacation leave can be accumulated for 1 or 2 years, depending on the employee's representation unit. Upon retirement or termination, monthly employees are paid for all unused accumulated vacation leave. The accrued liability is based upon the full amount of accumulated vacation leave. Hourly employees earn vacation leave based on the number of hours worked in accordance with Subsection 6.2A of the Districts' Salary Resolution.

Monthly employees earn 8 hours of sick leave per month with a maximum accumulation for use of 1,440 or 720 hours, depending upon the employee's representation unit. Monthly employees are entitled to sick leave payment upon retirement or termination, but the number of hours subject to payment depends on when the accumulated sick leave was earned and the employee's representation unit. The accrued liability is based upon the sick leave that would be paid upon termination.

(K) Amortization of Premium on Bonds

Original issue premium related to the sale of revenue bonds (see note 8) is amortized by the effective-interest method over the life of the bonds. The unamortized portion of the bond premium is netted against bonds payable on the accompanying basic financial statements.

(L) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Districts' California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information, see Note 11.

(M) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(N) New Accounting Pronouncements

For the fiscal year ended June 30, 2015, the Districts implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions." This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" as well as the requirements of Statement No. 50, "Pension Disclosures". This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to pensions. Implementation of the GASB Statement No. 68 did have an impact on the District's financial statements for the fiscal year ended June 30, 2015, see Note 11- Defined Benefit Pension Plan and Note 21 – Prior-Period Adjustment.

For the fiscal year ended June 30, 2015, the Districts implemented Governmental Accounting Standards Board (GASB) Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions." The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will eliminate the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. Implementation of the GASB Statement No. 71 did have an impact on the District's financial statements for the fiscal year ended June 30, 2015, see Note 11- Defined Benefit Pension Plan and Note 21 – Prior-Period Adjustment.

(2) Organization - Joint Agreements

The operations of the Districts are facilitated by certain Joint Agreements that permit the consolidation of duties and responsibilities.

Joint Administration Agreement

Each individual district is party to the Joint Administration Agreement wherein an administrative organization has been established to provide or perform the administrative functions for all individual districts. The Joint Administration Agreement provides that the revenue and expenses that can be readily segregated by district shall be applied directly to the district concerned. Except for some of the districts that have a fixed percentage, the indirect expenses are apportioned based upon the ratio of each district's total sewage units to the total number of sewage units within all districts. A sewage unit represents the average daily quantity of sewage flow and strength that would be discharged from a single-family home.

Joint Outfall Agreement

The following districts participate in a "Joint Outfall" Agreement: 1, 2, 3, 5, 8, 15, 16, 17, 18, 19, 21, 22, 23, 28, 29, 34, and South Bay Cities (referred to henceforth as Joint Outfall Districts). Under the terms of the Agreement, they share in the joint ownership, use, and operations of certain trunk

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

sewers, pumping plants, treatment plants, and ocean outfalls. The Agreement specifies that the revenue accrued and expenses incurred from these activities be proportioned to each district on the basis of the ratio of sewage units within the district to the total number of sewage units within all Joint Outfall Districts.

Los Angeles County Refuse Disposal Trust Agreement

District No. 2, acting in its capacity as the administrative District, participates in a Joint Powers Agreement (JPA) with the County of Los Angeles to establish the Los Angeles County Refuse Disposal Fund and the Los Angeles County Refuse Disposal Equipment Pool to administer the landfills located outside of the Districts' boundaries, including the Calabasas and Scholl Canyon Landfills (Trustee Landfills).

Program development, future landfill acquisitions, and major capital expenditures are financed from the Los Angeles County Refuse Disposal Fund. The Los Angeles County Refuse Disposal Equipment Pool provides equipment to the Trustee Landfills and the revenue from rental of this equipment is used for operations and maintenance and to purchase new equipment as required.

The JPA provides that monies in excess of short-term operations and maintenance and capital improvement needs resulting from landfill operations be transferred to the Los Angeles County Refuse Disposal Fund. In the case of Scholl Canyon, the agreement provides for a sharing of revenues (referred to as tonnage expense) between the City of Glendale and the Los Angeles County Refuse Disposal Fund.

In December 2005, the JPA was amended to provide financing for the ongoing operation of the Calabasas Landfill. The County of Los Angeles, through a Financing Authority, issued \$38.5 million of lease revenue bonds. Although the net revenues from the landfill are pledged for repayment of the bonds, the County of Los Angeles is ultimately responsible for all principal and interest payments. In addition, the JPA provides the Districts perform ongoing operation and maintenance of the Mission Canyon Landfill at no cost to the Districts.

Sanitation Districts Solid Waste Management System Agreement

Districts Nos. 1, 2, 3, 5, 8, 15, 16, 17, 18, 19, 21, 22, 23, 29, and South Bay Cities participate in the Solid Waste Management System Agreement. This agreement authorized District No. 2 to have full authority for acquiring, implementing, operating, and maintaining the Palos Verdes, Spadra, Puente Hills, and Mesquite Regional Landfills; the South Gate Transfer Station; the Commerce Refuse-to-Energy Facility; the Southeast Resource Recovery Facility; the Puente Hills, Spadra, Palos Verdes, and Calabasas gas-to-energy facilities; the Downey Area Recycling and Transfer Facility, the Puente Hills Material Recovery Facility; and programs and facilities that may be developed as part of materials recovery and remote disposal system.

Joint Exercise of Powers Agreement

Districts Nos. 1, 2, 3, 4, 5, 8, 9, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 27, 28, 29, Santa Clarita Valley, and South Bay Cities participate in a Joint Exercise of Powers Agreement related to the Los Angeles County Sanitation Districts Financing Authority.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(3) Cash and Investments

The Districts have adopted the provisions of Statement No. 31 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (GASB No. 31), and Statement No. 40 of the Governmental Accounting Standards Board, "Deposit and Investment Risk Disclosures" (GASB No. 40), which require that certain investments and external investment pools be reported at fair value and disclosures be made of certain deposit and investment risks.

The Districts' investment policies are governed by and in compliance with the California Government Code. The investment policies' objectives are to provide for safety of principal, maintain liquidity, and earn a market rate of return. The Districts are authorized to invest funds in the County of Los Angeles Pooled Surplus Investment Fund (County Pool), the State of California Local Agency Investment Fund, and other qualified investments in accordance with each district's individual investment policy and applicable law. During the fiscal year and at June 30, 2015, specific investments primarily consist of U.S. Agency securities and AA-rated Corporate Bonds.

As of June 30, 2015, the Districts had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-3	4-5
U.S. Agency Securities	\$ 1,007,080,302 ⁽¹⁾	-	500,704,554	506,375,748
Los Angeles County Pool	822,124,953	822,124,953	-	-
AA-Rated Corporate Bonds	201,812,000			201,812,000
Dreyfus Institutional Reserves Money Market Fund	287,443	287,443	-	-
First American US Treasury Money Market Fund	459,190	459,190	-	-
U.S. Bank Commercial Paper	8,308,776	8,308,776	-	-
U.S. Bank Money Market Account	2,203,067	2,203,067	-	-
Wells Fargo Premium Rate Public Fund	1,655,697	1,655,697	-	-
	<u>\$ 2,043,931,428</u>	<u>835,039,126</u>	<u>500,704,554</u>	<u>708,187,748</u>

(1) A portion of these securities are callable as follows:

July 1, 2015 - September 30, 2015	\$ 299,440,683
October 1, 2015 - December 31, 2015	490,465,359
January 1, 2016 - March 31, 2016	6,346,508
April 1, 2016 - June 30, 2016	210,827,752
	<u>\$ 1,007,080,302</u>

Interest Rate Risk. As a means of limiting the Districts' exposure to fair value losses from rising interest rates, the Districts' investment policies prohibit investments in securities maturing more than five years from the date of purchase, unless specifically approved by the Districts' Boards of Directors at least three months prior to purchase.

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2015, the Districts' investment in Dreyfus Institutional Reserves Treasury Prime Money Market Mutual Fund was rated AAAm by Standard & Poor's and Aaa-mf by Moody's Investors Service. The Districts' investment in U.S.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

Bank Commercial Paper and U.S. Bank Money Market Fund are both rated A-1+ by Standard & Poor's and P-1 by Moody's Investors Service. The Districts' investment in First American U.S. Treasury Money Market Fund was rated AAA by Standard & Poor's and Moody's Investors Service. The Districts' investment in United States Treasury securities and United States Agency securities were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. The Districts' investments in Corporate Bonds were rated AA by either Standard & Poor's, Moody's Investors Service, or Fitch Ratings. The Los Angeles County Pooled Surplus Investment Fund and Wells Fargo Premium Rate Public Fund are not rated.

Concentration of Credit Risk. The investment policies for District Nos. 17, 27, and Newhall Ranch require that all investments placed are in full compliance with the California Government Code. The remaining Districts' investment policies further restrict the concentration of investments in any one United States Agency to no more than 60% of the Districts' funds. These Districts' policies allow for investments in medium-term AAA-rated and AA-rated corporate and depository institution debt securities with remaining maturities of five years or less. No individual medium-term AAA-rated or AA-rated security may exceed 5% of Districts' funds and all medium and short-term investments in aggregate may not exceed 20% of Districts' funds.

The Districts' cash, cash equivalents, and specific investments at June 30, 2015, are classified on the accompanying statement of net position as follows:

Unrestricted cash and cash equivalents (operating funds)	\$	129,152,203
Restricted cash, cash equivalents, and specific investments		1,808,627,382
Other specific investments		<u>106,151,843</u>
		2,043,931,428
Cash in bank		869,002
Cash on hand		<u>40,816</u>
	\$	<u><u>2,044,841,246</u></u>

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

The Districts' total restricted cash, cash equivalents, and specific investments are comprised of the following at June 30, 2015:

	Cash and Cash Equivalents	Specific Investments	Total
Capital improvement fund	\$ 100,302,906	374,891,238	475,194,144
Closure/postclosure fund	200,755,624	255,212,387	455,968,011
Contingency reserve fund	6,966,399	5,435,207	12,401,606
Employee absences fund	37,090,899	-	37,090,899
Equipment pool fund	16,313,758	11,230,024	27,543,782
Rate stabilization fund	168,425,607	226,114,612	394,540,219
Pension prepayment liability	24,282,503	-	24,282,503
Waste-by-rail cost transition fund	71,805,342	160,915,125	232,720,467
Site development fund	23,560,447	11,664,723	35,225,170
Stabilization fund for contracted benefit costs	9,123,000	-	9,123,000
State loan fund	12,677,351	23,204,435	35,881,786
Surcharge fund	11,641,321	6,130,476	17,771,797
Other restricted funds	22,654,325	17,370,515	40,024,840
	705,599,482	1,092,168,742	1,797,768,224
Bond Reserve Fund	287,443	10,571,715	10,859,158
Total Restricted Cash, Cash Equivalents, and Specific Investments	\$ 705,886,925	1,102,740,457	1,808,627,382

Cash in Bank

At June 30, 2015, the carrying amount of the Districts' cash in bank deposits was \$869,002, while the bank balance was \$4,050,971. All deposits are entirely insured or collateralized. The California Government Code requires California banks and savings and loan associations to secure Districts' deposits by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of the Districts' deposits. California law also allows financial institutions to secure Districts' deposits by pledging first trust deed mortgage notes having a value of 150% of the Districts' total deposits.

The Districts may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

Cash on Hand

At June 30, 2015, the Districts had imprest cash funds in the amount of \$40,816.

Cash and Cash Equivalents

Cash consists of deposits in the interest-bearing Los Angeles County Pooled Surplus Investment Fund. Investments are stated at fair value. The fair value of the Districts' position in the pool is the same as the value of the pool shares. The Districts maintain separate balances for the individual

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

districts, and investment income is allocated on a pro rata basis. Because the Districts' deposits are maintained in a recognized pooled investment fund under the care of a third party and the Districts' share of the pool does not consist of specific, identifiable investment securities owned by the Districts, no disclosure of the individual deposits and investments is required under generally accepted accounting principles. The Districts' deposits in the fund are considered liquid.

Cash equivalents consist of investments in the Dreyfus Institutional Reserves Treasury Prime Money Market Mutual Fund (a mutual fund), U.S. Bank Commercial Paper, U.S. Bank Money Market Fund, Wells Fargo Premium Rate Public Fund, and First American U.S. Treasury Money Market Fund. Investments are stated at fair value. The fair value of the Districts' position in the pool is the same as the value of the pool shares. The Districts maintain separate balances for the individual districts, and investment income is allocated on a pro rata basis. Because the Districts' deposits are maintained in a recognized pooled investment fund or in a mutual fund under the care of third parties and the Districts' share of the funds do not consist of specific, identifiable investment securities owned by the Districts, no disclosure of the individual deposits and investments is required under generally accepted accounting principles. The Districts' deposits in these funds are considered to be liquid.

Specific Investments

These represent investments in U.S. Agency securities.

Bond Reserve Fund with Trustee

The revenue bond indenture agreements require the independent bond trustee to hold bond funds in restricted-use accounts (see note 8). The Districts hold monies to be used to: (a) finance the costs of acquisition, construction, and installation of certain additional improvements to the sewerage treatment and disposal facilities; (b) finance the cost of construction of a gas-to-energy facility; and (c) fund reserve accounts for debt service. The fiscal year-end balance of these accounts amounted to \$10,859,158.

At June 30, 2015, all monies are invested in U.S. Agency securities, and a Dreyfus Institutional Reserves Treasury Prime Money Market Mutual Fund, as permitted by the bond indenture. U.S. Agency securities are in the Los Angeles County Sanitation Districts Financing Authority's name (see note 1 [A]).

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(4) Service Charge Revenue - Sewerage Funds

The Districts assess service charges against property owners using the Districts' sewerage system as a means of offsetting the cost of providing sanitation facilities. These service charges are collected through Los Angeles County's property tax billing system. During the fiscal year ended June 30, 2015, the following Districts recorded service charge revenues:

<u>District</u>	<u>Amount</u>
1	\$ 23,588,278
2	32,883,222
3	28,215,464
4	3,689,574
5	35,746,738
8	8,912,178
9	86,498
14	32,492,173
15	26,034,095
16	15,872,547
17	2,124,254
18	18,525,173
19	5,853,756
20	22,259,542
21	22,599,939
22	18,400,830
23	368,455
28	999,668
29	1,863,791
Santa Clarita Valley	24,596,623
South Bay Cities	6,148,346
	<u>\$ 331,261,144</u>

(5) Property Taxes

Proposition 13, adopted June 6, 1978, in part added Article XIII-A to the California Constitution. Section 1 of Article XIII-A limits the maximum ad valorem tax on real property to 1% of full cash value. Section 1 stipulates that the limitation provided for in Section 1 shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on indebtedness approved by the voters prior to July 1, 1978.

Property tax revenues are distributed to special districts, local agencies, school districts, the County superintendent of schools, community college districts, and community redevelopment agencies in accordance with provisions of Section 26912 of the Government Code and Section 95-100 of the Revenue and Taxation Code.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

Taxes Become a Lien

All tax liens attach annually on the first day in January preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property as they exist on that date. The lien against real estate or the tax on personal property is not relieved by subsequent removal or change of ownership, and the Tax Collector cannot accept payment for taxes on real property unless the personal property tax indicated on the tax bill has been paid or is tendered. Secured property taxes are a lien against real property. Tax levies cover the fiscal year period July 1 to June 30; for instance, the 2014 tax levy is for the fiscal year 2014-2015.

Delinquency and Penalty

Taxes on the secured roll may be paid in two installments due November 1 and February 1. Taxes due on November 1, if unpaid, become delinquent at the close of business on December 10; and taxes due on February 1, if unpaid, become delinquent on April 10 at the close of business. If December 10 or April 10 falls on Saturday, Sunday or a legal holiday, the time of delinquency is the close of the next business day. The entire tax on real property may be paid when the first installment is due, if desired. The second may be paid separately only if the first installment has been paid.

Unsecured personal property taxes are not a lien against real property, are due on the first of January each year, and are payable to the Los Angeles County Tax Collector. These taxes become delinquent if not paid on August 31 at the close of business. If August 31 falls on Saturday, Sunday, or a legal holiday, the time of delinquency is the close of the next business day. If taxes are not paid by October 31, an additional penalty of 1.5% per month will accrue. Delinquent penalties of 10% are added to any unpaid secured and/or unsecured property taxes if received after the grace period.

(6) Accounts Receivable

Accounts receivable is composed of the following (in thousands):

	<u>2015</u>	<u>2014</u>
Sale of commodities	\$ 981	281
Sale of energy	441	480
Surcharge	19,637	18,510
Tipping fees	7,752	8,789
Other	<u>3,976</u>	<u>4,129</u>
Total accounts receivable	<u>\$ 32,787</u>	<u>32,189</u>

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(7) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows (in thousands):

	<u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Capital assets, not being depreciated:				
Construction in progress (see note 16)	\$ 374,448	94,157	(9,540)	459,065
Land	216,896	707		217,603
Total capital assets, not being depreciated	591,344	94,864	(9,540)	676,668
Capital assets, being depreciated or amortized:				
Buildings and equipment	69,564	3,191	(266)	72,489
Capital improvements	536,308	5,139	-	541,447
Disposal rights	77,807	2,127	-	79,934
Equipment pool	63,874	4,504	(7,223)	61,155
Gas-to-energy facilities	221,590	(347)	-	221,243
Joint outfall facilities	2,105,128	26,728	-	2,131,856
Other	20,458	1,322	-	21,780
Rail Facilities	54,057	4	-	54,061
Recycling and transfer facility	62,458	697	-	63,155
Treatment plants	804,353	7,407	-	811,760
Trunk lines	341,468	3,870	-	345,338
Use rights	69,009	-	-	69,009
Total capital assets, being depreciated or amortized	4,426,074	54,642	(7,489)	4,473,227
Accumulated depreciation and amortization:				
Buildings and equipment	(36,182)	(2,083)	-	(38,265)
Capital improvements	(439,560)	(5,464)	-	(445,024)
Disposal rights	(31,501)	(1,777)	-	(33,278)
Equipment pool	(31,944)	(4,020)	4,825	(31,139)
Gas-to-energy facilities	(114,369)	(5,377)	-	(119,746)
Joint outfall facilities	(784,551)	(43,480)	-	(828,031)
Other	(7,484)	(446)	-	(7,930)
Recycling and transfer facility	(15,281)	(1,740)	-	(17,021)
Treatment plants	(154,637)	(23,008)	-	(177,645)
Trunk lines	(98,278)	(4,654)	-	(102,932)
Use rights	(24,878)	(1,541)	-	(26,419)
Total accumulated depreciation and amortization	(1,738,665)	(93,590)	4,825	(1,827,430)
Total capital assets, being depreciated, net	2,687,409	(38,948)	(2,664)	2,645,797
Total capital assets, net	\$ 3,278,753	55,916	(12,204)	3,322,465

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

Depreciation and amortization expense was charged to the Districts' various operations as follows (in thousands):

Sewerage Operations	\$	75,417
Solid Waste Facilities Operations		10,334
Trustee Solid Waste Facilities Operations		2,755
Service Operations		<u>5,084</u>
Total depreciation and amortization expense	\$	<u><u>93,590</u></u>

(8) Long-Term Debt

Revenue Bonds

On June 2, 2005, the Financing Authority issued \$25,305,000 of 2005 Series A District No. 20 Subordinate Revenue Bonds. The purpose of the 2005 Series A bonds was to finance the costs of the acquisition, construction, and installation of certain improvements to the sewage collection, treatment, and disposal facilities of County Sanitation District No. 20 of Los Angeles County; refinance certain improvements by prepaying in full District 20's outstanding Clean Water State Revolving Fund Loans in the approximate aggregate amount of \$6.3 million; finance the Reserve Fund for the Bonds; pay capitalized interest on a portion of the Bonds through April 1, 2006; and pay costs of issuance of the Bonds. Serial bonds were issued in the amount of \$16,195,000 at interest rates ranging from 3.00% to 4.50%. Interest is paid semiannually each fiscal year on October 1 and April 1. These serial bonds mature in varying amounts on October 1 in the years 2008 through 2028. The bonds maturing on or after October 1, 2016, are subject to optional redemption after October 1, 2015. Additionally, term bonds aggregating \$9,110,000 were issued at the interest rate of 5.00%. Interest is paid semiannually each year on October 1 and April 1. These term bonds mature on October 1, 2034, and are subject to mandatory redemption, in varying amounts, commencing October 1, 2029.

In October 2005, the Financing Authority issued \$182,915,000 of 2005 Series B District No. 14 Subordinate Revenue Bonds. The purpose of the 2005 Series B bonds was to finance the costs of the acquisition, construction, and installation of certain improvements to the sewage collection, treatment, and disposal facilities of County Sanitation District No. 14 of Los Angeles County; to pay the costs of a municipal bond debt service reserve policy; and to pay costs of issuance. These serial bonds mature in varying amounts on October 1 in the years 2006 through 2035 at coupon rates ranging from 3.00% to 5.00%.

In March 2007, the Financing Authority issued \$134,515,000 of 2007 Series A District No. 20 Subordinate Revenue Bonds. The purpose of the 2007 Series A bonds was to finance the costs of the acquisition, construction, and installation of certain improvements to the sewage collection, treatment, and disposal facilities of County Sanitation District No. 20 of Los Angeles County; including land acquisition, treatment plant upgrades, and recycled water management facilities development; finance the Reserve Fund for the Bonds; capitalize a portion of interest on the Bonds through April 1, 2009; and pay costs of issuance of the Bonds. These serial bonds mature in varying amounts on October 1 in the years 2010 through 2042 at coupon rates ranging from 3.75% to 5.00%.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

In November 2008, the Financing Authority issued \$19,661,583 in 2008 Series A Clean Renewable Energy Bonds (CREBS). The purpose of the bonds was to pay a portion of the cost of acquiring, constructing, and installing the Calabasas Gas-to-Energy Facility. The bonds were issued at a rate of 1.25% per annum and mature on December 15, 2021.

In July 2011, the Financing Authority issued \$130,615,000 in Capital Projects Revenue Bonds (Senior Ad Valorem Obligation Bonds) (the 2011 Bonds). The purpose of the 2011 Bonds was to refund and defease a portion of the Financing Authority's outstanding 2003 Series A Bonds and pay costs of issuance. These serial bonds mature in varying amounts on October 1 in years 2014 through 2023 at coupon rates ranging from 2.5% to 5.0%. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$12.5 million and resulted in an economic gain of \$10.6 million.

In July 2013, the Districts' Financing Authority issued \$107,620,000 in Senior Ad Valorem Revenue Bonds. The purpose of these bonds is to refund and defease the remaining portion of the Authority's outstanding 2003 Series A Bonds at substantially lower interest rates and pay costs of issuance. As a result of the refunding, the Districts' realized a net present worth savings of approximately \$28.8 million. These serial bonds mature in varying amounts on October 1 in the years 2013 through 2021 at coupon rates ranging from 1.0% to 5.0%. The bonds were issued a rating of AA+ by Standard & Poor's and a rating of Aa1 from Moody's Investors Service.

Total Bond Indebtedness

The Districts' bonded indebtedness is summarized as follows:

	Balance at June 30, 2014	Additions	Redemptions	Balance at June 30, 2015	Due Within One Year
Revenue Bonds:					
2005 Series A	21,245,000	-	(760,000)	20,485,000	790,000
2005 Series B	170,495,000	-	(2,870,000)	167,625,000	2,980,000
2007 Series A	131,920,000	-	(750,000)	131,170,000	780,000
2008 Series A	11,235,190	-	(1,404,400)	9,830,790	1,404,400
2011 Series A	130,615,000	-	(1,965,000)	128,650,000	2,025,000
2013 Series A	83,375,000	-	(21,515,000)	61,860,000	22,555,000
	\$ 548,885,190	-	(29,264,400)	519,620,790	30,534,400
Plus unamortized premium	25,068,063		(5,659,877)	19,408,186	-
Bonds payable, net	\$ 573,953,253	-	(34,924,277)	539,028,976	30,534,400

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

Total Bonded Debt Outstanding

The annual requirements to amortize all bond debt outstanding as of June 30, 2015, are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
Fiscal year ending June 30:			
2016	23,498,465	30,534,400	54,032,865
2017	22,124,622	31,869,400	53,994,022
2018	20,700,817	33,309,400	54,010,217
2019	19,206,113	34,719,400	53,925,513
2020	17,558,100	36,309,400	53,867,500
2021-2025	69,817,685	90,658,790	160,476,475
2026-2030	56,335,565	53,530,000	109,865,565
2031-2035	37,113,826	107,975,000	145,088,826
2036-2040	13,654,350	66,580,000	80,234,350
2041-2043	2,350,240	34,135,000	36,485,240
	\$ 282,359,783	519,620,790	801,980,573
Plus unamortized premium	-	19,408,186	19,408,186
Bonds payable, net	\$ 282,359,783	539,028,976	821,388,759

Notes Payable

The Districts executed an option agreement for the purchase of a key piece of property for the development of the Puente Hills Intermodal Facility. As part of the agreement, the Districts assumed a 10-year installment payment plan, from the Geosano Family Trust, totaling \$1,586,020, which is secured by a restricted interest-bearing account of 7.25%.

Notes payable are summarized as follows:

	<u>Maximum Principal Balance</u>	<u>Balance at July 1, 2014</u>	<u>Current-Year Draw Downs</u>	<u>Redemptions</u>	<u>Balance at June 30, 2015</u>	<u>Due Within One Year</u>
Geosano	\$ 1,586,020	1,414,151	-	41,338	1,372,813	44,437
Total Notes Payable	\$ 1,586,020	1,414,151	-	41,338	1,372,813	44,437

State Water Resources Control Board

The Districts also have several notes payable to the State Water Resources Control Board. These loan funds are received on an installment basis as the Districts incur the related expenditures and are repaid over a 20-year period. The funds are utilized in the construction and expansion of wastewater conveyance and reclamation facilities.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

The Districts' indebtedness to the State is summarized as follows:

Description	Rate		Balance	July 1, 2014	Draw Downs	Redemptions	June 30, 2015
Lancaster - Outfall & Trunk Sewer	2.3000	% \$	31,319,657	21,554,319	-	1,441,340	20,112,979
Lancaster WRP Stage V Expansion	2.6000		142,090,956	69,990,978	-	3,098,654	66,892,324
Palmdale WRP Stage V Expansion	2.5000		70,000,000	56,152,969	-	2,344,983	53,807,986
La Canada Trunk Sewer	3.4000		2,550,000	337,921	-	166,135	171,786
La Canada Foothill Main Trunk Sewer	3.1000		3,785,566	567,837	-	189,278	378,559
Saugus Equipment Purchases	2.4000		1,766,705	980,429	-	89,130	891,299
Valencia	2.8000		10,699,908	3,225,551	-	537,591	2,687,960
Valencia Stage V	2.4000		45,909,746	23,277,361	-	2,327,736	20,949,625
Valencia Stage V Exp	2.4000		1,400,546	634,627	-	70,514	564,113
Valencia WRP Boiler Upgrade	1.7000		4,335,543	4,051,855	338,424	188,693	4,201,586
Puente Hills	2.8000		5,000,000	575,417	-	338,837	236,580
Alamitos Pumping Plant Force Main	1.7000		1,069,500	922,371	-	41,536	880,835
Biological Reactors	2.4000		109,095,000	52,064,660	-	5,251,541	46,813,119
Central Odor Control	2.4000		11,444,141	6,315,094	-	574,099	5,740,995
Cryogenic Oxygen Generation	2.4000		23,869,940	10,811,600	-	1,201,289	9,610,311
Environmental Lab Bldg	2.4000		9,591,013	4,818,673	-	481,867	4,336,806
Fuel Gas Compressor Upgrade	2.4000		722,927	331,322	-	36,813	294,509
Heat Recovery Steam Gen. Equip.	2.4000		3,983,711	2,820,443	-	216,957	2,603,486
High-Speed Centrifuge	2.4000		4,500,995	2,555,248	-	232,295	2,322,953
Install Secondary Infl. Pump Station	2.4000		4,719,816	2,141,415	-	237,935	1,903,480
Install Secondary Infl Pump Station II	2.4000		1,541,429	892,411	-	81,128	811,283
JO A, Unit 1A-Dist 5 Trunk Sewer	2.1000		-	-	9,212,505	-	9,212,505
Long Beach Main PP Facility Upgrades	1.9000		34,482,000	6,994,737	9,328,286	-	16,323,023
Long Beach WRP Aeration	2.4000		368,511	207,293	-	23,032	184,261
Long Beach WRP Ammonia	2.4000		834,196	521,374	-	52,137	469,237
Long Beach WRP NDN Fac	2.4000		4,735,275	3,326,170	-	237,584	3,088,586
Long Beach WRP NDN Fac Equip.	2.4000		504,474	302,682	-	33,632	269,050
Los Coyotes WRP Ammonia	2.4000		1,208,597	755,375	-	75,537	679,838
Los Coyotes WRP Interceptor	2.7000		12,381,145	10,983,256	-	517,638	10,465,618
Los Coyotes WRP NDN Fac	2.4000		17,538,820	12,277,174	-	876,941	11,400,233
Mod. of Electrical Power Services	2.4000		4,153,307	1,833,209	-	203,690	1,629,519
Pomona WRP NDN Fac	2.4000		4,931,545	3,082,213	-	308,222	2,773,991
Pomona WRP NDN Fac. Equip.	2.4000		182,616	114,132	-	11,414	102,718
Power Generation Equipment	2.4000		12,298,084	5,870,196	-	652,244	5,217,952
Power Generation Steam Turbine Gen.	2.4000		2,978,767	2,101,613	-	161,662	1,939,951
Primary Screenings & Grit Dewatering	2.4000		11,730,892	5,275,544	-	586,172	4,689,372
Purch. Secondary Infl Pump Station Equip	2.4000		11,012,050	6,025,130	-	547,739	5,477,391
Reloc. & Install High-Speed Centrifuge	2.4000		2,109,325	949,063	-	105,453	843,610
San Jose Creek WRP NDN Fac.	2.4000		9,401,328	5,745,256	-	522,296	5,222,960
San Jose Creek WRP NDN Fac. Equip.	2.4000		1,349,480	844,997	-	76,818	768,179
Secondary Effluent Pumps	2.6000		1,176,608	625,812	-	62,612	563,200

Continued on following page

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

Description	Interest Rate	Maximum Principal Balance	Balance at July 1, 2014	Current-Year Draw Downs	Redemptions	Balance at June 30, 2015
Silo Odor Control Fac. Phase I	2.4000	5,330,364	3,473,780	-	347,378	3,126,402
Silo Odor Control Fac. Phase II	2.4000	2,947,840	1,965,226	-	163,769	1,801,457
W. A. S. Thickening Expansion	2.4000	4,173,801	1,885,970	-	209,553	1,676,417
Whittier Narrows WRP NDN Fac.	2.4000	4,309,558	3,456,401	-	216,025	3,240,376
Wright Road Trunk Sewer Repair	2.6000	672,500	561,609	-	26,692	534,917
Digestion Tanks 17-23	2.4000	53,930,932	26,586,161	-	2,658,614	23,927,547
Primary Tank Covers	2.4000	3,608,121	1,688,475	-	193,961	1,494,514
Mod. of Biological Reactors	2.4000	34,354,567	20,227,320	-	1,813,767	18,413,553
Digestion Tanks	3.1000	19,325,958	1,339,600	-	1,339,600	-
		\$ 751,427,760	394,042,269	18,879,215	31,172,533	381,748,951
Less unamortized discount		-	(24,329,981)	-	(2,391,304)	(21,938,677)
Loans payable to State, net		\$ 751,427,760	369,712,288	18,879,215	28,781,229	359,810,274

The annual debt service requirements as of June 30, 2015, for the Districts' indebtedness to the State are as follows:

	Interest	Principal	Total
Fiscal year ending June 30:			
2016	\$ 7,947,423	30,100,398	38,047,821
2017	7,754,862	30,443,167	38,198,029
2018	7,640,602	31,325,256	38,965,858
2019	7,225,238	31,740,620	38,965,858
2020	6,799,770	32,166,088	38,965,858
2021-2025	24,768,262	135,336,897	160,105,159
2026-2030	8,511,000	58,866,171	67,377,171
2031-2035	1,649,613	29,290,845	30,940,458
2036-2040	66,659	2,479,509	2,546,168
	\$ 72,363,429	381,748,951	454,112,380
Less unamortized discount	-	(21,938,677)	(21,938,677)
Loans payable to State, net	\$ 72,363,429	359,810,274	432,173,703

(9) Insurance

The Districts are exposed to various risks of loss and have effectively managed risk through a combination of insurance with deductibles, self-insurance, and employee education and prevention programs. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. In addition, there were no settlements or claims in the past three years that exceeded insurance coverage.

The Districts are self-insured for workers' compensation benefits. As of June 30, 2015, the liability for workers' compensation claims was estimated at \$11,110,944. Accordingly, this amount has been accrued in the accompanying basic financial statements.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

At June 30, 2015, there were no reportable claims other than workers' compensation benefits as follows (in thousands):

	<u>2015</u>	<u>2014</u>
Unpaid claims, beginning of fiscal year	\$ 11,059	13,451
Incurred claims	2,820	4
Claim payments	<u>(2,768)</u>	<u>(2,396)</u>
Unpaid claims, end of fiscal year	<u>\$ 11,111</u>	<u>11,059</u>
Due within one year	\$ 5,555	5,529

The Districts are insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the Districts as of June 30, 2015:

<u>Coverage</u>	<u>Facility</u>	<u>Limits</u>
General Liability (excess coverage)	All Districts' Facilities-includes excess auto liability coverage	\$ 25,000,000
	Annual Earth Day Event	1,000,000
Auto Liability - Bodily Injury and Property Damage (primary to above)	On-Road Vehicles	1,000,000
Property - Fire, Burglary, Extended Coverage Vandalism and Malicious Mischief	Specific Buildings and Contents	418,262,903
Crime Policy - employee theft	All Districts' Employees	750,000
Marine:		
Vessel value plus instrumentation	1989 66-foot Ocean Sentinel	500,000
	1988 25-foot Farallon Vessel	45,000
	1976 19-foot Boston Whaler	2,500
Protection and Indemnity		10,000,000
All Risks - Real and Personal Property	Combined Single Limit/ Gas-to-Energy Facilities	100,000,000
Earthquake and Flood	Gas-to-Energy Facilities	25,000,000
Business Interruption	Puente Hills Energy Recovery from Gas and Calabasas Landfill Gas-to-Energy	23,811,000
Extra Expense	JWPCP Total Energy Facilities	19,260,000
Pollution Legal Liability	Wastewater System	5,000,000
Fiduciary Liability-Deferred Compensation Program		1,000,000
Rental Property Insurance	3 Single-Family Homes - Carson	615,250

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(10) Litigation

The Districts are defendants in various litigation matters arising from the normal conduct of business. It is the opinion of the Districts' legal counsel that the resolution of these matters is not likely to have a material adverse effect on the Districts' overall financial condition.

(11) Defined Benefit Pension Plan

(A) General Information about the Pension Plan

Plan Description

The Districts' defined benefit pension plan, Public Employees' Retirement System (PERS), is available to all qualified permanent and probationary employees. PERS is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute. CalPERS issues an annual report that includes financial statements and required supplementary information. That report may be obtained by writing to CalPERS, Executive Office, 400 P Street, Sacramento, California, 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to</u>	<u>On or after</u>
Hire date	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5-years service	5-years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7%	7%
Required employer contribution rates	11.509%	12.242%

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

Employees Covered

At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

Inactive employees or beneficiaries	
currently receiving benefits	1,273
Inactive employees entitled to but	
not yet receiving benefits	477
Active employees	1,715
Total	<u>2,192</u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in rate. Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Districts are required to contribute the difference between the actuarially determined rate and the contribution rate of the employees.

(B) Net Pension Liability

The Districts' net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net position liability is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is show below.

	<u>Employees</u>
Valuation date	June 30, 2013
Measurement date	June 30, 2014
Actuarial cost method	Entry-age Normal Cost Method
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Payroll	3.00%
Projected salary increase	Varies by entry age and service ⁽¹⁾
Investment rate of return	7.50% ⁽²⁾
Mortality	Derived by using CalPERS membership data for all funds

⁽¹⁾ Depending on age, service, and type of employment

⁽²⁾ Net of pension plan investment expenses, including inflation

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, the tested plan does not run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be .15%. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle which should be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement No. 67 and No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

(C) Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan are as follows:

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$ 1,428,803,739	\$ 1,072,554,464	\$ 356,249,275
Changes in the year:			
Service cost	23,304,566		23,304,566
Interest on the total pension liability	105,962,106		105,962,106
Contribution-employer		20,091,038	(20,091,038)
Contribution-employee (paid by employer)		12,344,494	(12,344,494)
Net investment income		187,477,207	(187,477,207)
Benefit payments, including refunds of Employee Contributions	(55,255,873)	(55,255,873)	-
Net Changes	74,010,799	164,656,866	(90,646,067)
Balance at June 30, 2015	\$ 1,502,814,538	\$ 1,237,211,330	\$ 265,603,208

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

Sensitivity of the Net Pension Liability to changes in the Discount Rate

The following presents the net pension liability of the Districts' Plan, calculated using the discount rate, as well as what the Districts' net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

1% Decrease		6.50%
Net Pension Liability	\$	465,948,637
Current Discount Rate		7.50%
Net Pension Liability	\$	265,603,208
1% Increase		8.50%
Net Pension Liability	\$	98,754,962

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

(D) Pension Expenses and Deferred Outflows/Inflows of Resources

For the fiscal year ended June 30, 2015, the Districts recognized pension expense of \$15,879,044. At June 30, 2015, the Districts reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 21,082,087	\$ -
Net differences between projected and actual earnings on plan investments	-	86,434,076
Total	\$ 21,082,087	\$ 86,434,076

Deferred outflows of resources of \$21,082,087 are related to contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Pension Expense
2016	\$ (21,608,518)
2017	(21,608,518)
2018	(21,608,518)
2019	(21,608,522)

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(E) Payable to the Pension Plan

At June 30, 2015, the Districts did not have an outstanding payable for contributions to the pension plan for the fiscal year ended June 30, 2015.

(12) Other Post Employment Benefits (OPEB) Plan

Plan Description

The Districts provide health care and dental benefits for all retired employees and their dependents or survivors. The Districts have entered into a prefunding plan for their OPEB plan with the CalPERS California Employer's Retiree Benefit Trust Program (CERBT). The prefunding plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 45 consisting of an aggregation of single-employer plans, with pooled administrative and investment functions. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for CERBT. The report may be obtained via the internet by accessing the Forms & Publication Center of the CalPERS web site at www.calpers.ca.gov or by calling 888 CalPERS (or 888-225-7377).

Funding Policy

The Districts' annual OPEB cost is calculated based on the actuarial required contribution of the Districts (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Districts contracted with an outside actuarial consultant, Bartel Associates, LLC, to produce a GASB Statement No. 45 compliant actuarial report.

Annual OPEB Cost and Net OPEB Obligation

Historically, the Districts paid retiree medical benefits on a "pay-as-you-go" basis. However, GASB Statement No. 45 requires the calculation of a "normal" cost plus the cost of amortizing the Unfunded Actuarial Accrued Liability (UAAL) over a 30-year period. Normal Cost is the future cost of benefits earned in the current year. The following table shows the Districts' annual OPEB cost for the year, the percentage of OPEB cost actually contributed to the plan, and the Districts' net OPEB obligation (dollar amounts in thousands).

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

Fiscal Year			Percentage of	Net OPEB
Ending		Annual OPEB Cost	OPEB Contributed	Obligation
6/30/08	\$	18,754	100%	\$ 0
6/30/09		18,854	100	0
6/30/10		18,621	100	0
6/30/11		18,459	100	0
6/30/12		22,306	100	0
6/30/13		21,293	100	0
6/30/14		21,052	100	0
6/30/15		23,087	100	0

Funded Status and Funding Progress

As of June 30, 2014 the plan was 32% funded. The actuarial accrued liability for benefits was \$337 million, and the actuarial value of assets was \$109 million, resulting in an UAAL of \$228 million. The covered payroll (annual payroll of active employees covered by the plan) was \$167 million, and the ratio of the UAAL to the covered payroll was 136.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Funded Status of Districts' Plan (\$ Amounts in Thousands)

Actuarial	Entry Age		Unfunded			Unfunded
Valuation	Actuarial	Actuarial	Liability/	Funded	Covered	Liability as a
Date	Accrued	Value of	(Excess	Ratio	Payroll	% of Covered
	Liability	Assets	Assets)			Payroll
6/30/06 ⁽¹⁾	\$ 197,779	\$ 0	\$ 197,779	0.0 %	\$ 143,394	137.9 %
6/30/08	210,249	12,477	197,772	5.9	158,628	124.7
6/30/10	267,055	38,053	229,002	14.3	162,975	140.5
6/30/11	269,563	52,881	216,682	19.6	164,502	131.7
6/30/13	318,019	88,465	229,554	27.8	162,437	141.3
6/30/14 ⁽²⁾	336,860	108,623	228,237	32.3	167,309	136.4

Note: (1) The first OPEB actuarial valuation was conducted as of June 30, 2006. There is no data available prior to the first valuation.

(2) Projected calculations were based on the most recent actuarial valuation on June 30, 2013.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the Districts' most recent actuarial valuation on June 30, 2013, the entry age actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rates of 8% to 8.3% initially (depending on whether Medicare eligible), reduced by decrements to an ultimate rate of 5% after ten years. The cost trend rates include a 3% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year open period. Changes to the UAAL on future valuations that were not expected (i.e., gains and losses) are amortized over a 15-year closed period. The UAAL is being amortized as a level percentage of projected payroll on a 30-year closed basis. The remaining amortization period on the initial actuarial unfunded balance at June 30, 2014, was twenty-two years.

(13) Employee Deferred Compensation Plan

All monthly and hourly employees are eligible to participate in the County Sanitation Districts of Los Angeles County Deferred Compensation Plan (Plan). The Plan was created in accordance with Internal Revenue Code Section 457(b). Pursuant to the Plan guidelines, a portion of an employee's compensation can be deferred to provide funds upon retirement, termination, reaching age 70½, unforeseeable emergencies, or designated beneficiaries at the time of death. The annual IRS plan contribution limit for 2015 was \$18,000 and will remain at \$18,000 in 2016.

At June 30, 2015, assets with a fair value of \$257,832,362 were held for the exclusive benefit of participants and their beneficiaries in the Plan's custodial accounts. Accordingly, such assets have been excluded from the accompanying basic financial statements.

(14) Compensated Absences

The changes to compensated absences balances at June 30 were as follows:

	Balance at July 1, 2014	Earned	Taken	Balance at June 30, 2015	Due Within One Year
\$	39,816,472	13,294,302	16,019,876	37,090,898	9,595,132

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(15) Interdistrict Receivables, Payables, and Transfers

(A) Interdistrict Receivables and Payables

The interdistrict receivables and payables have been eliminated in the accompanying basic financial statements. The following summarizes interdistrict receivables and payables, which have been included in the Districts' combining financial statements, at June 30, 2015:

	Due From Other Districts	Due To Other Districts
Sewerage Operations:		
District No. 1	\$ -	2,509,294
District No. 2	-	3,863,087
District No. 3	-	2,829,510
District No. 4	-	10,029
District No. 5	-	4,430,522
District No. 8	-	1,677,537
District No. 9	-	692
District No. 14	-	897,451
District No. 15	-	3,061,832
District No. 16	-	1,561,882
District No. 17	-	209,941
District No. 18	-	2,081,093
District No. 19	-	557,670
District No. 20	-	751,853
District No. 21	-	2,468,114
District No. 22	-	2,086,753
District No. 23	-	358,491
District No. 27	-	692
District No. 28	-	64,028
District No. 29	-	115,025
Santa Clarita Valley	-	1,511,545
South Bay Cities	-	797,085
	<hr/>	<hr/>
Total Sewerage Operations	-	31,844,126

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

	<u>Due From Other Districts</u>	<u>Due To Other Districts</u>
Solid Waste Facilities Operations:		
Palos Verdes Landfill	-	305,721
Spadra Landfill	-	385,725
South Gate Transfer Station	-	133,148
Puente Hills Landfill	-	1,750,289
Puente Hills Materials Recovery Facility	-	864,942
Downey Area Recycling & Transfer Station	-	290,159
Mesquite Landfill	-	34,699
Total Solid Waste Facilities Operations	-	3,764,683
Trustee Solid Waste Facilities Operations:		
Scholl Canyon Landfill	-	450,628
Calabasas Landfill	-	530,862
Los Angeles County Refuse Disposal	-	83,001
Total Trustee Solid Waste Facilities Operations	-	1,064,491
Service Operations:		
Sewerage	31,844,126	-
Landfill	3,764,683	-
Trustee Landfill	1,064,491	-
Total Service Operations	36,673,300	-
	\$ 36,673,300	36,673,300

(B) Fund Transfers

The interdistrict fund transfers have been eliminated in the accompanying basic financial statements. The following summarized interdistrict fund transfers, which have been included in the Districts' combining financial statements, at June 30, 2015:

	<u>Transfers In</u>	<u>Transfers Out</u>
Solid Waste Facilities Operations:		
Palos Verdes Landfill	100,000	-
South Gate Transfer Station	148,716	-
Puente Hills Landfill	-	5,995,976
Puente Hills Materials Recovery Facility	1,893,855	-
Downey Area Recycling & Transfer Station	1,130,142	-
Total Solid Waste Facilities Operations	3,272,713	5,995,976
Service Operations:	2,723,263	-
Total Service Operations	2,723,263	-
	\$ 5,995,976	5,995,976

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(16) Commitments and Contingencies

(A) Palos Verdes Landfill

The Palos Verdes Landfill discontinued accepting refuse material in December 1980 and is being maintained by the Districts under the terms of the long-term agreement with the County of Los Angeles. Pursuant to implementation of GASB 18, accrued liabilities for the cost of the ultimate disposition have been established (see note 18).

(B) Mission Canyon Landfill

The Joint Powers Agreement between the Districts and County of Los Angeles was amended to provide for the maintenance of the Mission Canyon Landfill. The amended agreement terminated the Districts usufructuary rights to the landfill and the County has requested the Districts continue to perform ongoing operation and maintenance of the site at no cost to the Districts.

(C) Spadra Landfill

The Spadra Landfill discontinued accepting refuse material from the public in April 2000 and is being maintained by the Districts and the California State Polytechnic University, Pomona, (Cal Poly) under the terms of the Spadra Landfill and Resource Conservation Agreement and Supplemental Agreement with Cal Poly. Pursuant to implementation of GASB 18, accrued liabilities for the cost of ultimate disposition have been established (see note 18).

(D) Calabasas Landfill

In December 2005, the JPA was amended to provide financing for the ongoing operation of the Calabasas Landfill. The County of Los Angeles, through a Financing Authority, issued \$38.5 million of lease revenue bonds at coupon rates ranging from 3.5% to 4.25%. These bond funds, which fully mature in 2022, are drawn down periodically by the Districts to fund future capital expenditures at the landfill. Although, landfill revenue in excess of operation and maintenance expenses has been pledged toward the debt repayment, the County has the sole responsibility for the bonded indebtedness, even if a shortfall in landfill revenue occurs. Because of this, the County assumed responsibility under the amended agreement for setting the tipping fees at the landfill. The Districts act solely as an advisor on the rates that would be necessary to generate sufficient revenue to pay for operation, maintenance, capital, and debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(E) Construction in Progress

The Districts have been involved in various construction projects throughout the fiscal year. Accordingly, the Districts have several contractual commitments, since many of the projects are still in the construction phase. Construction projects are being funded by loans from the State Water Resources Control Board, revenue bonds, and Districts' operating funds. A recap of the construction in progress at June 30, 2015, is as follows (see note 7):

Joint Outfall projects	\$ 253,936,555
District-owned trunk sewer projects	2,111,528
District-owned water reclamation plant projects	13,889,671
Solid waste projects	177,385,522
Joint Administration projects	<u>11,741,529</u>
Total Construction in Progress	<u>\$ 459,064,805</u>

(17) Joint Ventures

The Districts have entered into four agreements that formed the basis of the following authorities: (1) the Southern California Coastal Water Research Project Authority (SCCWRPA); (2) the Commerce Refuse to Energy Authority (CREA); (3) the Southeast Resource Recovery Facility Authority (SERRF); and (4) the Inland Empire Regional Composting Authority (IERCA). The governing bodies of these authorities are appointed pursuant to each of the Joint Powers agreements. The budgeting and financing functions of SCCWRPA, CREA, SERRF, and IERCA are maintained by the individual authorities.

- Southern California Coastal Water Research Project Authority

The SCCWRPA's stated purpose is to increase the scientific knowledge of how treated wastewater discharges, stormwater discharges and other human activities interact to affect Southern California's coastal aquatic ecological systems, and thereby to ensure protection of these resources. The boundaries of this SCCWRPA study area include the coastal waters from the Ventura-Santa Barbara County line to the Mexican border, extending to, but not limited to, the outer edge of the coastal shelf.

The current participants in this agreement are County Sanitation District No. 2 of Los Angeles County (acting in its capacity as the administrative District), the City of Los Angeles, Orange County Sanitation District, and the City of San Diego. A major portion of funding (\$1,600,000 in 2014-2015) is provided by the sponsoring agencies paying equal shares. Additional funding (\$400,000 in 2014-2015) is provided by the County of Los Angeles, the County of Orange, the County of San Diego, and the County of Ventura. The Districts account for their contributions as an operating expense. Complete separate financial statements for SCCWRPA may be obtained at 3535 Harbor Blvd., Costa Mesa, California, 92626-1437.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

- Commerce Refuse to Energy Authority

The Districts and the City of Commerce (City) entered into an agreement to construct and operate the first major refuse-to-energy facility in California. This facility provides for the disposal of approximately 360 tons of refuse daily and produces about 10 megawatts of electrical energy, which is sold to Southern California Edison Company. The Districts and the City maintain an equal partnership in CREA. The Districts account for their investment by the equity method.

The City and the Districts executed a First Amendment to the Facility Operating Agreement, which became effective July 1, 1994. This agreement incorporates CREA into the Districts' Solid Waste Management System (System), allows the Districts to set tipping fee rates, and provides for a management fee to the Districts for operating the facility. This agreement ensures the facility's long-term financial viability by making System funds available for short-term deficits. Any funds transferred will ultimately be repaid to the System, with interest, from future facility revenues. For the fiscal year ended June 30, 2015, management fees charged by the Districts were \$3,178,301 less than the actual costs incurred by the Districts to operate the facility.

Because the Districts account for their investment in CREA by the equity method, 50% of the gain/loss in the joint venture is reflected in the accompanying basic financial statements. Complete separate financial statements for CREA may be obtained by writing to P.O. Box 4998, Whittier, California, 90607-4998 or at the Districts' Joint Administrative Office.

- Southeast Resource Recovery Facility Authority

The SERRF Authority was formed as a joint powers agency by an agreement between County Sanitation District No. 2 and the City of Long Beach (City). Subsequent to formation, lease revenue bonds were issued by the City to construct a waste-to-energy facility and to contract for the design, construction, and demonstration of such plant.

The City has contracted to lease SERRF from the SERRF Authority for purposes of operating the facility. The City's lease payments to the SERRF Authority are paid in amounts sufficient to meet the SERRF Authority's debt service obligations on the bonds during the year, plus pay the SERRF Authority's administrative and other costs. Lease overpayments, if any, for the period are refunded to the City in a lump-sum payment. The lease is to end at the later of December 1, 2013, or when all bonds of the SERRF Authority have been retired, or when the energy contract is terminated. The SERRF facility's operational revenues (i.e., tipping fees, sale of power) and expenditures (i.e., labor) are accounted for in the City's Solid Waste Management Enterprise Fund.

The City and Districts amended the Joint Powers Agreement in November 2003. The purpose of the amendment was to partially compensate the City for costs it incurred in respect to administration of accounts and the extension of the City's general fund credit to further secure and enhance the marketability of, and lower the interest rate on, prior bond sales for the construction of the SERRF facility. The amendment also incorporates provisions to compensate the Districts for its future financial contribution related to the implementation of the waste-by-rail program for the benefit of all Districts' cities.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

The Districts account for this investment by the cost method. Complete separate financial statements for SERRF may be obtained at 120 Pier S Avenue, Long Beach, California, 90802.

- Inland Empire Regional Composting Authority

The Districts and the Inland Empire Utilities Agency (IEUA) entered into a Joint Powers Agreement to acquire a site or sites to be used for the composting of biosolids and to construct, operate, and maintain composting and ancillary facilities. The Districts and the IEUA jointly purchased a site located in the County of San Bernardino, prior to the formation of IERCA. The Districts and the IEUA maintain an equal ownership in IERCA. Because the Districts account for their investment in IERCA by the equity method, 50% of the gain/loss in the joint venture is reflected in the accompanying basic financial statements.

A summary of financial information of the above joint ventures at fiscal year-end, are as follows (in thousands):

	CREA June 30 (Audited)	IERCA June 30 (Unaudited)	SCCWRPA June 30 (Audited)	SERRF September 30 (Unaudited)
Total assets	\$ 30,166	92,746	7,157	53,081
Other liabilities	766	1,485	3,157	2,003
Bonds payable	2,685	-	-	40,340
Total liabilities	\$ 3,451	1,485	3,157	42,343
Districts' investment	12,477	44,239	-	-
Other	14,238	47,022	4,000	10,738
Total net position	\$ 26,715	91,261	4,000	10,738
Operating revenues	15,025	8,500	9,012	2,159
Operating expenses	(10,816)	(10,018)	(9,017)	(80)
Nonoperating revenues (expenses)	(258)	(210)	12	(1,623)
Capital contribution revenue	(289)	-	-	-
Change in net position	\$ 3,662	(1,728)	7	456

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(18) Landfill Closure and Postclosure Care Cost

At June 30, 2015, the Districts reported the closure and postclosure care liability, which represents the cumulative amount reported to date based on the use of estimated capacity of the landfill sites as follows:

Landfills	Estimated Closure/ Postclosure Costs	Total Estimated Capacity (Tonnage in Millions)	Percentage of Capacity Used to Date %	Closure/ Postclosure Liability Balance at July 1, 2014	Change in Estimated Closure/ Postclosure Cost	Closure/ Postclosure Costs Applied to Liability	Closure/ Postclosure Liability Balance at June 30, 2015
Trustee Landfills							
Calabasas	\$ 81,651,059	30.90	79.84	76,888,978	(11,700,252)	-	65,188,726
Scholl Canyon	12,284,111	33.28	87.62	10,517,019	246,343	-	10,763,362
Total Trustee Landfills	93,935,170			87,405,997	(11,453,909)	-	75,952,088
Districts' Landfills							
Puente Hills	224,825,280	142.05	100.00	201,283,956	23,541,324	(3,374,202)	221,451,078
Palos Verdes	88,796,000	23.57	100.00	866,454	-	(866,454)	-
Spadra	50,878,443	17.19	100.00	28,570,585	22,307,858	(2,603,122)	48,275,321
Total Districts' Landfills	364,499,723			230,720,995	45,849,182	(6,843,778)	269,726,399
Total Landfills	\$ 458,434,893			318,126,992	34,395,273	(6,843,778)	345,678,487

The \$345,678,487 reported on the statement of net position for the landfill closure and postclosure care liability at June 30, 2015, represents the cumulative amount accrued based on the percentage of the landfill capacity that has been used to date, less actual costs disbursed related to the closure of the Puente Hills and Spadra Landfills. The remaining estimated cost of closure and postclosure is recognized as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2014-15. Actual costs may be higher due to inflation, changes in technology, or changes in regulation. The current liability due within one year is \$3,003,637 for Spadra, and \$9,278,459 for Puente Hills.

The Districts are required by federal and state laws, regulations, and agreements with the County of Los Angeles to make annual contributions to finance future closure and postclosure care. The Districts are in compliance with these requirements, and at June 30, 2015, contributions of approximately \$456 million are held in reserve for these purposes. These monies are reported as restricted assets on the accompanying statement of net position. The Districts expect that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined; these costs may need to be covered by charges to future landfill users. The estimated remaining landfill life for the open landfills is as follows: Scholl Canyon, 17 years; and, Calabasas, 26 years.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(19) Environmental Liabilities

County Sanitation District No. 8 of Los Angeles County purchased the Fletcher Oil and Refining Company (FORCO) property, located immediately adjacent to the Joint Water Pollution Control Plant, in June 2000. District No. 8 holds fee title, the district in which property is located, and the expenses are distributed to all districts signatory to the Joint Outfall Agreement. Under a Disbursement Agreement entered into at that time, Street Environmental, LLC (Street), was required to complete demolition of the refinery structures and storage tanks on the site, remediate the environmental conditions on the property, and obtain regulatory closure as an industrial site. However, due to Street's failure to complete the required work, the Disbursement Agreement was terminated in January 2010 and the Districts assumed control of all site work.

Purchase orders, in the amount of \$1,005,300, were issued to Leymaster Environmental Consulting, LLC (Leymaster) to complete remediation at the FORCO property and obtain regulatory closure from the Los Angeles Regional Water Quality Control Board (RWQCB) for surface soils and deep soils/groundwater. Additional work will be required after regulatory closure to monitor the site for an additional three-year period. The pollution remediation obligation is an estimate and subject to change over time due to changes in costs of goods and services, difficulty in obtaining regulatory closure, performance of the remediation technology, or changes in laws and regulations governing the remediation efforts.

	<u>Balance at</u> <u>June 30, 2014</u>	<u>Additions or</u> <u>Adjustments</u>	<u>Payments</u> <u>Current</u> <u>Year</u>	<u>Balance at</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
FORCO Property	\$ 1,300,005	804,910	(839,915)	1,265,000	465,000
Net Pollution Remediation Liability	\$ 1,300,005	804,910	(839,915)	1,265,000	465,000

(20) Net Position

GASB No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(21) Prior-Period Adjustment

GASB Statement No. 68, as amended by GASB Statement No. 71 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to pensions. Accounting changes to conform to the provisions of this Statement are to be applied retroactively by restating financial statements, if practical.

Upon implementation of this Statement, the Districts have restated its financial statements for the fiscal year ended June 30, 2014, from amounts previously reported. The restatement includes an adjustment to (a) pension liability of \$356,249,275, (b) deferred outflow of resources of \$20,091,041, and (c) net position of \$336,158,234. See Note 11.

(22) Subsequent Event

On July 8, 2015, the Authority issued \$149,940,000 in Capital Projects Revenue Bonds (District No. 14 Subordinate Revenue Bonds) (the 2015 Bonds). The purpose of the 2015 Bonds is to refund and defease the Authority's outstanding Capital Projects Revenue Bonds, 2005 Series B (District No. 14 Subordinate Revenue Bonds) (see Note 8), and to pay costs of issuance. These serial bonds mature in varying amounts on October 1 in the years 2015 through 2035 at coupon rates ranging from 2.0% to 5.0%.

**COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY,
CALIFORNIA**

REQUIRED SUPPLEMENTAL SCHEDULES

JUNE 30, 2015

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Required Supplemental Disclosure

June 30, 2015

Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period Last 10 Years⁽¹⁾

Measurement Period	2013-14
Total Pension Liability	
Service Cost	\$ 23,304,566
Interest	105,962,106
Changes in Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes in Assumptions	-
Benefits Payments, Including Refunds of Employee Contributions	(55,255,873)
Net Changes in Total Pension Liability	74,010,799
Total Pension Liability, Beginning	1,428,803,739
Total Pension Liability, Ending (a)	\$ 1,502,814,538
Plan Fiduciary Net Position	
Contributions-Employer	\$ 20,091,038
Contributions-Employee	12,344,493
Net Investment Income ⁽²⁾	187,477,208
Benefit Payments, Including Refunds of Employee Contributions	(55,255,873)
Other Changes in Fiduciary Net Position	-
Net Changes in Fiduciary Net Position	164,656,866
Plan Fiduciary Net Position, Beginning	1,072,554,464
Plan Fiduciary Net Position, Ending (b)	\$ 1,237,211,330
Plan Net Pension Liability/(Asset)-Ending (a) - (b)	\$ 265,603,208
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.33%
Covered-Employee Payroll	167,309,687
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	158.75%

⁽¹⁾Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

⁽²⁾Net of administrative expenses.

Notes to Schedule

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013.

Changes in Assumptions: There were no changes in assumptions.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Required Supplemental Disclosure, Continued

Schedule of Plan Contributions

Last 10 Years ⁽¹⁾

	Fiscal Year 2013-14
Actuarilly Determined Contribution	\$ 20,091,038
Contributions in Relation to the Actuarially Determined Contribution	(20,091,038)
Contributions Deficiency (Excess)	\$ -
Covered-Employee Payroll	\$ 167,309,687
Contributions as a Percentage of Covered-Employee Payroll	12%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determine contribution for fiscal year 2013-14 were from the June 30, 2011 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	See June 30, 2011, Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. See June 30, 2011, Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Retirement Age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries

⁽¹⁾Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

**COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY,
CALIFORNIA**

COMBINING AND INDIVIDUAL
SUPPLEMENTAL SCHEDULES

JUNE 30, 2015

TYPES OF OPERATIONS

Sewerage Operations - To account for wastewater operations of the Districts, including debt service and capital improvement activities.

Solid Waste Facilities Operations - To account for operations of the Districts' solid waste management system.

Trustee Solid Waste Facilities Operations - To account for operations of the Los Angeles County Refuse Disposal Equipment Pool and for solid waste operations of the Trustee Landfills.

Service Operations - To account for essential services and equipment rental provided to various sites and other governments.

Exhibit D-1
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Combining Schedule of Net Position
June 30, 2015

Assets	Sewerage Operations	Solid Waste Facilities Operations	Trustee Solid Waste Facilities Operations	Service Operations	Total
Current assets:					
Cash in bank	\$ -	557,144	141,958	169,900	869,002
Cash on hand	-	16,840	10,976	13,000	40,816
Cash and cash equivalents	66,488,141	23,042,221	13,039,517	26,582,324	129,152,203
Total unrestricted cash and cash equivalents	66,488,141	23,616,205	13,192,451	26,765,224	130,062,021
Receivables:					
Accounts	24,117,241	5,802,766	2,811,526	55,174	32,786,707
Due from other funds (1)	-	-	-	36,673,300	36,673,300
Interest	4,268,003	1,344,257	224,827	876,618	6,713,705
Service charges	15,618,254	-	-	-	15,618,254
Taxes	4,262,517	-	-	-	4,262,517
Total receivables	48,266,015	7,147,023	3,036,353	37,605,092	96,054,483
Inventory	-	-	-	18,743,582	18,743,582
Restricted cash and investments:					
Cash and cash equivalents	352,454,550	237,222,927	9,277,581	106,644,424	705,599,482
Specific investments	640,721,220	216,249,257	56,600,691	178,597,574	1,092,168,742
Bond proceeds with Trustee:					
Cash and cash equivalents	287,443	-	-	-	287,443
Investments	10,571,715	-	-	-	10,571,715
Total restricted cash and investments	1,004,034,928	453,472,184	65,878,272	285,241,998	1,808,627,382
Other specific investments	98,022,946	8,128,897	-	-	106,151,843
Total current assets	1,216,812,030	492,364,309	82,107,076	368,355,896	2,159,639,311
Investment in joint ventures	43,569,332	-	-	12,476,841	56,046,173
Capital assets:					
Buildings and equipment	54,772,521	7,334,878	-	10,381,560	72,488,959
Capital improvements	-	389,820,272	149,519,142	2,107,936	541,447,350
Construction in progress	281,679,283	-	-	177,385,522	459,064,805
Disposal rights	79,933,913	-	-	-	79,933,913
Equipment pool	-	-	8,455,626	52,698,992	61,154,618
Gas-to-energy facilities	-	180,674,475	-	40,568,801	221,243,276
Joint outfall facilities	2,131,855,758	-	-	-	2,131,855,758
Land	157,235,992	26,511,591	5,482,200	28,373,391	217,603,174
Other	21,780,019	-	-	-	21,780,019
Rail facilities	-	54,060,853	-	-	54,060,853
Recycling and transfer facility	-	63,155,341	-	-	63,155,341
Treatment plants	811,759,640	-	-	-	811,759,640
Trunk lines	345,338,156	-	-	-	345,338,156
Less accumulated depreciation	(1,188,049,734)	(445,831,968)	(126,157,145)	(40,971,078)	(1,801,009,925)
Use rights	-	67,761,710	1,247,346	-	69,009,056
Less accumulated amortization	-	(25,401,220)	(1,019,214)	-	(26,420,434)
Net capital assets	2,696,305,548	318,085,932	37,527,955	270,545,124	3,322,464,559
Total assets	3,956,686,910	810,450,241	119,635,031	651,377,861	5,538,150,043
Deferred Outflow of Resources					
Pension contribution subsequent to measurement date	17,076,489	2,698,507	847,500	459,591	21,082,087
Deferred loss on refunding, net	15,317,287	-	-	-	15,317,287
	\$ 32,393,776	2,698,507	847,500	459,591	36,399,374

(1) The interdistrict receivables and payables have been eliminated in the accompanying basic financial statements.

(Continued on following page)

Exhibit D-1-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Combining Schedule of Net Position
June 30, 2015

Liabilities	Sewerage Operations	Solid Waste Facilities Operations	Trustee Solid Waste Facilities Operations	Service Operations	Total
Current liabilities:					
Accounts payable	\$ 9,143,198	4,357,942	1,478,756	1,642,389	16,622,285
Accrued employee absences	-	-	-	9,595,132	9,595,132
Amounts held for others	-	-	-	4,843,214	4,843,214
Bonds payable	29,130,000	-	-	1,404,400	30,534,400
Claims liabilities	3,714,986	1,448,803	295,993	95,699	5,555,481
Construction contracts payable	9,049,989	551,058	48,510	2,222,408	11,871,965
Due to other funds (1)	31,844,126	3,764,683	1,064,491	-	36,673,300
Estimated liability for closure and postclosure costs	-	12,282,096	-	-	12,282,096
Estimated liability for pollution remediation	465,000	-	-	-	465,000
Interest payable	10,332,666	552	-	5,036	10,338,254
Loans payable to State of California	29,863,818	236,580	-	-	30,100,398
Note payable	-	-	-	44,437	44,437
Other	148,705	-	-	-	148,705
Total current liabilities	123,692,488	22,641,714	2,887,750	19,852,715	169,074,667
Long-term liabilities:					
Accrued employee absences	-	-	-	27,495,766	27,495,766
Bonds payable, net	500,068,183	-	-	8,426,393	508,494,576
Claims liabilities	3,714,986	1,448,803	295,993	95,698	5,555,480
Estimated liability for closure and postclosure costs	-	257,444,303	75,952,088	-	333,396,391
Estimated liability for pollution remediation	800,000	-	-	-	800,000
Loans payable to State of California	329,709,876	-	-	-	329,709,876
Note payable	-	-	-	1,328,376	1,328,376
Pension liability	215,138,598	33,997,210	10,677,249	5,790,151	265,603,208
Total liabilities	1,173,124,131	315,532,030	89,813,080	62,989,099	1,641,458,340
Deferred Inflow of Resources					
Differences between projected and actual earnings on pension plan investments	70,011,600	11,063,562	3,474,651	1,884,263	86,434,076
Net Position					
Net position:					
Net investment in capital assets	1,813,800,963	317,298,294	37,479,445	257,119,111	2,425,697,813
Restricted for capital projects	591,797,144	3,050,000	520,000	19,650,000	615,017,144
Restricted for closure/postclosure maintenance	-	125,943,265	-	-	125,943,265
Restricted for debt service	4,809,320	-	-	-	4,809,320
Restricted for disposal fees	-	-	732,866	-	732,866
Restricted for equipment pool	-	-	916,470	25,658,600	26,575,070
Restricted for noncapital projects	-	12,314,676	6,633,579	3,130,000	22,078,255
Restricted for site development	-	35,225,170	-	-	35,225,170
Unrestricted	335,537,528	(7,278,249)	(19,087,560)	281,406,379	590,578,098
Total net position	\$ 2,745,944,955	486,553,156	27,194,800	586,964,090	3,846,657,001

(1) The interdistrict receivables and payables have been eliminated in the accompanying basic financial statements.

TOTAL ASSETS (from previous pg)	3,989,080,686	813,148,748	120,482,531	651,837,452	5,574,549,417
DIFFERENCE:	-	-	-	-	-
TOTAL NET ASSETS (from next pg)	2,745,944,955	486,553,156	27,194,800	586,964,090	3,846,657,001
DIFFERENCE:	-	-	-	-	-

Exhibit D-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Combining Schedule of Revenues, Expenses,
and Changes in Net Position
Fiscal year ended June 30, 2015

	Sewerage Operations	Solid Waste Facilities Operations	Trustee Solid Waste Facilities Operations	Service Operations	Total
Operating revenues:					
Commodities	\$ -	8,707,272	71,610	-	8,778,882
Contract revenue	21,760,498	411,060	-	-	22,171,558
Equipment pool	-	-	2,165,942	12,479,085	14,645,027
Industrial waste surcharge	63,505,224	-	-	-	63,505,224
Refuse tipping fees	-	52,262,861	28,053,486	-	80,316,347
Sale of energy	322,469	25,886,407	-	4,146,857	30,355,733
Service charges	331,261,144	-	-	-	331,261,144
Other	4,415,545	187,198	-	94,170	4,696,913
Total operating revenues	421,264,880	87,454,798	30,291,038	16,720,112	555,730,828
Operating expenses:					
Chemicals	33,452,888	209,546	12,584	-	33,675,018
Equipment and vehicle rentals	6,130,571	6,597,555	2,601,105	257,672	15,586,903
Hazardous waste siting study	-	-	(8,045)	(8,047)	(16,092)
Insurance and claims	3,645,692	966,690	(35,969)	528,578	5,104,991
Landfill closure and postclosure costs	-	45,849,182	(11,453,909)	-	34,395,273
Materials and supplies	14,355,330	4,002,189	605,720	2,055,988	21,019,227
Operations, repairs and maintenance	10,213,546	11,895,180	1,526,578	7,324,910	30,960,214
Salaries and benefits	155,733,915	24,908,293	7,709,791	4,148,226	192,500,225
Services	46,473,105	43,237,942	1,226,295	1,035,812	91,973,154
Utilities	21,772,561	2,303,242	756,698	220,271	25,052,772
Total operations and maintenance	291,777,608	139,969,819	2,940,848	15,563,410	450,251,685
Charges for collections	474,800	-	-	-	474,800
Depreciation and amortization of use rights	75,416,784	10,334,006	2,754,824	5,084,231	93,589,845
Research and development	5,883,507	-	15,277	253,422	6,152,206
Tonnage	-	-	3,636,397	-	3,636,397
Total operating expenses	373,552,699	150,303,825	9,347,346	20,901,063	554,104,933
Operating income (loss)	47,712,181	(62,849,027)	20,943,692	(4,180,951)	1,625,895
Nonoperating revenues (expenses):					
Interest revenue	9,342,881	4,922,775	661,117	2,719,513	17,646,286
Investment in joint ventures	-	-	-	1,975,445	1,975,445
Taxes	67,962,582	-	-	-	67,962,582
Other nonoperating revenue	-	-	1,500,000	-	1,500,000
Amortization of bond premium	5,659,877	-	-	-	5,659,877
Amortization of deferred loss on refunding	(1,967,291)	-	-	-	(1,967,291)
Interest expense	(32,569,424)	(15,321)	-	(232,081)	(32,816,826)
Loss on sale of equipment	-	-	5,549	(12,511)	(6,962)
Tax and assessment expense	(88,757)	(2,287,011)	(4,670,807)	(3,356)	(7,049,931)
Unrealized gain on investments	2,005,520	1,895,205	54,834	1,232,923	5,188,482
Net nonoperating revenues (expenses)	50,345,388	4,515,648	(2,449,307)	5,679,933	58,091,662
Income (loss) before capital contribution revenue	98,057,569	(58,333,379)	18,494,385	1,498,982	59,717,557
Capital contribution revenue:					
Connection fees	32,966,053	-	-	-	32,966,053
Transfers in	-	3,272,713	-	2,723,263	5,995,976
Transfers out	-	(5,995,976)	-	-	(5,995,976)
Change in net position	131,023,622	(61,056,642)	18,494,385	4,222,245	92,683,610
Total net assets, July 1, 2014, as previously stated	2,887,209,502	590,638,052	22,213,976	590,070,095	4,090,131,625
Prior-period adjustments	(272,288,169)	(43,028,254)	(13,513,561)	(7,328,250)	(336,158,234)
Total net position, July 1, 2014, as restated	2,614,921,333	547,609,798	8,700,415	582,741,845	3,753,973,391
Total net position, June 30, 2015	\$ 2,745,944,955	486,553,156	27,194,800	586,964,090	3,846,657,001

Exhibit D-3
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Combining Schedule of Cash Flows
Fiscal year ended June 30, 2015

	Sewerage Operations	Solid Waste Facilities Operations	Trustee Solid Waste Facilities Operations	Service Operations	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 423,029,324	88,013,980	28,526,528	5,053,314	544,623,146
Receipts for equipment rental	-	-	2,165,942	12,479,085	14,645,027
Payments to suppliers	(136,384,549)	(63,727,764)	(8,012,744)	(13,893,915)	(222,018,972)
Payments to employees	(162,617,336)	(25,889,815)	(8,008,175)	(3,913,514)	(200,428,840)
Payments applied to closure/postclosure liability	-	(6,843,778)	-	-	(6,843,778)
Payment for equipment rental within the Districts	(5,822,769)	(6,572,366)	(2,596,209)	-	(14,991,344)
Other payments	(18,589)	-	-	-	(18,589)
Net cash provided (used) by operating activities	118,186,081	(15,019,743)	12,075,342	(275,030)	114,966,650
Cash flows from noncapital financing activities :					
Receipts from property taxes	67,042,029	-	-	-	67,042,029
Payments for tax and assessment	(88,757)	(2,287,011)	(4,670,807)	(3,356)	(7,049,931)
Transfers from other funds	-	3,272,713	-	2,723,263	5,995,976
Transfers to other funds	-	(5,995,976)	-	-	(5,995,976)
Net cash provided (used) by noncapital financing activities	66,953,272	(5,010,274)	(4,670,807)	2,719,907	59,992,098
Cash flows from capital and related financing activities:					
Borrowings on loan from state	18,879,215	-	-	-	18,879,215
Contract proceeds from County of Los Angeles	-	-	1,500,000	-	1,500,000
Purchases of capital assets	(110,814,744)	(3,727,107)	(1,666,926)	(19,375,396)	(135,584,173)
Connection fees proceeds	32,713,345	-	-	-	32,713,345
Interest paid on capital-related debt	(30,692,613)	(16,112)	-	(232,832)	(30,941,557)
Principal payments on bonds	(27,860,000)	-	-	(1,404,400)	(29,264,400)
Principal payments on note	-	-	-	(41,338)	(41,338)
Principal payments on loan from state	(30,833,696)	(338,837)	-	-	(31,172,533)
Proceeds from sale of assets/equipment	-	-	113,537	2,271,103	2,384,640
Receipts from (payment to) joint venture	(18,837)	-	-	150,000	131,163
Net cash used by capital and related financing activities	(148,627,330)	(4,082,056)	(53,389)	(18,632,863)	(171,395,638)
Cash flows from investing activities:					
Interest received	7,534,040	4,978,042	670,287	2,756,762	15,939,131
Purchases of investments	(439,275,755)	(54,887,547)	(56,146,120)	(60,623,580)	(610,933,002)
Proceeds from maturities of investments	421,855,866	241,271,795	54,360,209	145,773,757	863,261,627
Net cash provided (used) by investing activities	(9,885,849)	191,362,290	(1,115,624)	87,906,939	268,267,756
Net increase in cash and cash equivalents	26,626,174	167,250,217	6,235,522	71,718,953	271,830,866
Cash and cash equivalents at beginning of fiscal year	392,603,960	93,588,915	16,234,510	61,690,695	564,118,080
Cash and cash equivalents at end of fiscal year	\$ 419,230,134	260,839,132	22,470,032	133,409,648	835,948,946
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 47,712,181	(62,849,027)	20,943,692	(4,180,951)	1,625,895
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	75,416,784	10,334,006	2,754,824	5,084,231	93,589,845
Landfill closure and postclosure costs	-	45,849,182	(11,453,909)	-	34,395,273
Decrease (increase) in accounts receivable	(2,093,095)	559,182	401,432	812,287	(320,194)
Decrease in service charge receivable	3,857,541	-	-	-	3,857,541
Decrease in inventory	-	-	-	47,693	47,693
Decrease in due from other funds	-	-	-	3,073,713	3,073,713
Increase in deferred outflows of resources	(17,076,487)	(2,698,508)	(847,501)	(459,591)	(21,082,087)
Increase (decrease) in accounts payable	(766,568)	(534,597)	60,377	70,748	(1,170,040)
Decrease in accrued employee absences	-	-	-	(2,725,574)	(2,725,574)
Decrease in estimated liability for closure and postclosure costs	-	(6,843,778)	-	-	(6,843,778)
Increase (decrease) in claims liabilities related to self-insurance	961,253	(553,191)	(332,691)	(23,783)	51,588
Increase in pension liability	30,364,924	4,798,407	1,507,001	817,229	37,487,561
Decrease in amounts held for others	-	-	-	(2,319,117)	(2,319,117)
Decrease in other liabilities	(18,589)	-	-	(850)	(19,439)
Decrease in due to other funds	(2,668,963)	(315,529)	(89,221)	-	(3,073,713)
Decrease in deferred inflows of resources	(17,502,900)	(2,765,890)	(868,662)	(471,065)	(21,608,517)
Net cash provided (used) by operating activities	\$ 118,186,081	(15,019,743)	12,075,342	(275,030)	114,966,650
Schedule of noncash investing activity-					
Unrealized gain on fair value of investments	\$ 2,005,520	1,895,205	54,834	1,232,923	5,188,482
Investment in joint ventures	-	-	-	1,975,445	1,975,445

Exhibit E-1
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Net Position
June 30, 2015

Assets	Districts								
	No. 1	No. 2	No. 3	No. 4	No. 5	No. 8	No. 9	No. 14	No. 15
Current assets:									
Cash and cash equivalents	\$ 5,983,724	10,481,705	4,138,092	198,884	6,629,869	1,025,042	160,425	9,567,460	-
Receivables:									
Accounts	1,861,251	3,082,747	1,723,951	16,102	2,260,171	2,306,930	-	2,700,534	1,702,153
Interest	256,782	443,767	350,357	165,686	444,728	144,096	24,731	184,776	399,959
Service charges	2,227,374	1,628,205	1,238,198	131,437	1,711,224	434,977	2,310	1,744,893	1,016,212
Taxes	141,903	404,756	297,958	34,343	727,700	121,587	6,425	48,962	451,544
Total receivables	4,487,310	5,559,475	3,610,464	347,568	5,143,823	3,007,590	33,466	4,679,165	3,569,868
Restricted cash and investments:									
Cash and cash equivalents	18,272,365	25,443,000	25,946,073	6,609,857	32,965,468	22,337,514	742,227	25,490,046	31,027,651
Specific investments	44,466,166	73,151,242	39,861,296	33,107,269	65,821,516	19,277,775	4,116,462	17,500,714	58,810,997
Bond proceeds with Trustee:									
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-
Total restricted cash and investments	62,738,531	98,594,242	65,807,369	39,717,126	98,786,984	41,615,289	4,858,689	42,990,760	89,838,648
Other specific investments	5,732,545	8,569,135	13,519,328	2,780,391	15,798,314	3,312,140	-	-	15,498,686
Total current assets	78,942,110	123,204,557	87,075,253	43,043,969	126,358,990	48,960,061	5,052,580	57,237,385	108,907,202
Investment in joint venture	3,858,651	5,736,393	4,257,480	-	6,335,780	2,614,487	-	-	4,570,905
Capital assets:									
Buildings and equipment	4,411,920	6,718,011	4,994,728	5,477	7,436,628	3,017,325	5,476	1,497,142	5,276,937
Construction in progress	23,963,578	36,580,596	25,862,112	35,236	38,392,393	15,740,863	1,451	1,212,551	27,628,938
Disposal rights	-	60,119	-	62,298,431	7,203,017	-	1,851,276	-	-
Joint outfall facilities	189,407,710	279,356,457	207,194,959	-	315,225,457	121,844,197	-	-	218,648,893
Land	6,695,186	10,356,262	7,446,805	59	11,072,671	4,543,450	59	64,036,922	7,950,062
Other	1,648,075	2,526,455	1,855,760	3,346	2,770,184	1,231,728	282	712,917	1,970,230
Treatment plants	62,978	2,795,183	7,417,650	-	14,236,691	4,259,852	-	310,344,848	1,647,004
Trunk lines	25,057,888	32,000,728	21,437,638	1,298,605	55,986,324	15,093,068	-	56,252,039	12,254,083
Less accumulated depreciation	(85,450,462)	(124,922,506)	(94,468,973)	(27,008,940)	(155,478,678)	(54,962,594)	(807,098)	(50,848,729)	(93,543,735)
Net capital assets	165,796,873	245,471,305	181,740,679	36,632,214	296,844,687	110,767,889	1,051,446	383,207,690	181,832,412
Total assets	248,597,634	374,412,255	273,073,412	79,676,183	429,539,457	162,342,437	6,104,026	440,445,075	295,310,519
Deferred Outflow of Resources									
Pension contribution subsequent to measurement date	1,298,656	1,943,768	1,463,097	6,325	2,264,216	986,641	-	643,004	1,553,750
Deferred loss on refunding, net	1,008,184	1,556,542	1,182,341	150,416	2,544,354	614,836	21,138	213,370	1,592,232
	\$ 2,306,840	3,500,310	2,645,438	156,741	4,808,570	1,601,477	21,138	856,374	3,145,982

(Continued on following page)

Exhibit E-1-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Net Position
June 30, 2015

Assets	Districts							
	No. 16	No. 17	No. 18	No. 19	No. 20	No. 21	No. 22	No. 23
Current assets:								
Cash and cash equivalents	\$ 3,856,483	1,168,919	5,841,830	2,654,365	2,961,340	2,126,594	1,804,030	-
Receivables:								
Accounts	480,648	41,103	1,606,797	90,558	123,727	3,010,757	1,574,551	882,504
Interest	235,332	31,265	220,778	80,517	75,946	333,074	274,585	63,419
Service charges	597,559	115,336	915,606	159,312	1,095,314	894,174	699,662	17,711
Taxes	326,304	36,319	223,145	87,874	37,233	261,998	236,826	22,437
Total receivables	1,639,843	224,023	2,966,326	418,261	1,332,220	4,500,003	2,785,624	986,071
Restricted cash and investments:								
Cash and cash equivalents	14,805,810	5,118,910	13,165,700	4,471,498	10,082,214	25,515,993	21,132,253	5,838,793
Specific investments	40,566,605	4,197,173	37,341,076	13,545,213	6,934,217	53,483,211	42,923,189	12,105,949
Bond proceeds with Trustee:								
Cash and cash equivalents	-	-	-	-	287,443	-	-	-
Investments	-	-	-	-	10,571,715	-	-	-
Total restricted cash and investments	55,372,415	9,316,083	50,506,776	18,016,711	27,875,589	78,999,204	64,055,442	17,944,742
Other specific investments	5,285,141	-	3,083,871	710,415	-	9,292,338	6,871,186	332,909
Total current assets	66,153,882	10,709,025	62,398,803	21,799,752	32,169,149	94,918,139	75,516,282	19,263,722
Investment in joint venture	2,389,462	332,638	3,118,707	800,023	-	4,059,273	3,402,606	819,073
Capital assets:								
Buildings and equipment	2,873,443	390,522	3,555,378	943,050	931,181	4,761,062	3,694,842	879,013
Construction in progress	14,592,691	2,014,317	18,832,202	4,951,259	567,561	25,897,987	18,951,136	4,928,637
Disposal rights	6,559,020	-	-	-	-	-	-	-
Joint outfall facilities	121,610,029	16,908,409	151,151,175	41,842,566	-	207,611,377	151,544,091	47,365,540
Land	4,212,006	584,471	5,379,671	1,411,005	16,302,608	7,246,261	5,702,652	1,434,016
Other	1,023,857	140,041	1,331,544	345,767	584,332	1,789,725	1,362,030	371,418
Treatment plants	-	-	-	377,530	245,394,940	12,610,598	-	-
Trunk lines	13,507,437	631,377	16,573,251	2,450,714	15,995,403	12,713,232	15,701,480	-
Less accumulated depreciation	(55,952,990)	(7,268,544)	(67,045,008)	(19,528,953)	(41,951,212)	(96,998,884)	(67,740,499)	(18,948,447)
Net capital assets	108,425,493	13,400,593	129,778,213	32,792,938	237,824,813	175,631,358	129,215,732	36,030,177
Total assets	176,968,837	24,442,256	195,295,723	55,392,713	269,993,962	274,608,770	208,134,620	56,112,972
Deferred Outflow of Resources								
Pension contribution subsequent to measurement date	799,011	101,194	1,047,780	282,500	535,485	1,233,302	1,024,589	210,821
Deferred loss on refunding, net	992,254	126,980	870,328	280,613	177,834	938,643	812,276	171,554
\$	1,791,265	228,174	1,918,108	563,113	713,319	2,171,945	1,836,865	382,375

(Continued on following page)

Exhibit E-1-3
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Net Position
June 30, 2015

Assets	Districts							Total
	No. 27	No. 28	No. 29	Santa Clarita Valley	No. 34	Newhall Ranch	South Bay Cities	
Current assets:								
Cash and cash equivalents	\$ 189,195	1,336	-	6,597,802	-	24,355	1,076,691	66,488,141
Receivables:								
Accounts	-	12,945	44,175	433,363	-	-	162,274	24,117,241
Interest	1,033	27,676	19,456	333,412	5	63	156,560	4,268,003
Service charges	-	14,471	105,433	686,760	-	-	182,086	15,618,254
Taxes	22,011	42,270	9,145	394,219	-	-	327,558	4,262,517
Total receivables	23,044	97,362	178,209	1,847,754	5	63	828,478	48,266,015
Restricted cash and investments:								
Cash and cash equivalents	292,302	864,508	1,251,291	52,584,985	1,046	615	8,494,431	352,454,550
Specific investments	84,760	5,214,750	4,087,591	39,128,704	-	-	24,995,345	640,721,220
Bond proceeds with Trustee:								
Cash and cash equivalents	-	-	-	-	-	-	-	287,443
Investments	-	-	-	-	-	-	-	10,571,715
Total restricted cash and investments	377,062	6,079,258	5,338,882	91,713,689	1,046	615	33,489,776	1,004,034,928
Other specific investments	-	291,977	-	3,566,757	-	-	3,377,813	98,022,946
Total current assets	589,301	6,469,933	5,517,091	103,726,002	1,051	25,033	38,772,758	1,216,812,030
Investment in joint venture	-	59,360	116,168	-	-	-	1,098,326	43,569,332
Other assets	-	-	-	-	-	-	-	0
Capital assets:								
Buildings and equipment	5,475	59,184	137,459	1,892,451	4,803	281	1,280,733	54,772,521
Construction in progress	1,455	413,128	713,527	13,716,070	1,467	753	6,679,375	281,679,283
Disposal rights	1,962,050	-	-	-	-	-	-	79,933,913
Joint outfall facilities	-	2,036,112	6,196,344	-	-	-	53,912,442	2,131,855,758
Land	59	101,432	227,079	613,552	59	-	1,919,645	157,235,992
Other	40	20,425	50,930	1,563,313	-	-	477,620	21,780,019
Treatment plants	2,320,487	377,364	2,413,431	194,818,439	525	1,470	12,680,650	811,759,640
Trunk lines	16,900	6,889,636	8,950,370	29,295,552	-	38,813	3,193,618	345,338,156
Less accumulated depreciation	(1,638,728)	(3,041,295)	(4,313,859)	(86,300,900)	(3,347)	-	(29,825,353)	(1,188,049,734)
Net capital assets	2,667,738	6,855,986	14,375,281	155,598,477	3,507	41,317	50,318,730	2,696,305,548
Total assets	\$ 3,257,039	13,385,279	20,008,540	259,324,479	4,558	66,350	90,189,814	3,956,686,910
Deferred Outflow of Resources								
Pension contribution subsequent to measurement date	-	33,731	73,787	1,134,216	-	555	440,061	17,076,489
Deferred loss on refunding, net	29,562	44,880	14,092	1,540,919	-	-	433,939	15,317,287
	\$ 29,562	78,611	87,879	2,675,135	-	555	874,000	32,393,776

(Continued on following page)

Exhibit E-1-4
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Net Position
June 30, 2015

Liabilities	Districts								
	No. 1	No. 2	No. 3	No. 4	No. 5	No. 8	No. 9	No. 14	No. 15
Current liabilities:									
Accounts payable	\$ 693,832	1,053,409	785,946	34,158	1,170,553	443,311	156	625,838	838,819
Bonds payable	1,617,856	2,497,820	1,897,330	241,376	4,082,984	986,641	33,920	3,322,399	2,555,091
Claims liabilities	294,055	426,980	337,808	64	498,225	181,944	64	71,028	360,684
Construction contracts payable	707,023	1,501,531	833,719	156	1,229,616	449,043	156	138,676	890,177
Due to other funds	2,509,294	3,863,087	2,829,510	10,029	4,430,522	1,677,537	692	897,451	3,061,832
Estimated liability for pollution remediation	41,850	60,775	48,081	-	70,773	25,901	-	-	51,336
Interest payable	292,118	430,684	333,569	21,930	608,218	176,470	3,082	3,970,246	404,242
Loans payable to State of California	1,751,934	2,504,427	1,981,314	-	2,916,402	1,067,303	-	4,653,709	2,115,445
Other	-	-	148,705	-	-	-	-	-	-
Total current liabilities	7,907,962	12,338,713	9,195,982	307,713	15,007,293	5,008,150	38,070	13,679,347	10,277,626
Long-term liabilities:									
Bonds payable, net	11,886,976	18,352,386	13,940,376	1,773,474	29,999,172	7,249,213	249,226	170,824,838	18,773,186
Claims liabilities	294,055	426,980	337,808	64	498,225	181,944	64	71,028	360,684
Estimated liability for pollution remediation	72,000	104,560	82,720	-	121,760	44,560	-	-	88,320
Loans payable to State of California	15,950,694	22,942,220	16,256,577	-	24,045,881	10,948,608	-	82,351,593	17,098,164
Pension liability	16,361,158	24,488,616	18,432,863	79,681	28,525,784	12,430,230	-	8,100,898	19,574,956
Total liabilities	52,472,845	78,653,475	58,246,326	2,160,932	98,198,115	35,862,705	287,360	275,027,704	66,172,936
Deferred Inflow of Resources									
Differences between projected and actual earnings on pension plan investments	5,324,339	7,969,222	5,998,525	25,930	9,283,020	4,045,115	-	2,636,239	6,370,191
Net Position									
Net position:									
Net investment in capital assets	134,890,574	199,229,456	148,013,703	34,767,625	237,114,985	90,681,917	789,283	122,129,846	141,992,582
Restricted for capital projects	46,870,557	64,770,268	44,124,462	9,000,748	61,383,713	33,354,177	585,033	24,433,744	50,343,848
Restricted for debt service	-	-	-	-	-	-	-	-	-
Unrestricted	11,346,159	27,290,144	19,335,834	33,877,689	28,368,194	-	4,463,488	17,073,916	33,576,944
Total net position	\$ 193,107,290	291,289,868	211,473,999	77,646,062	326,866,892	124,036,094	5,837,804	163,637,506	225,913,374

(Continued on following page)

Exhibit E-1-5
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Net Position
June 30, 2015

Liabilities	Districts							
	No. 16	No. 17	No. 18	No. 19	No. 20	No. 21	No. 22	No. 23
Current liabilities:								
Accounts payable	\$ 442,630	57,104	539,007	153,241	301,138	659,792	552,501	71,726
Bonds payable	1,592,292	203,768	1,396,636	450,306	1,855,374	1,506,262	1,303,477	275,296
Claims liabilities	192,716	24,875	233,296	66,296	94,232	283,585	232,027	30,015
Construction contracts payable	480,135	61,391	575,780	163,620	281,471	699,895	572,647	74,078
Due to other funds	1,561,882	209,941	2,081,093	557,670	751,853	2,468,114	2,086,753	358,491
Estimated liability for pollution remediation	27,342	3,534	33,201	9,440	-	40,362	33,015	4,278
Interest payable	236,329	30,361	238,195	72,558	2,308,551	272,162	229,108	39,354
Loans payable to State of California	1,126,705	145,628	1,368,141	388,981	2,403,607	1,663,230	1,360,477	176,287
Other	-	-	-	-	-	-	-	-
Total current liabilities	5,660,031	736,602	6,465,349	1,862,112	7,996,226	7,593,402	6,370,005	1,029,525
Long-term liabilities:								
Bonds payable, net	11,699,154	1,497,159	10,261,591	3,308,560	153,257,600	11,067,060	9,577,124	2,022,701
Claims liabilities	192,716	24,875	233,296	66,296	94,232	283,585	232,027	30,015
Estimated liability for pollution remediation	47,040	6,080	57,120	16,240	-	69,440	56,800	7,360
Loans payable to State of California	8,815,961	1,273,433	11,992,310	2,899,721	51,404,380	18,741,295	12,806,836	4,848,899
Pension liability	10,066,362	1,274,895	13,200,479	3,559,083	6,746,321	15,537,788	12,908,316	2,656,032
Total liabilities	36,481,264	4,813,044	42,210,145	11,712,012	219,498,759	53,292,570	41,951,108	10,594,532
Deferred Inflow of Resources								
Differences between projected and actual earnings on pension plan investments	3,275,851	414,884	4,295,773	1,158,217	2,195,425	5,056,393	4,200,696	864,341
Net Position								
Net position:								
Net investment in capital assets	85,703,500	10,346,193	105,054,082	25,862,363	28,800,216	142,892,258	104,407,447	28,804,470
Restricted for capital projects	25,608,405	3,689,441	36,450,959	10,778,617	3,133,423	48,467,982	32,058,013	5,885,937
Restricted for employee absences	-	-	-	-	-	-	-	-
Restricted for debt service	-	-	-	-	4,809,320	-	-	-
Unrestricted	27,691,082	5,406,868	9,202,872	6,444,617	12,270,138	27,071,512	27,354,221	10,346,067
Total net position	\$ 139,002,987	19,442,502	150,707,913	43,085,597	49,013,097	218,431,752	163,819,681	45,036,474

(Continued on following page)

Exhibit E-1-6
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Net Position
June 30, 2015

Liabilities	Districts						South Bay Cities
	No. 27	No. 28	No. 29	Santa Clarita Valley	No. 34	Newhall Ranch	
Current liabilities:							
Accounts payable	\$ 165	18,130	23,295	462,383	159	154	215,751
Bonds payable	47,439	72,019	22,614	2,472,748	-	-	696,352
Claims liabilities	64	7,869	9,471	280,722	64	64	88,838
Construction contracts payable	156	19,419	23,374	128,358	156	156	219,256
Due to other funds	692	64,028	115,025	1,511,545	-	-	797,085
Estimated liability for pollution remediation	-	1,116	1,348	-	-	-	12,648
Interest payable	4,310	27,161	10,277	518,073	-	-	105,668
Loans payable to State of California	-	407,050	97,810	3,214,171	-	-	521,197
Other	-	-	-	-	-	-	-
Total current liabilities	52,826	616,792	303,214	8,588,000	379	374	2,656,795
Long-term liabilities:							
Bonds payable, net	348,554	529,153	166,150	18,168,182	-	-	5,116,348
Claims liabilities	64	7,869	9,471	280,722	64	64	88,838
Estimated liability for pollution remediation	-	1,920	2,320	-	-	-	21,760
Loans payable to State of California	-	152,916	1,246,541	21,897,323	-	-	4,036,524
Pension liability	-	424,965	929,611	14,289,453	-	6,991	5,544,116
Total liabilities	401,444	1,733,615	2,657,307	63,223,680	443	7,429	17,464,381
Deferred Inflow of Resources							
Differences between projected and actual earnings on pension plan investments	-	138,295	302,519	4,650,153	-	-	1,806,472
Net Position							
Net position:							
Net investment in capital assets	2,301,150	5,720,309	12,832,885	111,258,614	3,351	41,161	40,162,993
Restricted for capital projects	144,287	495,012	1,640,521	76,482,705	500	-	12,094,792
Restricted for employee absences	-	-	-	-	-	-	-
Restricted for debt service	-	-	-	-	-	-	-
Unrestricted	439,720	5,376,659	2,663,187	6,384,462	264	18,315	19,535,176
Total net position	\$ 2,885,157	11,591,980	17,136,593	194,125,781	4,115	59,476	71,792,961

Exhibit E-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Revenues, Expenses, and
Changes in Net Position
Fiscal year ended June 30, 2015

	Districts								
	No. 1	No. 2	No. 3	No. 4	No. 5	No. 8	No. 9	No. 14	No. 15
Operating revenues:									
Contract revenue	\$ 1,595,307	2,364,198	1,838,367	921	2,763,549	970,210	921	1,321,847	1,976,763
Industrial waste surcharge	5,507,831	7,494,075	4,330,020	37,942	7,030,611	10,735,463	-	2,325,516	5,530,344
Sale of energy	28,603	42,501	32,956	-	49,338	17,349	-	-	35,472
Service charges	23,588,278	32,883,222	28,215,464	3,689,574	35,746,738	8,912,178	86,498	32,492,173	26,034,095
Other	319,310	474,622	371,564	-	551,530	194,355	-	75,819	396,259
Total operating revenues	31,039,329	43,258,618	34,788,371	3,728,437	46,141,766	20,829,555	87,419	36,215,355	33,972,933
Operations and maintenance:									
Chemicals	2,647,511	3,937,730	3,010,670	197	4,505,890	1,604,781	-	1,102,507	3,232,054
Equipment and vehicle rentals	437,477	685,561	425,903	9,066	777,490	288,930	61	351,520	499,415
Insurance and claims	319,535	454,833	366,224	310	536,074	200,888	293	(12,280)	388,136
Materials and supplies	1,045,298	1,543,959	1,241,236	1,233	1,841,444	651,833	67	647,742	1,275,946
Operations, repairs and maintenance	723,305	993,486	821,124	7,620	1,109,949	480,177	1,321	1,262,231	828,759
Salaries and benefits	11,873,607	17,735,471	13,362,681	48,962	20,702,549	8,978,687	5,886	5,874,828	14,181,656
Services	3,524,264	5,293,837	3,535,095	1,394,170	6,321,009	2,191,155	124,771	1,443,365	4,299,294
Utilities	1,285,123	1,912,701	1,572,769	373	2,392,864	887,839	126	1,902,176	1,598,535
Total operations and maintenance	21,856,120	32,557,578	24,335,702	1,461,931	38,187,269	15,284,290	132,525	12,572,089	26,303,795
Charges for collections	30,202	47,047	38,638	3,683	66,000	13,841	712	15,423	48,516
Depreciation	4,574,379	6,543,529	5,271,955	1,386,381	8,657,818	2,789,162	41,724	9,071,246	5,328,960
Research and development	521,032	781,765	611,529	1,021	926,681	323,517	-	65,830	644,800
Total operating expenses	26,981,733	39,929,919	30,257,824	2,853,016	47,837,768	18,410,810	174,961	21,724,588	32,326,071
Operating income (loss)	4,057,596	3,328,699	4,530,547	875,421	(1,696,002)	2,418,745	(87,542)	14,490,767	1,646,862
Nonoperating revenues (expenses):									
Interest revenue	605,692	954,627	687,924	368,851	1,017,598	337,202	48,509	353,906	848,110
Taxes	3,181,826	6,508,544	5,222,067	502,973	10,657,834	2,017,241	88,114	1,139,134	6,628,312
Amortization of bond premium	345,851	533,961	405,595	51,599	872,824	210,915	7,251	384,186	546,205
Amortization of deferred loss on refunding	(129,487)	(199,916)	(151,855)	(19,319)	(326,787)	(78,967)	(2,715)	(27,404)	(204,500)
Interest expense	(972,041)	(1,453,913)	(1,115,555)	(91,002)	(2,134,741)	(584,594)	(12,788)	(10,566,349)	(1,392,593)
Tax and assessment expense	(7,666)	(11,765)	(8,916)	(1)	(13,767)	(4,615)	(1)	448	(9,416)
Unrealized gain (loss) on investments	210,159	222,262	114,331	84,369	258,958	63,428	7,412	7,706	209,455
Net nonoperating revenues (expenses)	3,234,334	6,553,800	5,153,591	897,470	10,331,919	1,960,610	135,782	(8,708,373)	6,625,573
Income (loss) before capital contribution revenue	7,291,930	9,882,499	9,684,138	1,772,891	8,635,917	4,379,355	48,240	5,782,394	8,272,435
Capital contribution revenue:									
Connection fees	2,038,429	3,316,418	2,341,953	1,034,408	4,056,333	1,595,315	2,996	806,029	2,587,294
Change in net position	9,330,359	13,198,917	12,026,091	2,807,299	12,692,250	5,974,670	51,236	6,588,423	10,859,729
Total net assets, July 1, 2014, as previously stated	204,484,278	309,084,740	222,777,290	74,939,610	350,278,037	133,793,629	5,786,568	167,301,909	239,828,507
Prior-period adjustments	(20,707,347)	(30,993,789)	(23,329,382)	(100,847)	(36,103,395)	(15,732,205)	-	(10,252,826)	(24,774,862)
Total net position, July 1, 2014, as restated	183,776,931	278,090,951	199,447,908	74,838,763	314,174,642	118,061,424	5,786,568	157,049,083	215,053,645
Total net position, June 30, 2015	\$ 193,107,290	291,289,868	211,473,999	77,646,062	326,866,892	124,036,094	5,837,804	163,637,506	225,913,374

(Continued on following page)

Exhibit E-2-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Revenues, Expenses, and
Changes in Net Position
Fiscal year ended June 30, 2015

	Districts							
	No. 16	No. 17	No. 18	No. 19	No. 20	No. 21	No. 22	No. 23
Operating revenues:								
Contract revenue	\$ 1,068,953	137,907	1,296,625	360,851	652,634	2,367,999	1,344,601	176,430
Industrial waste surcharge	589,208	25,466	3,502,376	144,545	325,824	8,574,867	3,138,068	3,281,290
Sale of energy	19,058	2,483	23,315	6,482	-	27,861	23,379	3,192
Service charges	15,872,547	2,124,254	18,525,173	5,853,756	22,259,542	22,599,939	18,400,830	368,455
Other	214,274	27,745	260,057	72,449	5	325,429	261,702	35,696
Total operating revenues	17,764,040	2,317,855	23,607,546	6,438,083	23,238,005	33,896,095	23,168,580	3,865,063
Operations and maintenance:								
Chemicals	1,731,453	227,003	2,148,966	603,229	806,279	2,528,859	2,119,858	288,767
Equipment and vehicle rentals	242,623	34,072	364,685	95,184	440,683	397,796	362,828	51,738
Insurance and claims	207,900	26,396	247,588	71,670	163,767	305,729	244,544	30,091
Materials and supplies	669,736	87,022	834,011	236,466	660,713	1,020,221	831,882	122,711
Operations, repairs and maintenance	429,150	59,660	552,006	197,486	362,863	658,210	540,740	97,649
Salaries and benefits	7,299,891	930,428	9,545,724	2,565,697	4,842,222	11,274,992	9,336,015	1,918,871
Services	2,443,533	301,136	2,868,916	767,887	1,307,660	3,376,351	2,863,746	396,237
Utilities	844,251	109,676	1,045,931	310,497	1,811,282	1,347,091	1,062,975	144,261
Total operations and maintenance	13,868,537	1,775,393	17,607,827	4,848,116	10,395,469	20,909,249	17,362,588	3,050,325
Charges for collections	28,310	4,660	30,051	9,738	10,206	36,958	29,704	1,008
Depreciation	3,165,557	377,959	3,629,156	1,008,434	7,412,557	4,530,413	3,619,218	595,776
Research and development	329,080	42,875	402,580	111,921	-	481,091	403,694	55,125
Total operating expenses	17,391,484	2,200,887	21,669,614	5,978,209	17,818,232	25,957,711	21,415,204	3,702,234
Operating income (loss)	372,556	116,968	1,937,932	459,874	5,419,773	7,938,384	1,753,376	162,829
Nonoperating revenues (expenses):								
Interest revenue	502,142	84,767	486,510	170,293	186,431	709,584	600,915	149,639
Taxes	4,688,219	507,628	3,904,786	1,316,312	1,103,133	4,316,640	3,693,815	459,486
Amortization of bond premium	340,386	43,560	298,560	96,262	155,398	321,995	278,646	58,850
Amortization of deferred loss on refunding	(127,441)	(16,309)	(111,781)	(36,041)	(22,840)	(120,556)	(104,325)	(22,034)
Interest expense	(830,117)	(106,686)	(806,972)	(248,455)	(8,352,544)	(905,406)	(771,886)	(141,366)
Tax and assessment expense	(5,003)	(677)	(6,301)	(1,810)	(333)	(7,710)	(6,647)	(973)
Unrealized gain (loss) on investments	125,357	25,963	132,067	45,315	(51,372)	175,317	144,118	50,334
Net nonoperating revenues (expenses)	4,693,543	538,246	3,896,869	1,341,876	(6,982,127)	4,489,864	3,834,636	553,936
Income (loss) before capital contribution revenue	5,066,099	655,214	5,834,801	1,801,750	(1,562,354)	12,428,248	5,588,012	716,765
Capital contribution revenue:								
Connection fees	1,626,419	164,488	1,625,746	453,588	674,087	2,285,420	2,012,972	189,442
Change in net position	6,692,518	819,702	7,460,547	2,255,338	(888,267)	14,713,668	7,600,984	906,207
Total net position, July 1, 2014, as previously stated	145,050,866	20,236,360	159,954,430	45,334,779	58,439,783	223,383,341	172,555,987	47,491,849
Prior-period adjustments	(12,740,397)	(1,613,560)	(16,707,064)	(4,504,520)	(8,538,419)	(19,665,257)	(16,337,290)	(3,361,582)
Total net assets, July 1, 2014, as restated	132,310,469	18,622,800	143,247,366	40,830,259	49,901,364	203,718,084	156,218,697	44,130,267
Total net position, June 30, 2015	\$ 139,002,987	19,442,502	150,707,913	43,085,597	49,013,097	218,431,752	163,819,681	45,036,474

(Continued on following page)

Exhibit E-2-3
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Revenues, Expenses, and
Changes in Net Position
Fiscal year ended June 30, 2015

	Districts						
	No. 27	No. 28	No. 29	Santa Clarita Valley	No. 34	Newhall Ranch	South Bay Cities
Operating revenues:							
Contract revenue	921	44,202	53,693	937,037	921	-	485,641
Industrial waste surcharge	-	8,083	76,764	661,137	-	-	185,794
Sale of energy	-	806	967	-	-	-	8,707
Service charges	-	999,668	1,863,791	24,596,623	-	-	6,148,346
Other	-	8,946	10,791	594,458	1,500	121,769	97,265
Total operating revenues	921	1,061,705	2,006,006	26,789,255	2,421	121,769	6,925,753
Operations and maintenance:							
Chemicals	-	73,037	91,910	1,987,601	-	7	804,579
Equipment and vehicle rentals	61	13,113	65,039	449,096	61	64	138,105
Insurance and claims	310	8,064	9,841	(20,787)	276	307	95,983
Materials and supplies	214	28,043	44,814	1,208,044	67	53	362,575
Operations, repairs and maintenance	239	21,189	28,914	798,931	239	9,223	229,075
Salaries and benefits	6,563	296,213	665,436	10,286,661	1,682	52,285	3,946,908
Services	71,548	99,491	125,734	2,615,263	481	399	1,107,763
Utilities	199	35,530	58,377	2,892,189	126	103	557,567
Total operations and maintenance	79,134	574,680	1,090,065	20,216,998	2,932	62,441	7,242,555
Charges for collections	734	2,508	1,240	34,293	-	-	21,328
Depreciation	78,286	204,722	324,872	5,217,651	206	-	1,586,823
Research and development	-	13,920	16,705	-	-	-	150,341
Total operating expenses	158,154	795,830	1,432,882	25,468,942	3,138	62,441	9,001,047
Operating income (loss)	(157,233)	265,875	573,124	1,320,313	(717)	59,328	(2,075,294)
Nonoperating revenues (expenses):							
Interest revenue	2,820	57,738	44,777	811,246	20	149	313,431
Taxes	304,590	582,333	113,768	6,347,057	-	-	4,678,770
Amortization of bond premium	10,141	15,396	4,834	528,602	-	-	148,860
Amortization of deferred loss on refunding	(3,797)	(5,764)	(1,810)	(197,910)	-	-	(55,733)
Interest expense	(17,885)	(76,158)	(35,559)	(1,584,697)	-	-	(368,117)
Tax and assessment expense	(1)	(199)	(243)	(782)	(1)	(1)	(2,377)
Unrealized gain (loss) on investments	597	14,763	10,335	102,914	-	-	51,732
Net nonoperating revenues (expenses)	296,465	588,109	136,102	6,006,430	19	148	4,766,566
Income (loss) before capital contribution revenue	139,232	853,984	709,226	7,326,743	(698)	59,476	2,691,272
Capital contribution revenue:							
Connection fees	-	56,004	75,040	5,417,794	-	-	605,878
Change in net position	139,232	909,988	784,266	12,744,537	(698)	59,476	3,297,150
Total net position, July 1, 2014, as previously stated	2,745,925	11,219,845	17,528,881	199,466,557	4,813	-	75,521,518
Prior-period adjustments	-	(537,853)	(1,176,554)	(18,085,313)	-	-	(7,025,707)
Total net assets, July 1, 2014, as restated	2,745,925	10,681,992	16,352,327	181,381,244	4,813	-	68,495,811
Total net position, June 30, 2015	\$ 2,885,157	11,591,980	17,136,593	194,125,781	4,115	59,476	71,792,961

Exhibit E-3
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Cash Flows
Fiscal year ended June 30, 2015

	Districts								
	No. 1	No. 2	No. 3	No. 4	No. 5	No. 8	No. 9	No. 14	No. 15
Cash flows from operating activities:									
Receipts from customers and users	\$ 31,776,937	43,126,708	34,904,067	3,751,591	47,075,276	21,683,367	88,716	37,206,529	34,663,830
Payments to suppliers	(10,082,573)	(14,919,581)	(11,174,289)	(1,408,517)	(17,696,729)	(6,331,266)	(127,257)	(6,546,063)	(12,302,830)
Payments to employees	(12,403,655)	(18,539,623)	(13,960,209)	(51,364)	(21,633,168)	(9,361,660)	(5,944)	(6,108,740)	(14,821,504)
Payment for equipment rental within the Districts	(413,964)	(649,921)	(399,412)	(8,931)	(738,202)	(273,329)	(48)	(343,044)	(470,516)
Other payments	-	-	(18,589)	-	-	-	-	-	-
Net cash provided (used) by operating activities	8,876,745	9,017,583	9,351,568	2,282,779	7,007,177	5,717,112	(44,533)	24,208,682	7,068,980
Cash flows from noncapital financing activities:									
Receipts from property taxes	3,153,660	6,468,939	5,185,372	500,224	10,564,257	2,020,242	87,775	1,115,336	6,574,694
Payments for tax and assessment	(7,666)	(11,765)	(8,916)	(1)	(13,767)	(4,615)	(1)	448	(9,416)
Net cash provided (used) by noncapital financing activities	3,145,994	6,457,174	5,176,456	500,223	10,550,490	2,015,627	87,774	1,115,784	6,565,278
Cash flows from capital and related financing activities:									
Borrowings on loan from state	1,644,568	2,443,676	1,894,869	-	2,836,741	997,495	-	-	2,039,487
Purchases of capital assets	(8,990,216)	(13,415,546)	(10,016,935)	(1,778,001)	(14,782,709)	(5,053,937)	(61,371)	(3,497,471)	(10,350,732)
Connection fees proceeds	1,971,648	3,172,288	2,341,953	1,034,408	4,038,590	1,595,315	2,996	806,029	2,563,240
Interest paid on capital-related debt	(832,045)	(1,251,100)	(954,770)	(93,773)	(1,912,076)	(497,890)	(13,177)	(10,692,990)	(1,226,918)
Payment to joint venture	(1,671)	(2,483)	(1,925)	-	(2,882)	(1,013)	-	-	(2,072)
Principal payments on bonds	(1,545,456)	(2,386,037)	(1,812,421)	(230,573)	(3,900,263)	(942,487)	(32,403)	(3,197,076)	(2,440,746)
Principal payments on loan from state	(1,828,314)	(2,677,045)	(2,075,827)	-	(3,107,647)	(1,092,754)	-	(4,539,993)	(2,234,256)
Net cash used by capital and related financing activities	(9,581,486)	(14,116,247)	(10,625,056)	(1,067,939)	(16,830,246)	(4,995,271)	(103,955)	(21,121,501)	(11,651,997)
Cash flows from investing activities:									
Interest received	495,223	770,252	501,272	294,965	857,862	305,099	33,076	265,222	668,060
Purchase of investments	(21,740,889)	(51,754,989)	(32,950,059)	(23,986,666)	(41,572,203)	(14,003,237)	(2,021,139)	(9,573,901)	(44,896,537)
Proceeds from maturities of investments	21,211,162	50,255,277	33,139,443	17,002,359	40,417,927	12,471,708	1,645,417	4,112,186	42,785,970
Net cash provided (used) by investing activities	(34,504)	(729,460)	690,656	(6,689,342)	(296,414)	(1,226,430)	(342,646)	(5,196,493)	(1,442,507)
Net increase (decrease) in cash and cash equivalents	2,406,749	629,050	4,593,624	(4,974,279)	431,007	1,511,038	(403,360)	(993,528)	539,754
Cash and cash equivalents at beginning of fiscal year	21,849,340	35,295,655	25,490,541	11,783,020	39,164,330	21,851,518	1,306,012	36,051,034	30,487,897
Cash and cash equivalents at end of fiscal year	\$ 24,256,089	35,924,705	30,084,165	6,808,741	39,595,337	23,362,556	902,652	35,057,506	31,027,651
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
Operating income (loss)	\$ 4,057,596	3,328,699	4,530,547	875,421	(1,696,002)	2,418,745	(87,542)	14,490,767	1,646,862
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation and amortization	4,574,379	6,543,529	5,271,955	1,386,381	8,657,818	2,789,162	41,724	9,071,246	5,328,960
Pension expense									
Decrease (increase) in accounts receivable	511,457	(338,905)	(63,684)	(8,683)	(112,649)	727,160	39	267,843	575,359
Decrease (increase) in service charge receivable	226,151	206,995	179,381	31,837	1,046,159	126,652	1,258	723,331	115,538
Increase in deferred outflows of resources	(1,298,656)	(1,943,768)	(1,463,097)	(6,324)	(2,264,215)	(986,641)	-	(643,004)	(1,553,749)
Increase (decrease) in accounts payable	(58,550)	(40,969)	(58,812)	143	(103,971)	(26,913)	(35)	(11,366)	(68,651)
Increase (decrease) in claims liabilities related to self insurance	95,760	122,386	108,298	82	146,441	65,279	81	(99,227)	110,760
Increase in pension liability	2,309,234	3,456,353	2,601,637	11,246	4,026,164	1,754,418	-	1,143,371	2,762,833
Decrease in other liabilities	-	-	(18,589)	-	-	-	-	-	-
Decrease in due to other funds	(209,541)	(324,432)	(236,437)	(841)	(371,813)	(139,471)	(58)	(75,219)	(256,384)
Decrease in deferred inflows of resources	(1,331,085)	(1,992,305)	(1,499,631)	(6,483)	(2,320,755)	(1,011,279)	-	(659,060)	(1,592,548)
Net cash provided (used) by operating activities	\$ 8,876,745	9,017,583	9,351,568	2,282,779	7,007,177	5,717,112	(44,533)	24,208,682	7,068,980
Schedule of noncash investing activity-									
Unrealized gain on fair value of investments	\$ 210,159	222,262	114,331	84,369	258,958	63,428	7,412	7,706	209,455

Exhibit E-3-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Cash Flows
Fiscal year ended June 30, 2015

	Districts							
	No. 16	No. 17	No. 18	No. 19	No. 20	No. 21	No. 22	No. 23
Cash flows from operating activities:								
Receipts from customers and users	\$ 18,045,486	2,322,552	23,214,635	6,552,690	23,573,347	32,157,233	22,381,655	3,496,996
Payments to suppliers	(6,683,295)	(858,529)	(8,201,953)	(2,306,190)	(4,997,181)	(9,771,938)	(8,090,712)	(1,144,737)
Payments to employees	(7,628,171)	(973,057)	(9,979,273)	(2,682,039)	(5,037,394)	(11,785,993)	(9,764,672)	(2,001,363)
Payment for equipment rental within the Districts	(224,627)	(32,142)	(344,853)	(89,782)	(424,888)	(375,300)	(343,648)	(48,236)
Other payments	-	-	-	-	-	-	-	-
Net cash provided (used) by operating activities	<u>3,509,393</u>	<u>458,824</u>	<u>4,688,556</u>	<u>1,474,679</u>	<u>13,113,884</u>	<u>10,224,002</u>	<u>4,182,623</u>	<u>302,660</u>
Cash flows from noncapital financing activities:								
Receipts from property taxes	4,648,726	504,972	3,811,637	1,307,742	1,098,608	3,939,072	3,654,898	454,489
Transfers from other funds								
Transfers to other funds								
Payments for tax and assessment	(5,003)	(677)	(6,301)	(1,810)	(333)	(7,710)	(6,647)	(973)
Net cash provided (used) by noncapital financing activities	<u>4,643,723</u>	<u>504,295</u>	<u>3,805,336</u>	<u>1,305,932</u>	<u>1,098,275</u>	<u>3,931,362</u>	<u>3,648,251</u>	<u>453,516</u>
Cash flows from capital and related financing activities:								
Borrowings on loan from state	1,095,761	142,764	1,340,500	372,670		1,601,924	1,344,207	183,554
Proceeds from bond sale								
Bond issuance costs								
Purchases of capital assets	(5,811,510)	(719,454)	(6,801,970)	(1,883,168)	(2,135,884)	(8,157,673)	(6,799,095)	(933,431)
Connection fees proceeds	1,626,419	164,488	1,625,746	453,588	674,087	2,285,420	2,012,972	189,442
Bond defeasement								
Receipt from settlement								
Interest paid on capital-related debt	(744,468)	(95,562)	(696,571)	(217,751)	(8,396,066)	(769,192)	(660,806)	(128,035)
Payment to joint venture	(1,113)	(145)	(1,362)	(379)	-	(1,627)	(1,366)	(186)
Proceeds from sale of assets								
Principal payments on bonds	(1,521,035)	(194,649)	(1,334,133)	(430,154)	(1,782,603)	(1,438,854)	(1,245,144)	(262,976)
Principal payments on loan from state	(1,200,405)	(156,398)	(1,468,515)	(408,259)	(2,344,983)	(1,754,906)	(1,472,578)	(201,083)
Net cash used by capital and related financing activities	<u>(6,556,351)</u>	<u>(858,956)</u>	<u>(7,336,305)</u>	<u>(2,113,453)</u>	<u>(13,985,449)</u>	<u>(8,234,908)</u>	<u>(6,821,810)</u>	<u>(1,152,715)</u>
Cash flows from investing activities:								
Interest received	412,725	75,354	388,958	136,037	149,920	565,799	480,258	130,389
Purchase of investments	(31,936,459)	(640,744)	(21,756,669)	(8,538,585)	(6,113,457)	(42,384,357)	(28,291,713)	(9,816,530)
Proceeds from maturities of investments	29,636,823	3,530,407	22,179,177	8,658,171	5,917,418	38,929,092	28,978,843	9,985,781
Net cash provided (used) by investing activities	<u>(1,886,911)</u>	<u>2,965,017</u>	<u>811,466</u>	<u>255,623</u>	<u>(46,119)</u>	<u>(2,889,466)</u>	<u>1,167,388</u>	<u>299,640</u>
Net increase (decrease) in cash and cash equivalents	<u>(290,146)</u>	<u>3,069,180</u>	<u>1,969,053</u>	<u>922,781</u>	<u>180,591</u>	<u>3,030,990</u>	<u>2,176,452</u>	<u>(96,899)</u>
Cash and cash equivalents at beginning of fiscal year	<u>18,952,439</u>	<u>3,218,649</u>	<u>17,038,477</u>	<u>6,203,082</u>	<u>13,150,406</u>	<u>24,611,597</u>	<u>20,759,831</u>	<u>5,935,692</u>
Cash and cash equivalents at end of fiscal year	<u>\$ 18,662,293</u>	<u>6,287,829</u>	<u>19,007,530</u>	<u>7,125,863</u>	<u>13,330,997</u>	<u>27,642,587</u>	<u>22,936,283</u>	<u>5,838,793</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 372,556	116,968	1,937,932	459,874	5,419,773	7,938,384	1,753,376	162,829
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation and amortization	3,165,557	377,959	3,629,156	1,008,434	7,412,557	4,530,413	3,619,218	595,776
Amortization of state credits								
Decrease (increase) in accounts receivable	38,410	5,821	(463,146)	94,542	64,665	(1,873,417)	(928,225)	(377,122)
Decrease (increase) in service charge receivable	243,036	(1,124)	70,235	20,065	270,677	134,556	141,300	9,055
Increase in deferred outflows of resources	(799,011)	(101,194)	(1,047,780)	(282,500)	(535,485)	(1,233,302)	(1,024,590)	(210,820)
Increase (decrease) in accounts payable	(38,859)	(5,187)	(117,329)	(12,943)	36,298	(82,488)	(36,035)	(10,461)
Increase (decrease) in claims liabilities related to self insurance	56,973	7,017	65,257	21,049	105,086	87,555	61,646	5,075
Increase in pension liability	1,420,779	179,940	1,863,132	502,333	952,184	2,193,022	1,821,896	374,875
Decrease in other liabilities	-	-	-	-	-	-	-	-
Decrease in due to other funds	(131,085)	(17,655)	(174,958)	(46,621)	(63,015)	(206,623)	(175,789)	(30,462)
Decrease in deferred inflows of resources	(818,963)	(103,721)	(1,073,943)	(289,554)	(548,856)	(1,264,098)	(1,050,174)	(216,085)
Net cash provided (used) by operating activities	<u>\$ 3,509,393</u>	<u>458,824</u>	<u>4,688,556</u>	<u>1,474,679</u>	<u>13,113,884</u>	<u>10,224,002</u>	<u>4,182,623</u>	<u>302,660</u>
Schedule of noncash investing activity-								
Unrealized gain on fair value of investments	\$ 125,357	25,963	132,067	45,315	(51,372)	175,317	144,118	50,334
Investment in joint venture	\$							

(Continued on following page)

Exhibit E-3-3
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Cash Flows
Fiscal year ended June 30, 2015

	Districts						South Bay	
	No. 27	No. 28	No. 29	Santa Clarita Valley	No. 34	No. 36	Cities	Total
Cash flows from operating activities:								
Receipts from customers and users	\$ 960	1,069,980	1,973,456	26,779,755	2,458	121,769	7,059,331	423,029,324
Payments to suppliers	(73,211)	(283,558)	(387,448)	(9,661,556)	(1,156)	(9,958)	(3,324,022)	(136,384,549)
Payments to employees	(6,621)	(309,964)	(693,343)	(10,693,273)	(1,682)	(45,849)	(4,128,775)	(162,617,336)
Payment for equipment rental within the Districts	(48)	(11,522)	(63,616)	(435,391)	(48)	(34)	(131,267)	(5,822,769)
Other payments	-	-	-	-	-	-	-	(18,589)
Net cash provided (used) by operating activities	(78,920)	464,936	829,049	5,989,535	(428)	65,928	(524,733)	118,186,081
Cash flows from noncapital financing activities:								
Receipts from property taxes	302,992	579,486	112,370	6,351,069	-	-	4,605,469	67,042,029
Payments for tax and assessment	(1)	(199)	(243)	(782)	(1)	(1)	(2,377)	(88,757)
Net cash provided (used) by noncapital financing activities	302,991	579,287	112,127	6,350,287	(1)	(1)	4,603,092	66,953,272
Cash flows from capital and related financing activities:								
Borrowings on loan from state	-	46,352	55,622	338,424	-	-	500,601	18,879,215
Purchases of capital assets	(39,084)	(233,669)	(282,198)	(6,496,161)	(892)	(41,042)	(2,532,595)	(110,814,744)
Connection fees proceeds	-	56,004	75,040	5,417,794	-	-	605,878	32,713,345
Interest paid on capital-related debt	(18,429)	(44,792)	(30,856)	(1,087,312)	-	-	(328,034)	(30,692,613)
Payment to joint venture	-	(47)	(57)	-	-	-	(509)	(18,837)
Principal payments on bonds	(45,316)	(68,796)	(21,602)	(2,362,088)	-	-	(665,188)	(27,860,000)
Principal payments on loan from state	-	(406,192)	(102,469)	(3,213,664)	-	-	(548,408)	(30,833,696)
Net cash used by capital and related financing activities	(102,829)	(651,140)	(306,520)	(7,403,007)	(892)	(41,042)	(2,968,255)	(148,627,330)
Cash flows from investing activities:								
Interest received	2,529	43,761	33,628	689,954	20	85	233,592	7,534,040
Purchase of investments	(28,366)	(3,949,571)	(1,777,180)	(21,801,986)	-	-	(19,740,518)	(439,275,755)
Proceeds from maturities of investments	149,227	2,833,706	745,676	29,848,348	-	-	17,421,748	421,855,866
Net cash provided (used) by investing activities	123,390	(1,072,104)	(997,876)	8,736,316	20	85	(2,085,178)	(9,885,849)
Net increase (decrease) in cash and cash equivalents	244,632	(679,021)	(363,220)	13,673,131	(1,301)	24,970	(975,074)	26,626,174
Cash and cash equivalents at beginning of fiscal year	236,865	1,544,865	1,614,511	45,509,656	2,347	-	10,546,196	392,603,960
Cash and cash equivalents at end of fiscal year	\$ 481,497	865,844	1,251,291	59,182,787	1,046	24,970	9,571,122	419,230,134
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ (157,233)	265,875	573,124	1,320,313	(717)	59,328	(2,075,294)	47,712,181
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation and amortization	78,286	204,722	324,872	5,217,651	206	-	1,586,823	75,416,784
Decrease (increase) in accounts receivable	39	2,274	(19,814)	(211,428)	37	-	16,332	(2,093,095)
Decrease (increase) in service charge receivable	-	6,001	(12,736)	201,928	-	-	117,246	3,857,541
Increase in deferred outflows of resources	-	(33,731)	(73,787)	(1,134,217)	-	(555)	(440,061)	(17,076,487)
Increase (decrease) in accounts payable	(35)	(2,066)	(10,774)	(101,806)	(35)	37	(15,761)	(766,568)
Increase (decrease) in claims liabilities related to self insurance	81	1,881	2,288	(30,511)	81	127	27,788	961,253
Increase in pension liability	-	59,980	131,206	2,016,831	-	6,991	776,499	30,364,924
Decrease in other liabilities	-	-	-	-	-	-	-	(18,589)
Decrease in due to other funds	(58)	(5,426)	(9,700)	(126,688)	-	-	(66,687)	(2,668,963)
Decrease in deferred inflows of resources	-	(34,574)	(75,630)	(1,162,538)	-	-	(451,618)	(17,502,900)
Net cash provided (used) by operating activities	\$ (78,920)	464,936	829,049	5,989,535	(428)	65,928	(524,733)	118,186,081
Schedule of noncash investing activity-								
Unrealized gain on fair value of investments	\$ 597	14,763	10,335	102,914	-	-	51,732	2,005,520

Exhibit F-1
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Solid Waste Facilities Operations
Combining Schedule of Net Position
June 30, 2015

Assets	Palos Verdes Landfill	Spadra Landfill	South Gate Transfer Station	Puente Hills Landfill	Puente Hills Materials Recovery Facility	Downey Area Recycling and Transfer Station	Mesquite Regional Landfill	Total
Current assets:								
Cash in bank	\$ 269,412	-	63,818	108,567	77,552	37,795	-	557,144
Cash on hand	5,000	-	3,700	2,000	3,400	2,740	-	16,840
Cash and cash equivalents	<u>1,016,574</u>	<u>-</u>	<u>1,202,886</u>	<u>15,364,167</u>	<u>3,309,463</u>	<u>974,900</u>	<u>1,174,231</u>	<u>23,042,221</u>
Total unrestricted cash and cash equivalents	<u>1,290,986</u>	<u>-</u>	<u>1,270,404</u>	<u>15,474,734</u>	<u>3,390,415</u>	<u>1,015,435</u>	<u>1,174,231</u>	<u>23,616,205</u>
Accounts receivable	-	-	97,359	501,406	3,779,365	1,424,636	-	5,802,766
Interest receivable	<u>171,069</u>	<u>232,447</u>	<u>5,104</u>	<u>911,711</u>	<u>14,009</u>	<u>5,162</u>	<u>4,755</u>	<u>1,344,257</u>
Restricted cash and investments:								
Cash and cash equivalents	30,360,283	39,830,271	363,970	163,606,730	2,241,240	662,620	157,813	237,222,927
Specific investments	<u>26,987,185</u>	<u>41,195,911</u>	<u>110,492</u>	<u>147,706,523</u>	<u>-</u>	<u>-</u>	<u>249,146</u>	<u>216,249,257</u>
Total restricted cash and investments	<u>57,347,468</u>	<u>81,026,182</u>	<u>474,462</u>	<u>311,313,253</u>	<u>2,241,240</u>	<u>662,620</u>	<u>406,959</u>	<u>453,472,184</u>
Other specific investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,128,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,128,897</u>
Total current assets	<u>58,809,523</u>	<u>81,258,629</u>	<u>1,847,329</u>	<u>336,330,001</u>	<u>9,425,029</u>	<u>3,107,853</u>	<u>1,585,945</u>	<u>492,364,309</u>
Capital assets:								
Buildings	-	-	-	-	-	-	7,334,878	7,334,878
Capital improvements	24,517,547	41,216,593	2,260,242	245,932,223	-	-	75,893,667	389,820,272
Less accumulated depreciation	<u>(23,710,778)</u>	<u>(41,216,593)</u>	<u>(2,260,242)</u>	<u>(245,932,223)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(313,119,836)</u>
Net capital improvements facilities	<u>806,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,228,545</u>	<u>84,035,314</u>
Gas-to-energy facilities	15,187,706	25,980,964	-	139,505,805	-	-	-	180,674,475
Less accumulated depreciation	<u>(15,187,706)</u>	<u>(15,588,578)</u>	<u>-</u>	<u>(84,913,498)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,689,782)</u>
Net gas-to-energy facilities	<u>-</u>	<u>10,392,386</u>	<u>-</u>	<u>54,592,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,984,693</u>
Rail facilities	-	-	-	-	-	-	54,060,853	54,060,853
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net rail facilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,060,853</u>	<u>54,060,853</u>
Recycling and transfer facility	-	-	-	-	53,281,533	9,873,808	-	63,155,341
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,319,672)</u>	<u>(3,702,678)</u>	<u>-</u>	<u>(17,022,350)</u>
Net recycling and transfer facility	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,961,861</u>	<u>6,171,130</u>	<u>-</u>	<u>46,132,991</u>
Land	-	-	77,665	-	16,203,794	7,236,414	2,993,718	26,511,591
Use rights	3,758,185	635,000	-	9,001,642	-	12,006,393	42,360,490	67,761,710
Less accumulated amortization	<u>(3,758,185)</u>	<u>(635,000)</u>	<u>-</u>	<u>(9,001,642)</u>	<u>-</u>	<u>(12,006,393)</u>	<u>-</u>	<u>(25,401,220)</u>
Net use rights	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,360,490</u>	<u>42,360,490</u>
Net capital assets	<u>806,769</u>	<u>10,392,386</u>	<u>77,665</u>	<u>54,592,307</u>	<u>56,165,655</u>	<u>13,407,544</u>	<u>182,643,606</u>	<u>318,085,932</u>
Total assets	<u>\$ 59,616,292</u>	<u>91,651,015</u>	<u>1,924,994</u>	<u>390,922,308</u>	<u>65,590,684</u>	<u>16,515,397</u>	<u>184,229,551</u>	<u>810,450,241</u>
Deferred Outflow of Resources								
Pension contribution subsequent to measurement date	<u>\$ 179,198</u>	<u>202,388</u>	<u>101,194</u>	<u>1,252,276</u>	<u>706,250</u>	<u>225,578</u>	<u>31,623</u>	<u>2,698,507</u>

(Continued on following page)

Exhibit F-1-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Solid Waste Facilities Operations
Combining Schedule of Net Position
June 30, 2015

Liabilities	Palos Verdes Landfill	Spadra Landfill	South Gate Transfer Station	Puente Hills Landfill	Puente Hills Materials Recovery Facility	Downey Area Recycling and Transfer Station	Mesquite Regional Landfill	Total
Current liabilities:								
Accounts payable	\$ 39,883	70,918	570,580	256,814	2,544,079	862,490	13,178	4,357,942
Claims liabilities	94,671	7,221	15,183	1,258,782	22,998	49,948	-	1,448,803
Construction contracts payable	-	-	-	551,058	-	-	-	551,058
Due to other funds	305,721	385,725	133,148	1,750,289	864,942	290,159	34,699	3,764,683
Estimated liability for closure and postclosure costs	-	3,003,637	-	9,278,459	-	-	-	12,282,096
Interest payable	-	-	-	552	-	-	-	552
Loans payable to State of California	-	-	-	236,580	-	-	-	236,580
Total current liabilities	440,275	3,467,501	718,911	13,332,534	3,432,019	1,202,597	47,877	22,641,714
Long-term liabilities:								
Claims liabilities	94,671	7,221	15,183	1,258,782	22,998	49,948	-	1,448,803
Estimated liability for closure and postclosure costs	-	45,271,684	-	212,172,619	-	-	-	257,444,303
Pension liability	2,257,627	2,549,791	1,274,895	15,776,831	8,897,707	2,841,954	398,405	33,997,210
Total liabilities	2,792,573	51,296,197	2,008,989	242,540,766	12,352,724	4,094,499	446,282	315,532,030
Deferred Inflow of Resources								
Differences between projected and actual earnings on pension plan investments	734,690	829,767	414,884	5,134,184	2,895,541	924,845	129,651	11,063,562
Net Position								
Net position:								
Net investment in capital assets	806,769	10,392,386	77,665	53,804,669	56,165,655	13,407,544	182,643,606	317,298,294
Restricted for capital projects	-	-	-	2,450,000	-	-	600,000	3,050,000
Restricted for closure / postclosure maintenance	55,461,458	29,335,053	-	41,146,754	-	-	-	125,943,265
Restricted for noncapital projects	-	-	-	11,873,041	-	-	441,635	12,314,676
Restricted for site development	-	-	-	35,225,170	-	-	-	35,225,170
Unrestricted	-	-	(475,350)	-	(5,116,986)	(1,685,913)	-	(7,278,249)
Total net position	\$ 56,268,227	39,727,439	(397,685)	144,499,634	51,048,669	11,721,631	183,685,241	486,553,156

Exhibit F-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Solid Waste Facilities Operations
Combining Schedule of Revenues, Expenses,
and Changes in Net Position
Fiscal year ended June 30, 2015

	Palos Verdes Landfill	Spadra Landfill	South Gate Transfer Station	Puente Hills Landfill	Puente Hills Materials Recovery Facility	Downey Area Recycling and Transfer Station	Mesquite Regional Landfill	Total
Operating revenues:								
Commodities	\$ -	-	66,824	19,786	4,243,565	4,377,097	-	8,707,272
Contract revenue	-	-	-	44,149	249,547	117,364	-	411,060
Refuse tipping fees	-	-	6,418,014	245,835	37,084,152	8,514,860	-	52,262,861
Sale of energy	-	2,019,868	-	23,866,539	-	-	-	25,886,407
Other	152,182	-	-	29,916	100	-	5,000	187,198
Total operating revenues	152,182	2,019,868	6,484,838	24,206,225	41,577,364	13,009,321	5,000	87,454,798
Operating expenses:								
Chemicals	83	21,829	-	183,796	3,838	-	-	209,546
Depreciation and amortization of use rights	-	687,846	10,195	7,095,683	1,481,442	1,058,840	-	10,334,006
Equipment and vehicle rentals	95,508	37,013	388,080	868,769	4,508,729	671,467	27,989	6,597,555
Insurance and claims	(7,620)	(1,855)	49,466	679,356	132,703	108,940	5,700	966,690
Landfill closure and postclosure costs	-	22,307,858	-	23,541,324	-	-	-	45,849,182
Materials and supplies	81,732	64,947	57,543	3,114,014	453,097	223,462	7,394	4,002,189
Operations, repairs and maintenance	504,372	230,089	362,264	7,303,435	2,762,024	654,666	78,330	11,895,180
Salaries and benefits	1,646,123	1,873,629	933,428	11,762,133	6,367,401	2,035,998	289,581	24,908,293
Services	242,129	67,353	4,254,414	1,889,768	27,187,368	9,539,633	57,277	43,237,942
Utilities	329,208	308,504	47,270	1,312,054	59,080	123,612	123,514	2,303,242
Total operating expenses	2,891,535	25,597,213	6,102,660	57,750,332	42,955,682	14,416,618	589,785	150,303,825
Operating income (loss)	(2,739,353)	(23,577,345)	382,178	(33,544,107)	(1,378,318)	(1,407,297)	(584,785)	(62,849,027)
Nonoperating revenues (expenses):								
Interest revenue	584,439	814,177	10,062	3,455,817	29,223	12,659	16,398	4,922,775
Interest expense	-	-	-	(15,321)	-	-	-	(15,321)
Tax and assessment expense	-	445	(353,200)	(13,532)	(1,167,944)	(730,243)	(22,537)	(2,287,011)
Unrealized gain (loss) on investments	606,867	(32,882)	31	1,326,362	-	-	(5,173)	1,895,205
Net nonoperating revenues (expenses)	1,191,306	781,740	(343,107)	4,753,326	(1,138,721)	(717,584)	(11,312)	4,515,648
Income (loss) before transfers	(1,548,047)	(22,795,605)	39,071	(28,790,781)	(2,517,039)	(2,124,881)	(596,097)	(58,333,379)
Transfers in	100,000	-	148,716	-	1,893,855	1,130,142	-	3,272,713
Transfers out	-	-	-	(5,995,976)	-	-	-	(5,995,976)
Change in net position	(1,448,047)	(22,795,605)	187,787	(34,786,757)	(623,184)	(994,739)	(596,097)	(61,056,642)
Total net assets, July 1, 2014, as previously stated	60,573,619	65,750,163	1,028,088	199,254,190	62,933,154	16,313,263	184,785,575	590,638,052
Prior-period adjustments	(2,857,345)	(3,227,119)	(1,613,560)	(19,967,799)	(11,261,301)	(3,596,893)	(504,237)	(43,028,254)
Total net position, July 1, 2014, as restated	57,716,274	62,523,044	(585,472)	179,286,391	51,671,853	12,716,370	184,281,338	547,609,798
Total net position, June 30, 2015	\$ 56,268,227	39,727,439	(397,685)	144,499,634	51,048,669	11,721,631	183,685,241	486,553,156

Exhibit F-3
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Solid Waste Facilities Operations
Combining Schedule of Cash Flows
Fiscal year ended June 30, 2015

	Palos Verdes Landfill	Spadra Landfill	South Gate Transfer Station	Puente Hills Landfill	Puente Hills Materials Recovery Facility	Downey Area Recycling and Transfer Station	Mesquite Regional Landfill	Total
Cash flows from operating activities:								
Receipts from customers and users	\$ 152,182	2,019,868	6,542,382	24,170,974	42,619,822	12,503,752	5,000	88,013,980
Payments to suppliers	(1,189,023)	(778,041)	(4,696,642)	(15,359,507)	(30,533,173)	(10,889,172)	(282,206)	(63,727,764)
Payments to employees	(1,715,973)	(1,955,907)	(969,562)	(12,217,892)	(6,614,197)	(2,115,990)	(300,294)	(25,889,815)
Payments applied to closure/postclosure liability	(866,454)	(2,603,122)	-	(3,374,202)	-	-	-	(6,843,778)
Payment for equipment rental within the Districts	(94,474)	(35,424)	(387,680)	(856,460)	(4,503,855)	(669,761)	(24,712)	(6,572,366)
Net cash provided (used) by operating activities	(3,713,742)	(3,352,626)	488,498	(7,637,087)	968,597	(1,171,171)	(602,212)	(15,019,743)
Cash flows from noncapital financing activities:								
Payments for tax and assessment	-	445	(353,200)	(13,532)	(1,167,944)	(730,243)	(22,537)	(2,287,011)
Transfers from other funds	100,000	-	148,716	-	1,893,855	1,130,142	-	3,272,713
Transfers to other funds	-	-	-	(5,995,976)	-	-	-	(5,995,976)
Net cash provided (used) by noncapital financing activities	100,000	445	(204,484)	(6,009,508)	725,911	399,899	(22,537)	(5,010,274)
Cash flows from capital and related financing activities:								
Purchases of capital assets	(944,157)	(21,676)	(10,195)	(1,744,236)	(665,445)	(33,053)	(308,345)	(3,727,107)
Interest paid on capital related debt	-	-	-	(16,112)	-	-	-	(16,112)
Principal payments on loan from state	-	-	-	(338,837)	-	-	-	(338,837)
Net cash used by capital and related financing activities	(944,157)	(21,676)	(10,195)	(2,099,185)	(665,445)	(33,053)	(308,345)	(4,082,056)
Cash flows from investing activities:								
Interest received	608,897	828,768	8,392	3,468,138	25,400	12,845	25,602	4,978,042
Purchase of investments	(9,340,380)	(10,613,499)	(100,853)	(34,582,815)	-	-	(250,000)	(54,887,547)
Proceeds from maturities of investments	33,680,400	40,157,369	101,334	165,047,437	-	-	2,285,255	241,271,795
Net cash provided by investing activities	24,948,917	30,372,638	8,873	133,932,760	25,400	12,845	2,060,857	191,362,290
Net increase (decrease) in cash and cash equivalents	20,391,018	26,998,781	282,692	118,186,980	1,054,463	(791,480)	1,127,763	167,250,217
Cash and cash equivalents at beginning of fiscal year	11,260,251	12,831,490	1,351,682	60,894,484	4,577,192	2,469,535	204,281	93,588,915
Cash and cash equivalents at end of fiscal year	\$ 31,651,269	39,830,271	1,634,374	179,081,464	5,631,655	1,678,055	1,332,044	260,839,132
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ (2,739,353)	(23,577,345)	382,178	(33,544,107)	(1,378,318)	(1,407,297)	(584,785)	(62,849,027)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation and amortization	-	687,846	10,195	7,095,683	1,481,442	1,058,840	-	10,334,006
Landfill closure and postclosure costs	-	22,307,858	-	23,541,324	-	-	-	45,849,182
Decrease (increase) in accounts receivable	-	-	57,544	(35,251)	1,042,458	(505,569)	-	559,182
Increase in deferred outflows of resources	(179,198)	(202,388)	(101,194)	(1,252,276)	(706,250)	(225,579)	(31,623)	(2,698,508)
Increase (decrease) in accounts payable	(15,081)	(75,962)	65,531	(304,484)	57,007	(254,894)	(6,714)	(534,597)
Decrease in estimated liability for closure and postclosure costs	(866,454)	(2,603,122)	-	(3,374,202)	-	-	-	(6,843,778)
Increase (decrease) in claims liabilities	(23,004)	(9,623)	9,184	(560,293)	12,804	17,741	-	(553,191)
Increase in pension liability	318,644	359,881	179,940	2,226,761	1,255,833	401,117	56,231	4,798,407
Decrease in due to other funds	(25,624)	(32,329)	(11,159)	(146,696)	(72,494)	(24,319)	(2,908)	(315,529)
Decrease in deferred inflows of resources	(183,672)	(207,442)	(103,721)	(1,283,546)	(723,885)	(231,211)	(32,413)	(2,765,890)
Net cash provided (used) by operating activities	\$ (3,713,742)	(3,352,626)	488,498	(7,637,087)	968,597	(1,171,171)	(602,212)	(15,019,743)
Schedule of noncash investing activity-								
Unrealized gain (loss) on fair value of investments	\$ 606,867	(32,882)	31	1,326,362	-	-	(5,173)	1,895,205

Exhibit G-1
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Trustee Solid Waste Facilities Operations
Combining Schedule of Net Position
June 30, 2015

Assets	Scholl Canyon Landfill	Calabasas Landfill	Los Angeles County Equipment Pool	Los Angeles County Refuse Disposal Fund	Total
Current assets:					
Cash in bank	\$ 64,978	76,980	-	-	141,958
Cash on hand	5,870	5,106	-	-	10,976
Cash and cash equivalents	8,649,180	3,138,306	-	1,252,031	13,039,517
Total unrestricted cash and cash equivalents	8,720,028	3,220,392	-	1,252,031	13,192,451
Accounts receivable	1,860,650	925,876	-	25,000	2,811,526
Interest receivable	59,873	156,607	4,949	3,398	224,827
Restricted cash and investments:					
Cash and cash equivalents	2,899,419	4,330,899	1,885,182	162,081	9,277,581
Specific investments	11,978,265	44,622,426	-	-	56,600,691
Total restricted cash and investments	14,877,684	48,953,325	1,885,182	162,081	65,878,272
Total current assets	25,518,235	53,256,200	1,890,131	1,442,510	82,107,076
Capital assets:					
Capital improvements	26,212,287	123,306,855	-	-	149,519,142
Equipment pool	-	-	8,455,626	-	8,455,626
Less accumulated depreciation	(22,967,256)	(98,445,958)	(4,743,931)	-	(126,157,145)
	3,245,031	24,860,897	3,711,695	-	31,817,623
Use rights	300,131	947,215	-	-	1,247,346
Less accumulated amortization	(262,975)	(756,239)	-	-	(1,019,214)
Net use rights	37,156	190,976	-	-	228,132
Land	-	-	-	5,482,200	5,482,200
Net capital assets	3,282,187	25,051,873	3,711,695	5,482,200	37,527,955
Total assets	\$ 28,800,422	78,308,073	5,601,826	6,924,710	119,635,031
Deferred Outflow of Resources					
Pension contribution subsequent to measurement date	\$ 349,963	392,127	61,138	44,272	847,500

(Continued on following page)

Exhibit G-1-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Trustee Solid Waste Facilities Operations
Combining Schedule of Net Position
June 30, 2015

Liabilities	Scholl Canyon Landfill	Calabasas Landfill	Los Angeles County Equipment Pool	Los Angeles County Refuse Disposal Fund	Total
Current liabilities:					
Accounts payable	\$ 784,840	668,182	13,891	11,843	1,478,756
Claims liabilities	104,552	157,883	-	33,558	295,993
Construction contracts payable	-	-	-	48,510	48,510
Due to other funds	450,628	530,862	-	83,001	1,064,491
Total current liabilities	1,340,020	1,356,927	13,891	176,912	2,887,750
Long-term liabilities:					
Claims liabilities	104,552	157,883	-	33,558	295,993
Estimated liability for closure and postclosure costs	10,763,362	65,188,726	-	-	75,952,088
Pension liability	4,409,013	4,940,220	770,249	557,767	10,677,249
Total liabilities	16,616,947	71,643,756	784,140	768,237	89,813,080
Deferred Inflow of Resources					
Differences between projected and actual earnings on pension plan investments	1,434,806	1,607,674	250,659	181,512	3,474,651
Net Position					
Net position:					
Net investment in capital assets	3,282,187	25,051,873	3,711,695	5,433,690	37,479,445
Restricted for capital projects	450,000	-	-	70,000	520,000
Restricted for disposal fees	732,866	-	-	-	732,866
Restricted for equipment pool	-	-	916,470	-	916,470
Restricted for noncapital projects	6,633,579	-	-	-	6,633,579
Unrestricted	-	(19,603,103)	-	515,543	(19,087,560)
Total net position	\$ 11,098,632	5,448,770	4,628,165	6,019,233	27,194,800

Exhibit G-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Trustee Solid Waste Facilities Operations
Combining Schedule of Revenues, Expenses,
and Changes in Net Position
Fiscal year ended June 30, 2015

	Scholl Canyon Landfill	Calabasas Landfill	Los Angeles County Equipment Pool	Los Angeles County Refuse Disposal Fund	Total
Operating revenues:					
Commodities	\$ 53,314	18,296	-	-	71,610
Equipment pool	-	-	2,165,942	-	2,165,942
Refuse tipping fees	16,668,073	11,385,413	-	-	28,053,486
Total operating revenues	16,721,387	11,403,709	2,165,942	-	30,291,038
Operating expenses:					
Chemicals	3,822	8,759	-	3	12,584
Depreciation and amortization of use rights	713,673	1,537,297	503,854	-	2,754,824
Equipment and vehicle rentals	1,117,107	1,447,629	18,576	17,793	2,601,105
Hazardous waste siting study	-	-	-	(8,045)	(8,045)
Insurance and claims	209,105	(257,701)	12,244	383	(35,969)
Landfill closure & postclosure costs	246,343	(11,700,252)	-	-	(11,453,909)
Materials and supplies	97,592	227,256	264,415	16,457	605,720
Operations, repairs and maintenance	877,589	975,058	676,091	(1,002,160)	1,526,578
Research and development	4,343	4,292	-	6,642	15,277
Salaries and benefits	3,193,755	3,562,326	536,255	417,455	7,709,791
Services	531,565	601,244	49,273	44,213	1,226,295
Tonnage	3,636,397	-	-	-	3,636,397
Utilities	384,410	299,072	480	72,736	756,698
Total operating expenses	11,015,701	(3,295,020)	2,061,188	(434,523)	9,347,346
Operating income	5,705,686	14,698,729	104,754	434,523	20,943,692
Nonoperating revenues (expenses):					
Interest revenue	190,501	478,707	(830)	(7,261)	661,117
Other nonoperating revenue	-	1,500,000	-	-	1,500,000
Gain on sale of equipment	-	-	5,549	-	5,549
Tax and assessment expense	(2,935,406)	(1,661,950)	-	(73,451)	(4,670,807)
Unrealized gain (loss) on investments	13,198	42,871	-	(1,235)	54,834
Net nonoperating revenues (expenses)	(2,731,707)	359,628	4,719	(81,947)	(2,449,307)
Change in net position	2,973,979	15,058,357	109,473	352,576	18,494,385
Total net assets, July 1, 2014, as previously stated	13,704,880	(3,357,044)	5,493,551	6,372,589	22,213,976
Prior-period adjustments	(5,580,227)	(6,252,543)	(974,859)	(705,932)	(13,513,561)
Total net position, July 1, 2014, as restated	8,124,653	(9,609,587)	4,518,692	5,666,657	8,700,415
Total net position, June 30, 2015	\$ 11,098,632	5,448,770	4,628,165	6,019,233	27,194,800

Exhibit G-3
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Trustee Solid Waste Facilities Operations
Combining Schedule of Cash Flows
Fiscal year ended June 30, 2015

	Scholl Canyon Landfill	Calabasas Landfill	Los Angeles County Equipment Pool	Los Angeles County Refuse Disposal Fund	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 16,957,169	11,569,359	-	-	28,526,528
Receipts for equipment rental	-	-	2,165,942	-	2,165,942
Payments to suppliers	(5,634,220)	(2,216,156)	(1,028,964)	866,596	(8,012,744)
Payments to employees	(3,317,896)	(3,703,597)	(551,344)	(435,338)	(8,008,175)
Payment for equipment rental within the Districts	(1,115,520)	(1,444,788)	(18,442)	(17,459)	(2,596,209)
Net cash provided by operating activities	6,889,533	4,204,818	567,192	413,799	12,075,342
Cash flows from noncapital financing activities:					
Payments for tax and assessment	(2,935,406)	(1,661,950)	-	(73,451)	(4,670,807)
Net cash used by noncapital financing activities	(2,935,406)	(1,661,950)	-	(73,451)	(4,670,807)
Cash flows from capital and related financing activities:					
Contract proceeds from County of Los Angeles	-	1,500,000	-	-	1,500,000
Purchases of capital assets	(611,376)	(881,118)	-	(174,432)	(1,666,926)
Proceeds from sale of equipment	-	-	113,537	-	113,537
Net cash provided (used) by capital and related financing activities	(611,376)	618,882	113,537	(174,432)	(53,389)
Cash flows from investing activities:					
Interest received	187,344	461,227	-	21,716	670,287
Purchase of investments	(11,994,252)	(44,151,868)	-	-	(56,146,120)
Proceeds from maturities of investments	12,645,800	41,313,348	-	401,061	54,360,209
Net cash provided (used) by investing activities	838,892	(2,377,293)	-	422,777	(1,115,624)
Net increase in cash and cash equivalents	4,181,643	784,457	680,729	588,693	6,235,522
Cash and cash equivalents at beginning of fiscal year	7,437,804	6,766,834	1,204,453	825,419	16,234,510
Cash and cash equivalents at end of fiscal year	\$ 11,619,447	7,551,291	1,885,182	1,414,112	22,470,032
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 5,705,686	14,698,729	104,754	434,523	20,943,692
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	713,673	1,537,297	503,854	-	2,754,824
Landfill closure and postclosure costs	246,343	(11,700,252)	-	-	(11,453,909)
Increase in accounts receivable	235,782	165,650	-	-	401,432
Increase in deferred outflows of resources	(349,963)	(392,128)	(61,138)	(44,272)	(847,501)
Increase (decrease) in accounts payable	63,570	25,976	(26,327)	(2,842)	60,377
Increase (decrease) in claims liabilities	48,620	(381,311)	-	-	(332,691)
Increase in pension liability	622,294	697,269	108,714	78,724	1,507,001
Decrease in due to other funds	(37,771)	(44,494)	-	(6,956)	(89,221)
Decrease in deferred inflows of resources	(358,701)	(401,918)	(62,665)	(45,378)	(868,662)
Net cash provided by operating activities	\$ 6,889,533	4,204,818	567,192	413,799	12,075,342
Schedule of noncash investing activity-					
Unrealized gain (loss) on fair value of investments	\$ 13,198	42,871	-	(1,235)	54,834

Exhibit H-1
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Service Operations
Schedule of Net Position
June 30, 2015

Assets

Current assets:	
Cash in bank	\$ 169,900
Cash on hand	13,000
Cash and cash equivalents	<u>26,582,324</u>
Total unrestricted cash	<u>26,765,224</u>
Receivables:	
Accounts receivable	55,174
Due from other funds	36,673,300
Interest receivable	876,618
Inventory	18,743,582
Restricted cash and investments:	
Cash and cash equivalents	106,644,424
Specific investments	<u>178,597,574</u>
Total restricted cash and investments	<u>285,241,998</u>
Total current assets	<u>368,355,896</u>
Investment in joint ventures	<u>12,476,841</u>
Capital assets:	
Buildings and equipment	10,381,560
Construction in progress	177,385,522
Capital improvements	2,107,936
Less accumulated depreciation	<u>(10,491,193)</u>
	<u>179,383,825</u>
Equipment pool	52,698,992
Less accumulated depreciation	<u>(26,423,005)</u>
Net equipment pool	<u>26,275,987</u>
Gas-to-energy facility	40,568,801
Less accumulated depreciation	<u>(4,056,880)</u>
Net gas-to-energy facility	<u>36,511,921</u>
Land	<u>28,373,391</u>
Net capital assets	<u>270,545,124</u>
Total assets	<u>651,377,861</u>

Deferred Outflow of Resources

Pension contribution subsequent to measurement date	\$ <u>459,591</u>
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(Continued on following page)

Exhibit H-1-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Service Operations
Schedule of Net Position
June 30, 2015

Liabilities

Current liabilities:	
Accounts payable	\$ 1,642,389
Accrued employee absences	9,595,132
Amounts held for others	4,843,214
Bonds payable	1,404,400
Claims liabilities	95,699
Construction contracts payable	2,222,408
Interest payable	5,036
Note payable	44,437
	<hr/>
Total current liabilities	19,852,715
	<hr/>
Long-term liabilities:	
Accrued employee absences	27,495,766
Bonds payable, net	8,426,393
Claims liabilities	95,698
Note payable	1,328,376
Pension liability	5,790,151
	<hr/>
Total long-term liabilities	43,136,384
	<hr/>
Total liabilities	62,989,099
	<hr/>

Deferred Inflow of Resources

Differences between projected and actual earnings on pension plan investments	1,884,263
	<hr/>

Net Position

Net position:	
Net investment in capital assets	257,119,111
Restricted for capital projects	19,650,000
Restricted for equipment pool	25,658,600
Restricted for noncapital projects	3,130,000
Unrestricted	281,406,379
	<hr/>
Total net position	\$ 586,964,090
	<hr/> <hr/>

Exhibit H-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Service Operations
Schedule of Revenues, Expenses,
and Changes in Net Position
Fiscal year ended June 30, 2015

Operating revenues:	
Equipment pool	\$ 12,479,085
Sale of power	4,146,857
Other	94,170
	<hr/>
Total operating revenues	16,720,112
	<hr/>
Operating expenses:	
Depreciation	5,084,231
Equipment and vehicle rentals	257,672
Hazardous waste siting study	(8,047)
Insurance and claims	528,578
Materials and supplies	2,055,988
Operations, repairs and maintenance	7,324,910
Research and development	253,422
Salaries and benefits	4,148,226
Services	1,035,812
Utilities	220,271
	<hr/>
Total operating expenses	20,901,063
	<hr/>
Operating loss	(4,180,951)
	<hr/>
Nonoperating revenues (expenses):	
Interest revenue	2,719,513
Investment in joint ventures	1,975,445
Interest expense	(232,081)
Loss on sale of equipment	(12,511)
Tax and assessment expense	(3,356)
Unrealized gain on investments	1,232,923
	<hr/>
Net nonoperating revenues	5,679,933
	<hr/>
Income before transfers	1,498,982
Transfers in	2,723,263
	<hr/>
Change in net position	4,222,245
Total net assets, July 1, 2014	590,070,095
	<hr/>
Prior-period adjustments	(7,328,250)
	<hr/>
Total net position, July 1, 2014, as restated	582,741,845
	<hr/>
Total net position, June 30, 2015	\$ 586,964,090
	<hr/>

Exhibit H-3
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Service Operations
Schedule of Cash Flows
Fiscal year ended June 30, 2015

Cash flows from operating activities:	
Receipts from customers and users	\$ 5,053,314
Receipts for equipment rental	12,479,085
Payments to suppliers	(13,893,915)
Payments to employees	(3,913,514)
Net cash used by operating activities	(275,030)
Cash flows from noncapital financing activities:	
Payments for tax and assessment	(3,356)
Transfers from other funds	2,723,263
Net cash provided by noncapital financing activities	2,719,907
Cash flows from capital and related financing activities:	
Purchases of capital assets	(19,375,396)
Receipt from joint venture	150,000
Interest paid on capital related debt	(232,832)
Principal payments on bonds	(1,404,400)
Principal payments on note	(41,338)
Proceeds from sale of equipment	2,271,103
Net cash used by capital and related financing activities	(18,632,863)
Cash flows from investing activities:	
Interest received	2,756,762
Purchase of investments	(60,623,580)
Proceeds from maturities/sale of investments	145,773,757
Net cash provided by investing activities	87,906,939
Net increase in cash and cash equivalents	71,718,953
Cash and cash equivalents at beginning of fiscal year	61,690,695
Cash and cash equivalents at end of fiscal year	\$ 133,409,648
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (4,180,951)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	5,084,231
Decrease in accounts receivable	812,287
Decrease in inventory	47,693
Decrease in due from other funds	3,073,713
Increase in deferred outflows of resources	(459,591)
Increase in accounts payable	70,748
Decrease in accrued employee absences	(2,725,574)
Decrease in claims liabilities	(23,783)
Increase in pension liability	817,229
Decrease in other liabilities	(850)
Decrease in amounts held for others	(2,319,117)
Decrease in deferred inflows of resources	(471,065)
Net cash used by operating activities	\$ (275,030)
Schedule of noncash investing activity-	
Unrealized gain on fair value of investments	\$ 1,232,923
Investment from joint ventures	\$ 1,975,445

STATISTICAL SECTION

This part of the County Sanitation Districts of Los Angeles County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the Districts' overall financial health.

Contents

	<u>Pages</u>
<u>Financial Trends</u> – These schedules contain trend information to help the reader understand how the Districts' financial performance and well-being have changed over time.	83-89
<u>Revenue Capacity</u> – These schedules contain information to help the reader assess the Districts' most significant revenue sources: service charges, solid waste tipping fees, and industrial waste surcharge fees.	90-95
<u>Debt Capacity</u> – These schedules present information to help the reader assess the affordability of the Districts' current levels of outstanding debt and the Districts' ability to issue additional debt in the future.	96-97
<u>Demographic and Economic Information</u> – These schedules offer demographic and economic indicators to help the reader understand the environment within which the Districts' financial activities take place.	98-101
<u>Operating Information</u> – These schedules contain information about the Districts' operations and resources to help the reader understand how the Districts' financial information relates to the services it provides and the activities it performs.	102-103

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

Schedule 1
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Net Position by Component
Last Ten Fiscal Years
(in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Primary government										
Net investment in capital assets	\$ 1,457,823	\$ 1,529,822	\$ 1,604,625	\$ 1,794,938	\$ 1,846,438	\$ 2,043,959	\$ 2,176,888	\$ 2,163,967	\$ 2,324,683	\$ 2,425,697
Restricted	1,649,651	1,633,070	1,638,978	1,313,829	1,431,817	1,487,066	1,406,583	1,489,800	882,206	830,382
Unrestricted	<u>173,796</u>	<u>192,642</u>	<u>229,275</u>	<u>438,486</u>	<u>418,262</u>	<u>311,704</u>	<u>334,042</u>	<u>371,308</u>	<u>883,243</u>	<u>590,578</u>
Total government net position	<u>\$ 3,281,270</u>	<u>\$ 3,355,534</u>	<u>\$ 3,472,878</u>	<u>\$ 3,547,253</u>	<u>\$ 3,696,517</u>	<u>\$ 3,842,729</u>	<u>\$ 3,917,513</u>	<u>\$ 4,025,075</u>	<u>\$ 4,090,132</u>	<u>\$ 3,846,657</u>

Schedule 2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Changes in Net Position
Last Ten Fiscal Years
(in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sewerage Facilities Operations										
Operating Revenues	\$ 247,721	\$ 267,680	\$ 288,968	\$ 306,764	\$ 344,404	\$ 404,196	\$ 381,065	\$ 403,159	\$ 398,700	\$ 421,265
Operating Expenses	310,814	307,554	333,948	337,728	326,733	334,071	345,114	349,726	376,108	373,553
Operating Income/(Loss)	(63,093)	(39,874)	(44,980)	(30,964)	17,671	70,125	35,951	53,433	22,592	47,712
Total Net Nonoperating Revenues	19,690	81,106	87,307	64,511	42,901	24,884	24,129	24,531	39,918	50,345
Income/(Loss) Before Capital Contributions	(43,403)	41,232	42,327	33,547	60,572	95,009	60,080	77,964	62,510	98,057
Capital Contributions	48,629	28,780	29,694	21,966	25,163	18,144	19,453	26,113	38,842	32,966
Transfers	-	-	(2,733)	-	-	(280)	(364)	(3,604)	(500)	-
Change in Net Position	5,226	70,012	69,288	55,513	85,735	112,873	79,169	100,473	100,852	131,023
Solid Waste Facilities Operations										
Operating Revenues	211,645	216,579	225,061	202,312	197,481	171,763	169,919	167,915	146,923	134,466
Operating Expenses	182,404	212,379	198,350	199,431	128,413	166,905	160,637	144,135	178,002	180,552
Operating Income/(Loss)	29,241	4,200	26,711	2,881	69,068	4,858	9,282	23,780	(31,079)	(46,086)
Total Net Nonoperating Revenues/(Expenses)	6,793	17,536	18,612	15,981	(7,039)	(2,917)	(14,030)	(20,295)	(418)	7,746
Income Before Capital Contributions	36,034	21,736	45,323	18,862	62,029	1,941	(4,748)	3,485	(31,497)	(38,340)
Capital Contributions	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	2,733	-	-	280	364	3,604	500	-
Change in Net Position	36,034	21,736	48,056	18,862	62,029	2,221	(4,384)	7,089	(30,997)	(38,340)

Schedule 3
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Operating Revenues
Last Ten Fiscal Years
(in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sewerage Facilities Operations										
Service Charges	\$ 177,177	\$ 194,902	\$ 217,996	\$ 237,218	\$ 268,269	\$ 297,494	\$ 295,831	\$ 318,035	\$ 312,890	\$ 331,261
Industrial Waste Surcharge	49,702	51,926	49,860	49,394	54,305	59,508	57,861	56,999	58,092	63,505
Contract Revenue	16,982	17,030	17,933	16,822	17,925	43,569	23,982	24,617	23,369	21,761
Sale of Energy	152	120	92	-	-	-	9	158	215	322
Other	3,708	3,702	3,087	3,330	3,905	3,625	3,382	3,350	4,134	4,416
Total Operating Revenue	<u>247,721</u>	<u>267,680</u>	<u>288,968</u>	<u>306,764</u>	<u>344,404</u>	<u>404,196</u>	<u>381,065</u>	<u>403,159</u>	<u>398,700</u>	<u>421,265</u>
Solid Waste Facilities Operations										
Refuse Tipping Fees	150,603	150,954	152,097	136,917	134,835	108,808	102,538	112,160	87,799	80,316
Sale of Energy	39,012	40,708	43,976	42,880	43,061	43,241	45,502	30,271	35,070	30,034
Equipment Pool	19,226	19,822	21,793	16,478	16,074	15,396	16,094	16,792	15,359	14,645
Commodities	2,351	3,483	4,717	3,247	2,898	4,025	5,343	7,275	7,894	8,779
Contract Revenue	229	298	337	27	27	44	75	925	439	411
Other	224	1,314	2,141	2,763	586	249	367	492	362	281
Total Operating Revenue	<u>211,645</u>	<u>216,579</u>	<u>225,061</u>	<u>202,312</u>	<u>197,481</u>	<u>171,763</u>	<u>169,919</u>	<u>167,915</u>	<u>146,923</u>	<u>134,466</u>

Schedule 4
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Operating Expenses
Last Ten Fiscal Years
(in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sewerage Facilities Operations										
Salaries and Benefits	\$ 106,994	\$ 109,235	\$ 131,754	\$ 135,300	\$ 145,037	\$ 144,436	\$ 153,633	\$ 155,204	\$ 162,950	\$ 155,734
Services	62,400	55,492	54,662	49,836	43,466	45,139	41,156	41,800	44,704	46,473
Materials, Supplies, and Chemicals	33,429	33,902	41,263	44,778	37,731	41,868	43,909	45,574	46,706	47,808
Utilities	23,920	23,463	25,206	26,053	21,282	19,567	20,109	20,700	22,856	21,773
Operations, Repairs, and Maintenance	15,485	19,354	17,520	16,971	10,530	10,608	13,556	9,426	11,449	10,213
Research and Development	9,191	5,593	5,477	5,289	5,693	6,154	5,656	5,549	5,745	5,884
Miscellaneous (1)	10,368	7,852	7,028	8,290	6,995	7,896	6,941	9,165	9,100	10,251
Subtotal, Expenses before Depreciation	261,787	254,891	282,910	286,517	270,734	275,668	284,960	287,418	303,510	298,136
Depreciation and Amortization of Use Rights	49,027	52,663	51,038	51,211	55,999	58,403	60,184	62,308	72,598	75,417
Total Operating Expenses	<u>310,814</u>	<u>307,554</u>	<u>333,948</u>	<u>337,728</u>	<u>326,733</u>	<u>334,071</u>	<u>345,144</u>	<u>349,726</u>	<u>376,108</u>	<u>373,553</u>
Solid Waste Facilities Operations										
Salaries and Benefits	35,828	38,192	49,333	48,932	45,464	45,107	43,816	40,548	35,338	36,766
Services	30,109	34,685	35,347	27,493	21,524	19,972	17,344	20,668	36,462	45,500
Operations, Repairs, and Maintenance	29,567	29,284	21,752	20,950	18,385	44,609	23,960	21,844	23,501	20,746
Equipment and Vehicle Rentals	19,007	19,292	22,236	16,086	13,721	12,345	12,437	11,752	9,464	9,456
Landfill Closure and Postclosure Costs	13,483	41,376	11,655	34,350	(10,217)	4,193	23,894	8,842	22,763	34,395
Materials, Supplies, and Chemicals	5,922	5,794	6,801	5,283	5,183	5,074	5,258	5,813	5,367	6,886
Miscellaneous (2)	10,902	10,085	12,561	12,686	9,055	11,662	10,446	12,242	6,910	8,630
Subtotal, Expenses before Depreciation	144,818	178,708	159,685	165,780	103,115	142,962	137,155	121,709	139,805	162,379
Depreciation and Amortization of Use Rights	37,586	33,671	38,665	33,651	25,298	23,943	23,482	22,426	38,197	18,173
Total Operating Expenses	<u>182,404</u>	<u>212,379</u>	<u>198,350</u>	<u>199,431</u>	<u>128,413</u>	<u>166,905</u>	<u>160,637</u>	<u>144,135</u>	<u>178,002</u>	<u>180,552</u>

(1) Miscellaneous expenses includes insurance and claims, equipment and vehicle rentals, pollution remediation costs, and charges for collections.

(2) Miscellaneous expenses includes utilities, research and development, insurance and claims, tonnage, and hazardous waste siting study.

Schedule 5
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Nonoperating Revenues and Expenses
Last Ten Fiscal Years
(in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sewerage Facilities Operations										
Interest Revenue	\$ 50,492	\$ 52,181	\$ 64,067	\$ 39,919	\$ 21,170	\$ 17,608	\$ 11,512	\$ 7,681	\$ 7,516	\$ 9,343
Tax Revenue	14,456	49,116	54,012	59,328	60,493	53,197	54,770	68,435	55,211	67,963
Other Nonoperating Revenue	6,057	4,329	4,129	3,799	3,523	3,132	4,610	4,340	5,227	5,660
Interest Expense	(33,674)	(36,768)	(40,888)	(40,455)	(39,200)	(38,129)	(39,719)	(42,236)	(31,917)	(32,569)
Unrealized Gain/(Loss) on Investments	(16,125)	21,601	12,997	2,695	(1,484)	(2,967)	(2,634)	(9,927)	6,126	2,006
Tax and Assessment Expense	(214)	(2,706)	(5,704)	527	(300)	(305)	(339)	(106)	(73)	(89)
Other Nonoperating Expense	<u>(1,302)</u>	<u>(6,647)</u>	<u>(1,306)</u>	<u>(1,302)</u>	<u>(1,301)</u>	<u>(7,652)</u>	<u>(4,071)</u>	<u>(3,656)</u>	<u>(2,172)</u>	<u>(1,969)</u>
Total Net Nonoperating Revenue	<u>19,690</u>	<u>81,106</u>	<u>87,307</u>	<u>64,511</u>	<u>42,901</u>	<u>24,884</u>	<u>24,129</u>	<u>24,531</u>	<u>39,918</u>	<u>50,345</u>
Solid Waste Facilities Operations										
Interest Revenue	40,443	46,998	43,431	33,487	24,462	17,661	12,429	8,458	8,211	8,303
Gain on Investments	1,258	717	2,306	3,617	3,078	1,995	513	3,039	3,361	1,975
Other Nonoperating Revenue	18,582	-	-	585	1,259	442	-	-	2,700	1,500
Tax and Assessment Expense	(33,735)	(27,056)	(37,457)	(27,256)	(24,241)	(20,426)	(20,940)	(20,793)	(13,943)	(7,139)
Unrealized Gain/(Loss) on Investments	(16,789)	11,480	12,960	6,701	(2,654)	(1,131)	(3,912)	(9,563)	2,522	3,183
Interest Expense	(90)	(1,291)	(1,390)	(913)	(1,889)	(364)	(335)	(307)	(276)	(247)
Other Nonoperating Expense	<u>(2,876)</u>	<u>(13,312)</u>	<u>(1,238)</u>	<u>(240)</u>	<u>(7,054)</u>	<u>(1,094)</u>	<u>(1,785)</u>	<u>(1,129)</u>	<u>(2,993)</u>	<u>171</u>
Total Net Nonoperating Revenue/(Expense)	<u>6,793</u>	<u>17,536</u>	<u>18,612</u>	<u>15,981</u>	<u>(7,039)</u>	<u>(2,917)</u>	<u>(14,030)</u>	<u>(20,295)</u>	<u>(418)</u>	<u>7,746</u>

Schedule 6
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Changes in Cash and Cash Equivalents
Last Ten Fiscal Years
(in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Cash Flows from Operating Activities										
Receipts from customers and users	\$ 434,096	\$ 467,635	\$ 486,427	\$ 492,780	\$ 516,600	\$ 562,483	\$ 529,296	\$ 565,158	\$ 534,475	\$ 544,623
Receipts for equipment rental	19,226	19,822	21,793	16,478	16,074	15,396	16,094	16,792	15,359	14,645
Payments to suppliers	(221,621)	(232,593)	(220,584)	(216,214)	(188,534)	(209,396)	(187,623)	(191,064)	(205,140)	(222,019)
Payments to employees	(140,675)	(145,723)	(179,225)	(182,367)	(191,919)	(188,357)	(196,690)	(195,775)	(198,736)	(200,429)
Payments applied to closure/postclosure liability	(8,396)	(7,509)	(8,874)	(8,143)	(6,254)	(6,357)	(6,567)	(5,722)	(6,960)	(6,844)
Payment for equipment rental within the Districts	(19,023)	(19,687)	(21,571)	(16,268)	(15,733)	(14,973)	(16,912)	(16,412)	(15,075)	(14,991)
Other payments	(35)	(39)	(37)	(42)	(38)	(34)	(19)	(19)	(19)	(19)
Net cash provided (used) by operating activities	63,572	81,906	77,929	86,224	130,196	158,762	137,579	172,958	123,904	114,966
Cash Flows from Noncapital Financing Activities										
Receipts from property taxes	11,861	49,694	52,739	58,064	61,672	54,337	53,784	71,082	57,527	67,042
Payments for tax and assessment	(33,948)	(29,762)	(38,611)	(28,249)	(25,298)	(21,491)	(21,649)	(20,898)	(14,827)	(7,050)
Net cash provided (used) by noncapital financing activities	(22,087)	19,932	14,128	29,815	36,374	32,846	32,135	50,184	42,700	59,992
Cash Flows from Capital and Related Financing Activities										
Borrowings on loan from state	21,581	15,214	50,045	49,582	64,662	37,094	10,664	2,351	9,664	18,879
Proceeds on bond sales	189,647	136,191	-	19,661	-	-	151,280	-	117,460	-
Contract proceeds from County of Los Angeles	17,169	2,040	10,513	2,613	2,709	361	-	-	2,700	1,500
Bond issuance costs	(2,366)	(1,437)	-	(162)	-	-	(717)	-	(457)	-
Purchases of capital assets	(215,422)	(203,455)	(242,914)	(351,829)	(305,465)	(261,729)	(168,072)	(134,346)	(129,324)	(135,584)
Principal payments on contracts/note	(1,100)	(1,265)	(1,365)	-	(1,643)	(743)	(713)	(316)	(39)	(41)
Connection fees proceeds	38,068	28,780	29,694	21,966	21,908	18,105	19,453	25,918	33,291	32,713
Grant proceeds	15,381	-	-	-	2,872	39	-	195	-	-
Interest paid on capital-related debt	(31,229)	(36,789)	(42,192)	(41,527)	(39,179)	(36,456)	(34,710)	(35,059)	(30,904)	(30,942)
Payment to joint venture	(9,370)	(4,916)	(2,957)	(1,586)	(1,363)	-	-	-	-	-
Principal payments on bonds	(14,190)	(15,130)	(15,870)	(18,684)	(19,364)	(22,559)	(174,229)	(24,744)	(184,152)	(29,264)
Principal payments on loan from state	(25,628)	(19,713)	(21,763)	(24,142)	(26,933)	(27,459)	(28,270)	(31,689)	(30,580)	(31,173)
Payment per joint powers agreement	-	(7,476)	-	-	(6,250)	-	-	-	-	-
Proceeds from sale of assets/equipment	196	325	459	144	758	329	4,080	3,823	2,630	2,385
Receipts from joint venture	1,458	867	2,456	3,767	3,229	2,170	165	2,306	2,930	131
Receipts from lease receivable	2,754	6,222	6,033	-	-	-	-	-	-	-
Receipts from settlement	-	-	-	-	-	1,508	-	-	-	-
Net cash provided (used) by capital and related financing activities	(13,051)	(100,542)	(227,861)	(340,197)	(304,059)	(289,340)	(221,069)	(191,561)	(206,781)	(171,396)
Cash Flows from Investing Activities										
Interest received	81,286	93,788	107,929	81,011	53,846	36,161	31,520	16,468	14,567	15,940
Purchases of investments	(223,111)	(344,260)	(284,659)	(468,733)	(1,630,212)	(990,755)	(1,363,978)	(1,490,217)	(466,367)	(610,933)
Proceeds from maturities of investments	251,214	473,881	1,076,949	352,952	1,471,080	918,392	1,160,068	1,298,975	397,566	863,262
Net cash provided (used) by investing activities	109,389	223,409	900,219	(34,770)	(105,286)	(36,202)	(172,390)	(174,774)	(54,234)	268,269
Net increase (decrease) in cash and cash equivalents	137,823	224,705	764,415	(258,928)	(242,775)	(133,934)	(223,745)	(143,193)	(94,411)	271,831
Cash and cash equivalents at beginning of fiscal year	534,160	671,983	896,688	1,661,103	1,402,175	1,159,400	1,025,466	801,721	658,528	564,117
Cash and cash equivalents at end of fiscal year	<u>\$ 671,983</u>	<u>\$ 896,688</u>	<u>\$ 1,661,103</u>	<u>\$ 1,402,175</u>	<u>\$ 1,159,400</u>	<u>\$ 1,025,466</u>	<u>\$ 801,721</u>	<u>\$ 658,528</u>	<u>\$ 564,117</u>	<u>\$ 835,948</u>

Schedule 7
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Annual Capital Contributions by Source
Last Ten Fiscal Years
(in thousands)

<u>Fiscal Year</u>	<u>Connection Fees</u>	<u>Federal Capital Grants</u>	<u>Donated Property</u>	<u>Total</u>
2006	\$ 38,069	\$ 10,560	\$ -	\$ 48,629
2007	28,780	-	-	28,780
2008	29,694	-	-	29,694
2009	21,966	-	-	21,966
2010	21,908	2,872	-	24,780
2011	18,105	39	-	18,144
2012	19,453	-	-	19,453
2013	25,918	195	-	26,113
2014	33,290	-	5,552	38,842
2015	30,942	-	-	30,942

Schedule 8
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Total Sewerage Units, Solid Waste Received, and Industrial Waste Flow

Fiscal Year	Total Sewerage Units (1)	Solid Waste Disposal Tonnages (2)	Industrial Waste Flow (3)	Average Rates	
				Sewerage (4)	Solid Waste (5)
2006	1,781,738	5.41	73.67	\$ 101.12	\$ 28.08
2007	1,780,055	5.24	64.28	110.20	29.68
2008	1,815,268	4.83	58.93	123.36	32.80
2009	1,911,917	3.83	59.43	139.69	37.05
2010	1,900,566	3.26	58.34	158.20	41.07
2011	1,899,311	2.49	55.76	176.47	41.81
2012	1,909,355	2.49	57.29	183.10	41.56
2013	1,905,839	2.82	57.25	201.41	40.90
2014	1,880,054	2.00	59.11	211.85	46.34
2015	1,901,403	1.45	N/A	220.48	49.26

(1) See Schedule 10 for breakdown by district.

(2) Millions of tons per year.

(3) Million gallons per day. Information for Fiscal Year 2013/2014 not available until 2015.

(4) Dollars per single-family home per year. Weighted average of all districts; see Schedule 9 for breakdown by district. See Schedule 12 for industrial wastewater treatment surcharge rates.

(5) Per ton. Weighted average of all landfills; see Schedule 11 for breakdown by landfill.

Schedule 9
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Service Charge Rates (dollars per single-family home per year)
Last Ten Fiscal Years

District ¹	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	\$ 101.50	\$ 108.75	\$ 116.00	\$ 126.00	\$ 138.00	\$ 152.00	\$ 154.00	\$ 156.00	\$ 158.00	\$ 163.00
2	98.00	104.50	111.00	121.00	133.00	147.00	148.00	149.00	150.00	155.00
3	98.00	105.00	112.00	122.00	134.00	148.00	150.00	152.00	154.00	157.00
4	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00
5	91.50	95.75	100.00	108.00	118.00	130.00	132.00	134.00	136.00	141.00
8	89.00	94.00	99.00	109.00	121.00	135.00	139.00	143.00	147.00	154.00
9	78.00	78.00	78.00	78.00	78.00	78.00	78.00	78.00	78.00	78.00
14	129.00	160.00	210.00	260.00	310.00	360.00	360.00	448.00	472.00	496.00
15	93.00	98.00	103.00	110.00	119.00	130.00	132.00	134.00	136.00	141.00
16	96.00	101.00	106.00	113.00	122.00	133.00	135.00	137.00	139.00	142.00
17	97.00	102.00	107.00	114.00	123.00	134.00	136.00	138.00	140.00	143.00
18	97.00	104.50	112.00	122.00	134.00	148.00	149.00	150.00	151.00	156.00
19	97.50	103.75	110.00	120.00	132.00	146.00	148.00	150.00	152.00	155.00
20	131.00	161.00	216.00	271.00	326.00	381.00	429.00	477.00	525.00	535.00
21	96.00	102.50	109.00	119.00	131.00	145.00	146.00	147.00	148.00	153.00
22	99.50	106.25	113.00	121.00	131.00	143.00	145.00	147.00	149.00	152.00
23	73.00	79.00	85.00	92.00	101.00	112.00	114.00	116.00	118.00	120.00
26 ²	-	-	-	-	-	-	-	-	-	-
28 ³	308.00	308.00	308.00	315.00	324.00	335.00	336.00	337.00	338.00	340.00
28 ³	100.00	100.00	100.00	107.00	116.00	127.00	128.00	129.00	130.00	132.00
29	128.50	141.75	201.75	261.75	321.75	327.75	333.75	339.75	339.75	339.75
30	88.00	90.00	92.00	99.00	108.00	119.00	120.00	121.00	122.00	124.00
32 ²	-	-	-	-	-	-	-	-	-	-
SCV ²	122.00	141.00	160.00	179.00	199.00	199.00	215.00	231.00	247.00	267.00

- (1) District No. 27 does not have any service charge rate in effect, as its other revenues have been sufficient to meet expenses. District No. 27 does have a Master Service Charge Ordinance in place should the need for a service charge arise.
- (2) On July 1, 2005, District Nos. 26 and 32 consolidated into a single district, known as the Santa Clarita Valley Sanitation District of Los Angeles County.
- (3) Beginning in Fiscal Year 1999-00, District No. 28 had two service charge rates. The first rate is for those users directly connected to the La Canada Outfall Trunk Sewer or the Foothill Main Trunk Sewer or tributary to the La Canada WRP; the second is for those users within the City of La Canada Flintridge Assessment District.

Schedule 10
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Number of Sewage Units
Last Ten Fiscal Years

District ¹	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	135,738	136,159	137,336	142,916	143,577	142,747	142,853	143,258	143,429	144,702
2	202,748	202,938	204,343	215,916	215,348	214,597	214,923	215,551	215,730	217,082
3	166,680	167,181	172,709	179,758	179,295	178,736	180,446	179,597	176,037	177,585
4	21,306	21,298	21,677	22,692	22,643	22,675	22,767	23,778	23,830	24,556
5	253,735	250,885	253,285	267,927	266,577	267,358	267,878	268,676	262,048	266,716
8	57,331	57,207	57,762	60,556	61,652	60,059	60,029	59,831	58,296	59,108
9	908	911	917	917	909	911	1,254	1,273	1,216	1,015
14	55,975	57,654	62,753	66,216	66,803	67,362	67,880	66,680	65,615	67,130
15	180,107	177,422	180,866	188,796	187,478	186,848	187,229	186,714	183,592	187,253
16	105,106	105,071	105,766	113,412	113,124	113,225	114,751	113,741	109,897	112,893
17	14,605	14,533	14,701	15,634	15,485	14,958	14,926	15,064	14,511	14,629
18	119,911	119,358	119,949	125,216	123,601	123,578	123,789	121,399	121,021	121,371
19	34,754	35,102	35,406	37,658	37,140	37,103	37,335	37,761	37,247	37,269
20	36,329	38,232	40,099	42,156	42,079	42,082	42,658	42,854	42,094	43,010
21	143,954	143,027	144,323	151,966	150,530	150,858	151,244	149,715	148,776	149,972
22	119,568	118,182	121,671	125,271	124,263	124,500	125,206	125,193	123,768	124,183
23	3,124	3,043	3,071	3,127	3,298	3,220	3,308	3,270	3,271	3,198
28 ²	1,477	1,489	1,503	1,560	1,562	1,566	1,584	1,611	1,596	1,682
28 ²	1,344	1,675	2,478	3,238	3,254	3,276	2,830	2,881	2,866	3,021
29	4,702	4,749	4,934	5,454	5,411	5,349	5,430	5,515	5,144	5,380
30	48,604	48,481	49,018	53,537	50,584	50,314	50,631	50,864	50,504	50,920
SCV	74,886	77,133	83,179	91,232	89,207	91,265	93,234	93,494	92,432	91,749

- (1) District No. 27 does not have any service charge rate in effect, as its other revenues have been sufficient to meet expenses. District No. 27 does have a Master Service Charge Ordinance in place should the need for a service charge arise.
- (2) Beginning in Fiscal Year 1999-00, District No. 28 had two service charge rates. The first rate is for those users directly connected to the La Canada Outfall Trunk Sewer or the Foothill Main Trunk Sewer or tributary to the La Canada WRP; the second is for those users within the City of La Canada Flintridge Assessment District.

Schedule 11
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Solid Waste Rates (per ton; effective start of fiscal year unless otherwise noted)
Last Ten Fiscal Years

Facility (projected or actual closure date)	2006	2007 ²	2008 ³	2009 ⁴	2010 ⁵	2011	2012	2013	2014	2015
Puente Hills Landfill (2013)	\$24.43 ¹	\$26.21	\$29.42	\$33.86	\$38.26	\$38.26	\$38.41 ⁷	\$38.41	\$0.00	\$0.00
Puente Hills MRF	24.43 ¹	26.21	29.42	33.86	38.26	42.14 ⁶	42.44 ⁷	42.44	45.75 ⁹	49.25 ¹⁰
South Gate Transfer Station	36.55 ¹	38.33	41.54	45.98	50.38	50.38	50.68 ⁷	51.91 ⁸	51.91	53.91 ¹⁰
DART Facility	40.32 ¹	42.10	45.31	49.75	54.15	54.15	54.45 ⁷	54.45	47.14 ⁹	53.64 ¹⁰
Scholl Canyon Landfill (2033)	33.77	36.93	40.07	44.83	48.99	48.99	49.18 ⁷	49.18	49.18	49.18
Calabasas Landfill (2041)	31.17 ¹	33.38	36.42	38.88	40.82	40.82	40.82	40.82	40.82	43.32 ¹⁰

- (1) Rates effective January 1, 2006.
(2) Rates effective January 1, 2007.
(3) Rates effective January 1, 2008.
(4) Rates effective January 1, 2009 (Scholl Canyon Landfill January 9, 2009).
(5) Rates effective January 1, 2010 (Scholl Canyon Landfill February 12, 2010).
(6) Rate effective January 1, 2011.
(7) Rate effective January 1, 2012.
(8) Rate effective February 1, 2013.
(9) Rates effective November 1, 2013.
(10) Rates effective January 1, 2015.

Schedule 12
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Industrial Wastewater Treatment Surcharge Rates
Last Ten Fiscal Years

District	Unit Rate	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
JO ¹	(a) Dollars/Million Gallons (Volume)	\$ 509.00	\$ 540.00	\$ 571.00	\$ 619.00	\$ 619.00	\$ 746.00	\$ 755.00	\$ 764.00	\$ 773.00	\$ 796.00
	(b) Dollars/1,000 lbs. of Chemical Oxygen Demand (COD)	90.00	95.50	101.00	109.40	109.40	131.90	133.50	135.10	136.70	140.80
	(c) Dollars/1,000 lbs. of Suspended Solids (SS)	254.40	269.90	285.40	309.20	309.20	372.70	377.40	382.10	386.70	398.30
	(d) Dollars per Gallon per Minute of Peak Flow (P)	67.60	71.70	75.80	82.10	82.10	98.90	100.10	101.30	102.50	105.60
	Flat Rate Charge in Dollars/Million Gallons	2,158.00	2,290.00	2,422.00	2,624.00	2,624.00	3,163.00	3,203.00	3,243.00	3,282.00	3,380.00
	Sanitary Flow Charge per Employee	0.021	0.022	0.025	0.027	0.027	0.032	0.033	0.033	0.033	0.034
	Hospital (Acute) Dollars/Bed	170.17	180.55	190.92	206.90	206.90	249.30	252.40	255.40	258.40	266.20
	Hospital (Intermediate) Dollars/Bed	54.55	57.87	61.20	66.30	66.30	79.90	80.90	81.90	82.90	85.30
	(a) Dollars/Million Gallons (Volume)	528.00	528.00	528.00	528.00	528.00	528.00	528.00	528.00	528.00	528.00
	(b) Dollars/1,000 lbs. of Chemical Oxygen Demand (COD)	111.20	111.20	111.20	111.20	111.20	111.20	111.20	111.20	111.20	111.20
4	(c) Dollars/1,000 lbs. of Suspended Solids (SS)	335.30	335.30	335.30	335.30	335.30	335.30	335.30	335.30	335.30	335.30
	(d) Dollars per Gallon per Minute of Peak Flow (P)	45.60	45.60	45.60	45.60	45.60	45.60	45.60	45.60	45.60	45.60
	Flat Rate Charge in Dollars/Million Gallons	2,129.00	2,129.00	2,129.00	2,129.00	2,129.00	2,129.00	2,129.00	2,129.00	2,129.00	2,129.00
	Sanitary Flow Charge per Employee	0.026	0.026	0.026	0.026	0.026	0.026	0.026	0.026	0.026	0.026
	Hospital (Acute) Dollars/Bed	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Hospital (Intermediate) Dollars/Bed	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	(a) Dollars/Million Gallons (Volume)	855.00	1,060.00	1,391.00	1,722.00	1,722.00	2,384.00	2,384.00	2,967.00	3,126.00	3,285.00
	(b) Dollars/1,000 lbs. of Chemical Oxygen Demand (COD)	96.10	119.20	156.50	193.80	193.80	268.40	268.40	334.00	351.90	369.80
	(c) Dollars/1,000 lbs. of Suspended Solids (SS)	232.20	288.00	378.00	468.00	468.00	648.00	648.00	806.40	849.60	892.80
	(d) Dollars per Gallon per Minute of Peak Flow (P)	164.40	203.80	267.50	331.20	331.20	458.60	458.60	570.70	601.30	631.80
14	Flat Rate Charge in Dollars/Million Gallons	1,900.00	2,357.00	3,094.00	3,831.00	3,831.00	5,305.00	5,305.00	6,602.00	6,955.00	7,309.00
	Sanitary Flow Charge per Employee	0.027	0.033	0.044	0.054	0.054	0.075	0.075	0.093	0.098	0.103
	Hospital (Acute) Dollars/Bed	243.11	301.44	395.65	489.86	489.86	678.30	678.30	844.10	889.30	934.50
	Hospital (Intermediate) Dollars/Bed	74.21	92.02	120.77	149.53	149.53	207.00	207.00	257.70	271.50	285.30
	(a) Dollars/Million Gallons (Volume)	598.00	735.00	986.00	1,237.00	1,237.00	1,739.00	1,958.00	2,177.00	2,396.00	2,442.00
	(b) Dollars/1,000 lbs. of Chemical Oxygen Demand (COD)	133.40	163.90	219.90	275.90	275.90	387.90	436.80	485.60	534.50	544.70
	(c) Dollars/1,000 lbs. of Suspended Solids (SS)	267.90	329.30	441.80	554.30	554.30	779.30	877.50	975.70	1,073.80	1,094.30
	(d) Dollars per Gallon per Minute of Peak Flow (P)	127.40	156.70	210.20	263.70	263.70	370.70	417.40	464.10	510.80	520.50
	Flat Rate Charge in Dollars/Million Gallons	1,902.00	2,338.00	3,137.00	3,936.00	3,936.00	5,534.00	6,231.00	6,928.00	7,626.00	7,771.00
	Sanitary Flow Charge per Employee	0.027	0.033	0.044	0.055	0.055	0.077	0.087	0.097	0.107	0.109
20	Hospital (Acute) Dollars/Bed	227.79	279.99	375.62	471.26	471.26	662.50	746.00	829.40	912.90	930.30
	Hospital (Intermediate) Dollars/Bed	70.19	86.27	115.75	145.21	145.21	204.10	229.90	255.60	281.30	286.70
	(a) Dollars/Million Gallons (Volume)	469.00	542.00	615.00	688.00	688.00	765.00	861.00	903.00	946.00	1,023.00
	(b) Dollars/1,000 lbs. of Chemical Oxygen Demand (COD)	106.80	123.40	140.10	156.70	156.70	174.20	196.10	205.70	215.30	233.10
	(c) Dollars/1,000 lbs. of Suspended Solids (SS)	264.10	305.20	346.40	385.50	385.50	428.60	482.40	506.10	529.80	572.70
	(d) Dollars per Gallon per Minute of Peak Flow (P)	66.30	76.60	87.00	97.30	97.30	108.20	121.80	127.80	133.80	144.60
	Flat Rate Charge in Dollars/Million Gallons	1,589.00	1,836.00	2,084.00	2,331.00	2,331.00	2,591.00	2,917.00	3,060.00	3,203.00	3,462.00
	Sanitary Flow Charge per Employee	0.023	0.026	0.030	0.033	0.033	0.037	0.042	0.044	0.046	0.050
	Hospital (Acute) Dollars/Bed	176.31	203.74	231.27	258.41	258.41	287.29	323.40	339.20	355.20	384.20
	Hospital (Intermediate) Dollars/Bed	56.21	64.94	73.71	82.31	82.31	91.50	103.00	108.00	113.10	122.40
SCV ²	(a) Dollars/Million Gallons (Volume)	469.00	542.00	615.00	688.00	688.00	765.00	861.00	903.00	946.00	1,023.00
	(b) Dollars/1,000 lbs. of Chemical Oxygen Demand (COD)	106.80	123.40	140.10	156.70	156.70	174.20	196.10	205.70	215.30	233.10
	(c) Dollars/1,000 lbs. of Suspended Solids (SS)	264.10	305.20	346.40	385.50	385.50	428.60	482.40	506.10	529.80	572.70
	(d) Dollars per Gallon per Minute of Peak Flow (P)	66.30	76.60	87.00	97.30	97.30	108.20	121.80	127.80	133.80	144.60
	Flat Rate Charge in Dollars/Million Gallons	1,589.00	1,836.00	2,084.00	2,331.00	2,331.00	2,591.00	2,917.00	3,060.00	3,203.00	3,462.00
	Sanitary Flow Charge per Employee	0.023	0.026	0.030	0.033	0.033	0.037	0.042	0.044	0.046	0.050
	Hospital (Acute) Dollars/Bed	176.31	203.74	231.27	258.41	258.41	287.29	323.40	339.20	355.20	384.20
	Hospital (Intermediate) Dollars/Bed	56.21	64.94	73.71	82.31	82.31	91.50	103.00	108.00	113.10	122.40

Notes: The flat rate charge is applicable to industrial discharges whose yearly flow does not exceed 6 million gallons (in lieu of formula). The sanitary flow charge is paid by industrial dischargers whose domestic wastewater Annual wastewater treatment surcharge is computed by the following (simplified) formula: a(V) + b(COD) + c(SS) + d(P)

(1) JO = Joint Outfall Districts, which consist of Districts 1, 2, 3, 5, 8, 15, 16, 17, 18, 19, 21, 22, 23, 28, 29, 34, and South Bay Cities.

(2) SCV = Santa Clarita Valley Districts.

Schedule 13
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Ten Largest Customers
Current Year and Nine Years Ago

Fiscal Year 2015					
Solid Waste Management Facilities Revenue			Wastewater Treatment Facilities Revenue		
Customer	Amount	%	Customer	Amount	%
United Pacific Waste	\$ 2,018,770	2.51%	Inland Empire Utility Agency	\$ 4,909,997	7.73%
NASA Disposal Service, Inc.	1,937,524	2.41%	Exxon Mobil Oil Corp.	3,655,964	5.76%
Metro Waste/Calmet Services	1,700,677	2.12%	Tesoro Refining - Carson	3,556,805	5.60%
City of Glendale	1,368,039	1.70%	Demunno Kerdoon	1,802,985	2.84%
Athens Disposal	1,110,241	1.38%	Tesoro Refining - Wilmington	1,708,982	2.69%
Universal Waste Systems	1,102,518	1.37%	MillerCoors LLC	1,661,816	2.62%
City of Pasadena	820,306	1.02%	Phillips 66 Company	1,485,308	2.34%
Ware Disposal Co.	790,809	0.98%	Oil Operators	1,356,533	2.14%
Burttec Waste Services	710,646	0.88%	California State Prison	1,280,695	2.02%
Key Disposal	633,937	0.79%	Vons/Safeway Companies Inc.	1,205,750	1.90%
Subtotal (10 largest)	12,193,467	15.18%	Subtotal (10 largest)	22,624,835	35.63%
Balance from other customers	68,122,880	84.82%	Balance from other customers	40,880,389	64.37%
Grand total	<u>\$ 80,316,347</u>	<u>100.00%</u>	Grand total	<u>\$ 63,505,224</u>	<u>100.00%</u>

Fiscal Year 2006					
Solid Waste Management Facilities Revenue			Wastewater Treatment Facilities Revenue		
Customer	Amount	%	Customer	Amount	%
Athens Disposal	\$ 16,387,147	10.88%	Miller Brewing	\$ 3,436,038	6.91%
Waste Management	8,813,338	5.85%	Exxon Mobil Oil Corp.	2,225,825	4.48%
Calmet/Calsan	7,879,994	5.23%	BP West Coast Products	1,930,062	3.88%
Grand Central Recycling & Transfer	6,841,252	4.54%	Blue Heron Paper Company of California LLC	1,792,237	3.61%
Metropolitan Waste Industries	4,347,782	2.89%	Shell Oil	1,381,957	2.78%
Innovative Waste Control	3,371,443	2.24%	Conoco Phillips Co.	1,136,800	2.29%
City of Glendale	2,918,783	1.94%	Smurfit-Stone Container	996,678	2.01%
Universal Waste Systems	2,868,079	1.90%	Baker Commodities	710,230	1.43%
Key Disposal	2,729,996	1.81%	Jenco Anodizing	667,087	1.34%
Consolidated Disposal	2,725,896	1.81%	Vons/Safeway Companies Inc.	641,524	1.29%
Subtotal (10 largest)	58,883,710	39.10%	Subtotal (10 largest)	14,918,438	30.02%
Balance from other customers	91,719,106	60.90%	Balance from other customers	34,783,334	69.98%
Grand total	<u>\$ 150,602,816</u>	<u>100.00%</u>	Grand total	<u>\$ 49,701,772</u>	<u>100.00%</u>

Schedule 14
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except Per Capita)

Fiscal Year	General Obligation Bonds	Per Capita	As a Share of Personal Income	Revenue Bonds	Notes/ Contracts	State Revolving Fund Loans	Total ⁽¹⁾		
							Amount	Per Capita	As a Share of Personal Income
2006	\$ -	\$ -	0.00%	\$ 613,880	\$ 17,482	\$ 353,376	\$ 984,738	\$ 96.11	0.27%
2007	-	-	0.00%	733,265	18,258	347,866	1,099,389	106.41	0.29%
2008	-	-	0.00%	729,331	27,406	346,056	1,102,793	106.41	0.27%
2009	-	-	0.00%	727,541	30,019	371,496	1,129,056	108.64	0.29%
2010	-	-	0.00%	705,686	32,670	411,581	1,149,937	110.14	0.28%
2011	-	-	0.00%	681,028	1,522	423,604	1,106,154	112.21	0.26%
2012	-	-	0.00%	654,476	1,978	411,971	1,068,425	107.79	0.25%
2013	-	-	0.00%	627,099	1,663	388,237	1,016,999	101.51	0.23%
2014	-	-	0.00%	556,668	1,414	369,712	927,794	92.14	0.19%
2015	-	-	0.00%	539,029	1,373	359,810	900,212	88.98	0.18%

Source: California Statistical Abstract - California Department of Finance

(1) Includes general bonded debt.

Schedule 15
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Wastewater Pledged-Revenue Coverage
Last Ten Fiscal Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
REVENUE SOURCES ⁽¹⁾										
Ad Valorem Tax	\$ 14,456	\$ 49,116	\$ 54,012	\$ 59,328	\$ 60,493	\$ 53,197	\$ 54,770	\$ 68,435	\$ 55,210	\$ 67,963
CIF ⁽²⁾	8,380	7,428	11,101	13,483	14,889	15,734	15,667	14,996	12,664	12,627
Service Charge	177,177	194,902	217,996	237,218	268,268	297,494	295,831	318,034	312,889	331,260
Industrial Waste	49,702	51,926	49,860	49,394	54,305	59,508	57,861	56,998	58,091	63,505
Contract	16,982	17,030	17,933	16,822	17,925	43,569	23,982	24,615	23,367	21,759
Interest	50,492	52,181	64,064	39,919	21,170	17,608	11,512	7,679	7,513	9,343
Rate Stabilization Fund ⁽³⁾	27,597	1,665	9,995	7,742	8,822	-	-	1,488	14,161	-
Miscellaneous	3,708	3,795	3,176	3,305	3,906	3,642	3,390	3,486	4,345	4,616
Total	348,494	378,043	428,137	427,211	449,778	490,752	463,013	495,731	488,240	511,073
EXPENSES ⁽⁴⁾										
Total O&M	261,788	254,501	282,903	286,517	270,723	275,663	284,926	287,411	303,506	298,081
Rate Stabilization Fund ⁽⁵⁾	6,359	36,388	33,901	19,947	36,735	68,630	31,839	56,593	12,921	41,328
Total	268,147	290,889	316,804	306,464	307,458	344,293	316,765	344,004	316,427	339,409
NET REVENUES	80,347	87,154	111,333	120,747	142,320	146,459	146,248	151,727	171,813	171,664
DEBT SERVICE										
State Loans	24,853	25,230	27,569	30,530	30,669	30,843	31,660	36,633	36,535	36,747
Installment Payments	39,144	44,531	50,583	51,226	51,212	53,557	53,075	52,826	52,793	52,530
Total Debt Service	63,997	69,761	78,152	81,756	81,881	84,400	84,735	89,459	89,328	89,277
COVERAGE	1.3	1.2	1.4	1.5	1.7	1.7	1.7	1.7	1.9	1.9

(1) Each District is obligated to make its Installment Payments from its allocable portion of Ad Valorem Property Tax and, to the extent that its Ad Valorem taxes are insufficient, from the Net Revenues of its Sewerage System.

(2) Connection fees for some Districts have been included because they are pledged for repayment of State Loans that were used to fund expansion-related projects.

(3) These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

(4) Does not include depreciation.

(5) These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

Schedule 16
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>July 1</u>	<u>Districts' Population (millions)</u>	<u>L.A. County Population (millions)</u>	<u>Personal Income (millions of dollars)</u>	<u>Per Capita Personal Income (thousands of dollars)</u>	<u>Unemployment Rate</u>	
					<u>County</u>	<u>State</u>
2006	5.625	10.246	\$ 370,860	\$ 36.20	4.7%	4.9%
2007	5.660	10.332	379,824	36.76	5.0%	5.3%
2008	5.694	10.364	411,000	39.66	7.3%	7.2%
2009	5.716	10.393	392,000	37.72	11.7%	11.3%
2010	5.733	10.441	405,000	38.79	12.3%	12.1%
2011	5.445	9.858	420,900	42.70	12.5%	11.7%
2012	5.452	9.912	435,300	43.92	11.1%	10.4%
2013	5.490	10.019	451,100	45.02	10.3%	8.8%
2014	5.532	10.069	487,900	48.46	8.2%	7.5%
2015	5.571	10.117	510,500	50.46	7.4%	6.3%

Source: Schedule 17; Los Angeles Economic Development Corporation Economic Forecast; Bureau of Labor Statistics

Notes: Unless otherwise noted, data applies to County of Los Angeles.

Schedule 17
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Estimated Populations of Cities and Unincorporated Areas
Served by the County Sanitation Districts of Los Angeles County*
January 1, 2015

CITY	POPULATION	CITY	POPULATION
Alhambra	85,545	Lomita	20,733
Arcadia	57,698	Long Beach	472,357
Artesia	16,842	Los Angeles	143,414
Azusa	49,362	Lynwood	71,381
Baldwin Park	77,047	Manhattan Beach	35,763
Bell	36,135	Maywood	27,884
Bell Gardens	42,875	Monrovia	37,399
Bellflower	78,106	Montebello	64,104
Beverly Hills	686	Monterey Park	62,063
Bradbury	486	Norwalk	106,960
Carson	93,148	Palmdale	154,753
Cerritos	49,968	Palos Verdes Estates	13,730
Claremont	36,006	Paramount	55,302
Commerce	13,060	Pasadena	141,492
Compton	98,506	Pico Rivera	64,182
Covina	48,644	Pomona	150,792
Cudahy	24,270	Rancho Palos Verdes	42,564
Culver City	0	Redondo Beach	68,095
Diamond Bar	56,229	Rolling Hills	1,904
Downey	113,900	Rolling Hills Estates	8,223
Duarte	21,502	Rosemead	55,017
El Monte	115,774	San Dimas	34,494
Gardena	60,414	San Gabriel	40,517
Glendora	50,698	San Marino	13,414
Hawaiian Gardens	14,545	Santa Clarita	208,003
Hawthorne	87,657	Santa Fe Springs	17,627
Hermosa Beach	19,772	Sierra Madre	11,127
Huntington Park	59,312	Signal Hill	11,585
Industry	440	South El Monte	20,841
Inglewood	112,333	South Gate	96,547
Irwindale	1,473	South Pasadena	26,174
La Canada-Flintridge	19,005	Temple City	36,275
La Habra Heights	370	Torrance	148,427
La Mirada	49,521	Vernon	123
La Puente	40,256	Walnut	30,254
La Verne	32,970	West Covina	108,167
Lakewood	81,598	West Hollywood	35,825
Lancaster	158,040	Whittier	86,948
Lawndale	33,403		
		77 Cities Subtotal	4,662,056
		Unincorporated	909,278
		TOTAL	5,571,334

Source: State of California, Department of Finance, E-1 Population Estimates for Cities, Counties, and the State, with Annual Percent Change -- January 1, 2014 and 2015. Sacramento, California, May 2015, and GIS analysis using L.A. County Assessor GIS parcel data (2014), L.A. County Department of Public Works City Boundaries GIS layer, and Sanitation District Boundaries Annexation GIS layer.

* The population estimates refer only to the population within the Sanitation Districts' Boundaries.

Schedule 18
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Economic Indicators
Last Ten Calendar Years

<u>Calendar Year</u>	<u>Total Nonfarm Employment (avg. 000's)</u>	<u>Total Taxable Sales (billions)</u>	<u>Value of Two-Way Trade* (billions)</u>	<u>Total Day & Overnight Visitors (millions)</u>	<u>Housing Unit Permits Issued</u>	<u>Value of Nonresidential Building Permits (millions)</u>
2006	4,192.9	\$ 136.2	\$ 326.4	37.4	26,348	\$ 3,896
2007	4,227.4	137.8	347.3	35.7	20,363	4,739
2008	4,183.9	131.9	355.8	36.5	13,704	4,491
2009	3,949.5	112.7	282.9	34.4	5,653	2,674
2010	3,888.4	116.9	346.8	38.5	7,468	2,677
2011	3,909.0	126.4	386.7	40.4	10,403	3,129
2012	4,006.9	135.3	403.5	41.4	10,709	1,836
2013	4,112.6	142.8	414.5	42.2	16,850	4,280
2014	4,191.3	151.2	416.6	43.2	18,000	6,674
2015	N/A	N/A	N/A	N/A	N/A	N/A

Source: Los Angeles County Economic Development Corp., Keyser Center for Economic Research

*Value of imports and exports combined.

Schedule 19
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Ten Largest Industries (1)
Current Year and Nine Years Ago

Industry	June 30, 2015			June 30, 2006		
	Number of Employees	Percentage of Total	Rank	Number of Employees	Percentage of Total	Rank
Trade, Transportation, and Utilities	814,700	18.85%	1	807,000	19.13%	1
Educational and Health Services	763,100	17.66%	2	575,800	13.65%	4
Professional and Business Services	623,000	14.42%	3	601,300	14.25%	2
Government	574,400	13.29%	4	598,000	14.17%	3
Leisure and Hospitality	487,600	11.28%	5	394,100	9.34%	6
Manufacturing	362,800	8.39%	6	467,600	11.08%	5
Financial Activities	211,100	4.88%	7	247,300	5.86%	7
Information Services	190,900	4.42%	8	209,100	4.96%	8
Other Services	155,900	3.61%	9	147,100	3.49%	10
Construction	128,200	2.97%	10	159,300	3.78%	9
Ten largest industries	4,311,700	99.77%		4,206,600	99.71%	
All other industries	10,000	0.23%		12,100	0.29%	
Total civilian employment	4,321,700	100.00%		4,218,700	100.00%	

Professional and Business Services

Source: State of California, Employment Development Department, Labor Market Information Division

Note: Data applies to County of Los Angeles.

(1) Because we have been unable to obtain employment numbers for individual employers we are presenting employment by industry.

Schedule 20
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Number of Employees by Identifiable Activity
Last Ten Fiscal Years

	Full-Time-Equivalent Employees as of June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013 ¹	2014	2015
Solid Waste Management:										
Solid Waste Management	3	4	4	2	2	2	2	3	2	2
Waste-By-Rail	10	12	11	10	9	9	7	6	0	0
Solid Waste Operations	334	332	344	299	277	240	215	205	209	183
Energy Recovery Operations	91	93	120	159	153	150	137	114	116	112
Solid Waste Planning	4	2	0	0	0	0	0	0	0	0
Solid Waste Monitoring & Research	14	14	14	0	0	0	0	0	0	0
Energy Recovery Facilities Engineering	5	7	7	0	0	0	0	0	0	0
Wastewater Management:										
Wastewater Management	4	2	7	9	8	7	7	3	3	3
Industrial Waste	84	76	74	76	70	71	70	67	66	66
Joint Water Pollution Control Plant	377	369	326	328	321	307	310	302	297	296
Wastewater Collection System	116	117	121	133	132	130	125	124	130	129
Water Reclamation Plants	164	156	204	208	205	220	219	219	224	223
Electrical/Instrumentation Engineering Support	0	0	0	0	0	0	0	4	6	8
Engineering:										
Engineering	6	4	3	5	5	6	6	6	6	7
Field Engineering	75	74	70	82	78	78	73	66	61	56
Wastewater & Solid Waste Design	0	0	0	0	0	0	61	34	29	27
Structural Design	21	24	23	21	19	19	17	17	16	17
Electrical & Instrumentation Design	0	0	0	0	0	0	0	20	20	21
Mechanical & Civil Design	0	0	0	0	0	0	0	14	12	12
Sewer Design	0	0	0	0	0	0	0	23	24	23
Engineering Design	62	64	58	56	54	46	15	0	0	0
Electrical Design	24	23	20	22	22	21	22	0	0	0
Wastewater Design	26	29	28	25	24	23	0	0	0	0
Solid Waste Design	0	0	12	11	11	9	0	0	0	0
Technical Services:										
Technical Services	6	7	4	5	5	5	5	5	14	14
Air Quality Engineering	11	13	13	13	12	12	12	9	9	11
Laboratory	160	154	166	181	175	173	175	167	163	157
Monitoring	33	32	44	49	45	29	28	25	26	29
Wastewater Research	14	21	26	26	26	25	24	11	11	11
Water Quality	26	27	22	20	19	34	31	26	27	29
Public Information	11	10	12	12	10	10	10	10	0	0
Research	0	0	0	0	0	0	0	11	11	10
JWPCP Research	7	0	0	0	0	0	0	0	0	0
Administration:										
Financial Management & Facilities Planning	195	202	217	223	217	219	214	199	202	196
Human Resources	34	36	38	39	38	33	31	31	22	21
Total Employees:	1,917	1,904	1,988	2,014	1,937	1,878	1,816	1,721	1,706	1,663

(1) Some minor re-classifications have resulted in the elimination, addition, and modification of some group names in the above table.
Eliminated areas will remain so as to reflect past numbers.

Schedule 21
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Operating and Capital Indicators
Last Ten Fiscal Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sewerage Operations										
Miles of trunk lines (approximately)	1,380	1,386	1,360	1,360	1,395	1,407	1,408	1,410	1,410	1,411
Number of active pump stations	53	54	53	53	52	52	52	49	49	48
Number of treatment facilities	11	11	11	11	11	11	11	11	11	11
Amount of reclaimed water used (MGD) (1)	74	84	76	70	87	75	85	93	91	79
Number of reuse sites	516	531	539	571	624	650	703	720	757	790
Wastewater discharge inspections conducted	14,665	14,496	9,880	10,609	10,107	9,255	9,836	10,633	11,070	10,769
Solid Waste Operations										
Number of active landfills	3	3	3	3	3	3	3	3	3	3
Solid waste disposal tonnages (2)										
Puente Hills Landfill	3.85	3.84	3.53	2.79	2.34	1.66	1.80	2.19	0.74	0.00
Puente Hills MRF (3)	0.08	0.10	0.09	0.10	0.12	0.07	0.02	0.04	0.55	0.73
South Gate Transfer Station	0.14	0.12	0.13	0.14	0.12	0.11	0.10	0.11	0.11	0.11
DART Facility	0.34	0.28	0.27	0.21	0.16	0.16	0.13	0.08	0.13	0.14
Scholl Canyon Landfill	0.45	0.42	0.37	0.29	0.25	0.23	0.23	0.21	0.23	0.24
Calabasas Landfill	0.55	0.48	0.44	0.30	0.27	0.26	0.21	0.19	0.24	0.23
Total	5.41	5.24	4.83	3.83	3.26	2.49	2.49	2.82	2.00	1.45
Cumulative solid waste disposal tonnages (2)										
Puente Hills Landfill	105.15	108.99	112.52	115.31	117.65	119.31	121.11	123.30	124.04	124.04
Puente Hills MRF (3)	0.08	0.18	0.27	0.37	0.49	0.56	0.58	0.62	1.17	1.90
South Gate Transfer Station	5.03	5.15	5.28	5.42	5.54	5.65	5.75	5.86	5.97	6.08
DART Facility	2.07	2.35	2.62	2.83	2.99	3.15	3.28	3.36	3.49	3.63
Scholl Canyon Landfill	26.66	27.08	27.45	27.74	27.99	28.22	28.45	28.66	28.89	29.13
Calabasas Landfill	21.91	22.39	22.83	23.13	23.40	23.66	23.87	24.06	24.30	24.53
Percentage of total County solid waste disposed of at Districts' landfills (4)										
	40%	40%	40%	35%	31%	31%	33%	37%	24%	7%
Household hazardous waste/electronic waste (HHW/EW)										
collections - number of households accommodated	64,380	77,574	66,479	62,792	60,726	57,677	57,891	52,850	50,056	51,054
Cost to conduct HHW/EW collections (millions)	\$4.0	\$5.0	\$4.3	\$4.2	\$4.0	\$3.8	\$3.9	\$3.6	\$3.7	\$3.5

(1) Millions of gallons per day.

(2) Millions of tons per year.

(3) Began commercial operations in July 2005.

(4) Based on tonnage information through March 2015.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure
June 30, 2015

On April 14, 1993, various Districts of the Los Angeles County Sanitation Districts (Participating Districts) entered in a Joint Exercise of Powers Agreement to form the Los Angeles County Sanitation Districts Financing Authority. The Financing Authority is governed by a Commission that consists of the Chairperson from each Participating District. The Financing Authority was formed to assist the Participating Districts in the planning, financing, development, acquisition, construction, operation, and maintenance of projects relating to the Participating Districts' wastewater management system.

The Financing Authority has no daily operations and does not conduct business on its own behalf. Since the Financing Authority's governing body is entirely comprised of members of the Districts' Boards and the Financing Authority provides services entirely for the Districts, the financial activities of the Financing Authority have been consolidated with the Districts' financial activities for financial reporting purposes.

This Bond Disclosure Section included within the Districts' Comprehensive Annual Financial Report (CAFR) provides the information required by the Continuing Disclosure Agreements (Disclosure Agreements) for the Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, the 2005 Series A District 20 Subordinate Revenue Bonds (2005A District 20 Revenue Bonds), the 2005 Series B District 14 Subordinate Revenue Bonds (2005B District 14 Revenue Bonds), the 2007 Series A District 20 Subordinate Revenue Bonds (2007A District 20 Revenue Bonds), the 2011 Series A Senior Ad Valorem Obligation Bonds (2011 Revenue Bonds), and the 2013 Series A Senior Ad Valorem Obligation Bonds (2013 Revenue Bonds). The material provided under the Disclosure Agreement is intended to comply with the requirements of the Securities and Exchange Commission Rule 15c2-12(b)(5) (the Rule). The CAFR will be filed with each National Repository specified in the Rule, and with any other repository that shall be identified in the future.

ANNUAL REPORT

As required by the Disclosure Agreements, this annual report is incorporated into the CAFR and thus, includes by reference, the audited financial statements of the Districts to comply with requirement 2 below. The annual report also contains the following seven (7) sections as required by the Disclosure Agreements:

- 1) The Financing Authority's audited financial statements, prepared in accordance with accounting principles generally accepted in the United States of America as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board.
- 2) The audited consolidated financial statements for the Districts, prepared in accordance with accounting principles generally accepted in the United States of America as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board.
- 3) The balance in the Reserve Fund, and a statement of the Reserve Requirement, as of December 31, 2015.
- 4) The principal amount of bonds outstanding as of December 31, 2015 and as of December 31, 2014.
- 5) A statement, with respect to each District, as to whether such District incurred any Additional Obligations during the calendar year ending on December 31, 2015.
- 6) The amount of each Senior Obligation and Subordinate Obligation for each District outstanding as of December 31, 2015.
- 7) An update, for the most recently ended fiscal year, of the following information contained in the Official Statements (not including any projections):
 - a. Connection Fee Revenue for District 14 and District 20;
 - b. Estimated Sewage Units by Customer Type, User Fees, and Ad Valorem Taxes;
 - c. Districts' Service Charge Rates;

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

- d. Average Yearly Sewage Flow;
- e. Ten Largest Wastewater Customers (this requirement is fulfilled by Schedule 13 in the Statistical Section of this Financial Statement (page 95);
- f. Fund Balances on June 30, 2015;
- g. Outstanding Obligations;
- h. Districts' Historical Operating Data

REPORTING OF SIGNIFICANT EVENTS

On July 8, 2015, the Authority issued \$149,940,000 in Capital Projects Revenue Bonds (District No. 14 Subordinate Revenue Bonds) (the 2015 Bonds). The purpose of the 2015 Bonds was to refund and defease the Authority's outstanding Capital Projects Revenue Bonds, 2005 Series B (District No. 14 Subordinate Revenue Bonds), and to pay costs of issuance. These serial bonds mature in varying amounts on October 1 in the years 2015 through 2035 at coupon rates ranging from 2.0% to 5.0%.

SECTION 1-The Financing Authority's audited financial statements

Statement of Net Position June 30, 2015

Assets	
Cash and investments with Trustee, restricted as to use	
Cash and cash equivalents	\$ 287,443
Investments	10,498,845
Payments receivable from Participating Districts	539,028,978
Total assets	<u>549,815,266</u>
Deferred Outflow of Resources	
Deferred loss on refunding, net of accumulated amortization of \$6,330,030	<u>15,317,290</u>
Liabilities	
Current liabilities, payable from restricted assets:	
Interest payable	5,978,125
Current portion of bonds payable	30,534,400
Total current liabilities, payable from restricted assets	<u>36,512,525</u>
Long-term liabilities:	
Premium on issue, net of accumulated amortization of \$58,626,956	19,408,186
Due to Participating Districts	14,888,090
Revenue bonds payable	489,086,383
Total long-term liabilities	<u>523,382,659</u>
Total liabilities	<u>559,895,184</u>
Net Position	
Restricted for:	
Debt services	4,809,320
Unrestricted	428,052
Total net position	\$ <u>5,237,372</u>

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

Statement of Revenues, Expenses, and Changes in Net Position Fiscal year ended June 30, 2015

Operating revenues-payments from Participating Districts	\$ <u>24,770,781</u>
Nonoperating revenues (expenses):	
Interest revenue	68,251
Interest expense	(24,481,981)
Drawdown expense	(310,991)
Unrealized gain on investments	71,715
Amortization of deferred loss on refunding	(1,967,291)
Amortization of bond premium	<u>5,659,878</u>
Net nonoperating expenses	<u>(20,960,419)</u>
Change in net position	3,810,362
Total net position, beginning of fiscal year	<u>1,427,010</u>
Net position, end of year	\$ <u><u>5,237,372</u></u>

Statement of Cash Flows Fiscal year ended June 30, 2015

Cash flows from operating activities:	
Receipts from Participating Districts	\$ <u>24,770,781</u>
Cash flows from capital and related financing activities:	
Receipts from Participating Districts	29,264,400
Principal payments on bonds	(29,264,400)
Interest paid on bonds	<u>(24,806,619)</u>
Net cash used by capital and related financing activities	<u>(24,806,619)</u>
Cash flows from investing activities:	
Interest received on investments	<u>68,251</u>
Net cash provided by investing activities	<u>68,251</u>
Net increase in cash and cash equivalents, restricted as to use	32,413
Cash and cash equivalents, beginning of fiscal year, restricted as to use	<u>255,030</u>
Cash and cash equivalents, end of fiscal year, restricted as to use	\$ <u><u>287,443</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 24,770,781
Net cash provided by operating activities	\$ <u><u>24,770,781</u></u>
Supplemental disclosure of noncash items:	
Amortization of premium on revenue bonds payable and deferred loss on refunding of (\$58,626,956) and (6,330,030), respectively.	

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

SECTION 2-Districts audited consolidated financial statements

The audited consolidated financial statements for the Districts are provided on pages 10-14 of the Financial Section of this CAFR.

SECTION 3-Balance in the Reserve Fund and Statement of Reserve Requirement

As of December 31, 2015, the Reserve Fund for the 2007A District 20 Revenue Bonds had a balance of \$10,806,431 and the Reserve Requirement was \$10,489,070. The Reserve Requirement is the lesser of (a) 10% of the original aggregate principal amount of the bonds (\$13,451,500), (b) the maximum annual debt service (\$12,164,962), or (C) 125% of the average annual debt service (\$10,489,070).

The reserve requirement for the 2005A District 20 Revenue Bonds and the 2005B District 14 Revenue Bonds have been satisfied by Reserve Sureties, therefore no deposits have been made into a Reserve Fund. There is no reserve requirement applicable to the 2011 Revenue Bonds and 2013 Revenue Bonds.

SECTION 4-Principal amount of bonds outstanding

As of December 31, 2015, the total principal amount of bonds outstanding was \$471,125,791.00 and as of December 31, 2014, the total principal amount of bonds outstanding was \$519,620,783.00.

SECTION 5-Additional Obligations

During the calendar year ended December 31, 2015, the Districts incurred the following additional obligations.

<u>District</u>	<u>Total Additional Obligation</u>
1	\$ 490,681
2	712,580
3	563,739
5	829,797
8	303,677
14	149,940,000
15	601,903
16	320,578
17	41,435
18	389,274
19	110,676
21	473,235
22	387,093
23	50,158
28	13,084
29	15,811
SBC	148,294
	<u>155,392,015</u>

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

SECTION 6-Outstanding Senior and Subordinate Obligations for Each District as of December 31, 2015

	District No. 1	District No. 2	District No. 3	District No. 5	District No. 8	District No. 15
Obligations Constituting Senior A.V. Obligations and Senior Revenue Obligations						
2011 Series A Revenue Bonds	\$ 8,334,458	12,867,631	9,774,184	21,033,679	5,082,728	13,162,668
2013 Series A Revenue Bonds	2,587,055	3,994,182	3,033,953	6,528,944	1,577,703	4,085,755
Total Senior A.V. Obligation	10,921,513	16,861,813	12,808,137	27,562,623	6,660,431	17,248,423
Senior Revenue Obligations						
Primary Sedimentation Tank Covers	134,506	195,333	154,533	227,465	83,244	164,994
Secondary Effluent Pump Station	44,906	65,214	51,592	75,942	27,792	55,085
Biological Reactors/Secondary Clarifiers	3,729,199	5,415,625	4,284,435	6,306,489	2,307,960	4,574,484
Cryogenic Oxygen Generation	756,812	1,099,059	869,493	1,279,853	468,383	928,356
Power Generation Equipment Purchase	410,914	596,738	472,094	694,901	254,310	504,054
Waste Activated Sludge Thickening Expansion	150,878	219,108	173,342	255,151	93,376	185,076
Relocating and Installing High-Speed Centrifuge	75,926	110,262	87,231	128,399	46,990	93,136
Installation of Secondary Influent Pumping Equip	171,313	248,785	196,820	289,710	106,024	210,144
Fuel Gas Compressor Upgrade	26,506	38,492	30,452	44,824	16,404	32,514
Modifications of Electrical Power	146,657	212,979	168,493	248,013	90,764	179,899
Primary Screenings and Grit Dewatering Fac.	422,044	612,902	484,882	713,723	261,198	517,707
Environmental Laboratory Building	346,944	503,840	398,600	586,721	214,720	425,585
JWPCP Digestion Tanks 17-23	1,914,204	2,779,849	2,199,207	3,237,131	1,184,679	2,348,090
Modification of Biological Reactors	1,657,220	2,406,652	1,903,961	2,802,543	1,025,635	2,032,856
High-Speed Scroll Centrifuges Purch & Install	188,159	273,249	216,174	318,198	116,450	230,809
Secondary Infl Pump Station Equipment	443,669	644,306	509,726	750,293	274,582	544,234
Silo Odor Control Facilities, Phase I	250,112	363,218	287,351	422,967	154,792	306,804
Silo Odor Control Facilities, Phase II	162,131	235,451	186,271	274,182	100,341	198,881
La Canada Foothill Main Trunk Sewer	-	-	-	-	-	-
Total Senior Revenue Obligations	11,032,100	16,021,062	12,674,657	18,656,505	6,827,644	13,532,708
Subordinate Revenue Obligations						
Install of Secondary Infl Pumping Equip Stg II	73,015	106,034	83,886	123,477	45,188	89,565
Central Odor Control System	516,689	750,348	593,619	873,779	319,773	633,806
Heat Recovery Steam Generation Equipment	214,788	311,919	246,767	363,230	132,930	263,473
Power Generation Steam Turbine Generator	160,046	232,422	183,875	270,655	99,051	196,323
Pomona WRP NDN Facilities	249,659	362,561	286,831	422,202	154,511	306,249
Pomona WRP NDN Facilities Equip. Purch.	9,245	13,426	10,621	15,634	5,722	11,340
Los Coyotes WRP NDN Facilities	1,026,021	1,490,010	1,178,784	1,735,115	634,993	1,258,586
Los Coyotes WRP Ammonia Addition Station	54,387	78,982	62,485	91,974	33,659	66,715
Long Beach WRP NDN Facilities	256,590	372,626	294,794	433,923	158,801	314,751
Long Beach WRP Ammonia Addition Station	37,539	54,515	43,128	63,482	23,232	46,048
Long Beach WRP NDN Facilities Equipment	24,215	35,165	27,820	40,950	14,986	29,703
Long Beach WRP Aeration System	16,583	24,082	19,052	28,044	10,263	20,342
Long Beach Pumping Plant Upgrades*	1,817,052	2,638,764	2,087,591	3,072,837	1,124,554	2,228,918
Whittier Narrows WRP NDN Facilities	272,192	395,283	312,718	460,306	168,456	333,888
San Jose Creek WRP NDN Facilities	470,066	682,641	540,054	794,935	290,919	576,615
San Jose Creek WRP NDN Fac. Equipment	69,136	100,401	79,430	116,917	42,788	84,807
Los Coyotes WRP Interceptor Sewer Rehab Phase II	941,906	1,367,856	1,082,145	1,592,867	582,935	1,155,404
Wright Road Truck Sewer Repair	534,917	-	-	-	-	-
District 5 Interceptor Section 2A Rehab*	971,827	1,411,308	1,116,521	1,643,467	601,453	1,192,107
Alamitos PP Force Main No. 2	-	-	-	-	-	-
Total Subordinate Revenue Obligations	7,715,873	10,428,343	8,250,121	12,143,794	4,444,214	8,808,640
Total Obligations	\$ 29,669,486	43,311,218	33,732,915	58,362,922	17,932,289	39,589,771

*Funds have been received as of December 31, 2015, however, this obligation is not yet in repayment.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

	District No. 16	District No. 17	District No. 18	District No. 19	District No. 21	District No. 22
Obligations Constituting Senior A.V. Obligations and Senior Revenue Obligations						
2011 Series A Revenue Bonds	\$ 8,202,767	1,049,721	7,194,832	2,319,770	7,759,580	6,714,923
2013 Series A Revenue Bonds	2,546,178	325,839	2,233,310	720,067	2,408,611	2,084,345
Total Senior A.V. Obligation	10,748,945	1,375,560	9,428,142	3,039,837	10,168,191	8,799,268
Senior Revenue Obligations						
Primary Sedimentation Tank Covers	87,877	11,358	106,708	30,339	129,724	106,110
Secondary Effluent Pump Station	29,339	3,792	35,626	10,129	43,310	35,426
Biological Reactors/Secondary Clarifiers	2,436,410	314,910	2,958,498	841,141	3,596,605	2,941,923
Cryogenic Oxygen Generation	494,451	63,909	600,404	170,703	729,903	597,041
Power Generation Equipment Purchase	268,464	34,699	325,992	92,684	396,304	324,165
Waste Activated Sludge Thickening Expansion	98,573	12,741	119,696	34,031	145,513	119,026
Relocating and Installing High-Speed Centrifuge	49,605	6,412	60,235	17,126	73,226	59,897
Installation of Secondary Influent Pumping Equip	111,925	14,466	135,908	38,641	165,222	135,147
Fuel Gas Compressor Upgrade	17,317	2,238	21,028	5,978	25,563	20,910
Modifications of Electrical Power	95,816	12,384	116,348	33,079	141,443	115,696
Primary Screenings and Grit Dewatering Fac.	275,735	35,639	334,822	95,194	407,038	332,946
Environmental Laboratory Building	226,670	29,298	275,243	78,255	334,609	273,701
JWPCP Digestion Tanks 17-23	1,250,613	161,644	1,518,602	431,759	1,846,143	1,510,094
Modification of Biological Reactors	1,082,717	139,943	1,314,728	373,795	1,598,296	1,307,362
High-Speed Scroll Centrifuges Purch & Install	122,931	15,889	149,273	42,440	181,469	148,437
Secondary Infl Pump Station Equipment	289,864	37,465	351,977	100,072	427,894	350,005
Silo Odor Control Facilities, Phase I	163,407	21,121	198,422	56,414	241,219	197,311
Silo Odor Control Facilities, Phase II	105,926	13,691	128,624	36,570	156,367	127,904
La Canada Foothill Main Trunk Sewer	-	-	-	-	-	-
Total Senior Revenue Obligations	7,207,640	931,599	8,752,134	2,488,350	10,639,848	8,703,101
Subordinate Revenue Obligations						
Central Odor Control System	337,570	43,632	409,907	116,542	498,318	407,611
Heat Recovery Steam Generation Equipment	140,328	18,138	170,398	48,447	207,151	169,443
Power Generation Steam Turbine Generator	104,563	13,515	126,970	36,099	154,355	126,258
Pomona WRP NDN Facilities	163,111	21,082	198,063	56,312	240,783	196,954
Pomona WRP NDN Facilities Equip. Purch.	6,040	781	7,334	2,085	8,916	7,293
Los Coyotes WRP NDN Facilities	670,334	86,642	813,977	231,425	989,540	809,417
Los Coyotes WRP Ammonia Addition Station	35,533	4,593	43,147	12,267	52,453	42,905
Long Beach WRP NDN Facilities	167,639	21,668	203,562	57,875	247,467	202,421
Long Beach WRP Ammonia Addition Station	24,525	3,170	29,781	8,467	36,204	29,614
Long Beach WRP NDN Facilities Equipment	15,820	2,045	19,210	5,462	23,354	19,103
Long Beach WRP Aeration System	10,834	1,400	13,156	3,740	15,993	13,082
Long Beach Pumping Plant Upgrades*	1,187,141	153,440	1,441,528	409,846	1,752,446	1,433,452
Whittier Narrows WRP NDN Facilities	177,832	22,985	215,939	61,394	262,514	214,729
San Jose Creek WRP NDN Facilities	307,110	39,694	372,919	106,026	453,353	370,830
San Jose Creek WRP NDN Fac. Equipment	45,169	5,838	54,848	15,594	66,678	54,541
Los Coyotes WRP Interceptor Sewer Rehab Phase II	615,378	79,539	747,245	212,452	908,416	743,059
Wright Road Truck Sewer Repair	-	-	-	-	-	-
District 5 Interceptor Section 2A Rehab*	634,927	82,065	770,982	219,201	937,273	766,663
Alamitos PP Force Main No. 2	-	-	-	-	-	-
Total Subordinate Revenue Obligations	4,691,557	606,393	5,696,891	1,619,703	6,925,633	5,664,976
Total Obligations	\$ 22,648,142	2,913,552	23,877,167	7,147,890	27,733,672	23,167,345

*Funds have been received as of December 31, 2015, however, this obligation is not yet in repayment.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

	District No. 23	District No. 28	District No. 29	South Bay Cities
Obligations Constituting Senior A.V. Obligations and Senior Revenue Obligations				
2011 Series A Revenue Bonds	\$ 1,418,200	371,012	116,495	3,587,287
2013 Series A Revenue Bonds	440,216	115,164	36,160	1,113,511
Total Senior A.V. Obligation	1,858,416	486,176	152,655	4,700,798
Senior Revenue Obligations				
Primary Sedimentation Tank Covers	13,750	3,587	4,334	40,651
Secondary Effluent Pump Station	4,590	1,198	1,447	13,572
Biological Reactors/Secondary Clarifiers	381,207	99,445	120,163	1,127,047
Cryogenic Oxygen Generation	77,363	20,182	24,386	228,725
Power Generation Equipment Purchase	42,005	10,958	13,241	124,187
Waste Activated Sludge Thickening Expansion	15,423	4,023	4,862	45,599
Relocating and Installing High-Speed Centrifuge	7,761	2,025	2,447	22,947
Installation of Secondary Influent Pumping Equip	17,512	4,568	5,520	51,775
Fuel Gas Compressor Upgrade	2,709	707	854	8,011
Modifications of Electrical Power	14,992	3,911	4,726	44,323
Primary Screenings and Grit Dewatering Fac.	43,142	11,255	13,599	127,551
Environmental Laboratory Building	35,465	9,252	11,179	104,854
JWPCP Digestion Tanks 17-23	195,674	51,045	61,680	578,515
Modification of Biological Reactors	169,405	44,193	53,399	500,849
High-Speed Scroll Centrifuges Purch & Install	19,234	5,018	6,063	56,866
Secondary Infl Pump Station Equipment	45,353	11,831	14,296	134,087
Silo Odor Control Facilities, Phase I	25,567	6,670	8,059	75,589
Silo Odor Control Facilities, Phase II	16,573	4,323	5,224	49,000
La Canada Foothill Main Trunk Sewer	-	378,557	-	-
Total Senior Revenue Obligations	1,127,725	672,748	355,479	3,334,148
Subordinate Revenue Obligations				
Central Odor Control System	52,817	13,778	16,649	156,155
Heat Recovery Steam Generation Equipment	21,956	5,728	6,921	64,914
Power Generation Steam Turbine Generator	16,360	4,268	5,157	48,369
Pomona WRP NDN Facilities	25,521	6,658	8,045	75,453
Pomona WRP NDN Facilities Equip. Purch.	945	247	298	2,794
Los Coyotes WRP NDN Facilities	104,882	27,361	33,061	310,086
Los Coyotes WRP Ammonia Addition Station	5,560	1,450	1,752	16,437
Long Beach WRP NDN Facilities	26,229	6,842	8,268	77,547
Long Beach WRP Ammonia Addition Station	3,837	1,001	1,210	11,345
Long Beach WRP NDN Facilities Equipment	2,475	646	780	7,318
Long Beach WRP Aeration System	1,695	442	534	5,012
Long Beach Pumping Plant Upgrades*	185,743	48,455	58,549	549,154
Whittier Narrows WRP NDN Facilities	27,824	7,258	8,771	82,262
San Jose Creek WRP NDN Facilities	48,051	12,535	15,147	142,065
San Jose Creek WRP NDN Fac. Equipment	7,067	1,844	2,228	20,894
Los Coyotes WRP Interceptor Sewer Rehab Phase II	96,284	25,117	30,350	284,665
Wright Road Truck Sewer Repair	-	-	-	-
District 5 Interceptor Section 2A Rehab*	99,342	25,915	31,314	293,708
Alamitos PP Force Main No. 2	-	-	880,836	-
Total Subordinate Revenue Obligations	734,052	191,492	1,112,223	2,170,245
Total Obligations	\$ 3,720,193	1,350,416	1,620,357	10,205,191

*Funds have been received as of December 31, 2015, however, this obligation is not yet in repayment.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

	District No. 4	District No. 9	District No. 14	District No. 20	District No. 27	Santa Clarita Valley
Obligations Constituting Senior A.V. Obligations and Senior Revenue Obligations:						
2011 Series A Revenue Bonds	\$ 1,243,457	174,742	1,763,887	1,470,117	244,387	12,738,475
2013 Series A Revenue Bonds	385,975	54,241	547,519	456,331	75,859	3,954,082
Total Senior A.V. Obligation	<u>1,629,432</u>	<u>228,983</u>	<u>2,311,406</u>	<u>1,926,448</u>	<u>320,246</u>	<u>16,692,557</u>
Senior Revenue Obligations						
Valencia WRP Solids Processing Expansion	-	-	-	-	-	2,687,957
Valencia WRP Stage V Expansion-Equipment	-	-	-	-	-	493,595
Total Senior Revenue Obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,181,552</u>
Subordinate Revenue Obligations						
2005 Series A Revenue Bonds	-	-	-	19,695,000	-	-
2007 Series A Revenue Bonds	-	-	-	130,390,000	-	-
2015 Series A Revenue Bonds	-	-	145,280,000	-	-	-
Lancaster - Rosamond Outfall & TS, Phase 1	-	-	4,303,255	-	-	-
Lancaster - Rosamond Outfall & TS, Phase 2	-	-	7,476,712	-	-	-
Lancaster - Rosamond Outfall & TS, Phase 3	-	-	6,858,519	-	-	-
Valencia WRP Stage V Expansion	-	-	-	-	-	18,621,888
Saugus WRP Equipment Purchases	-	-	-	-	-	802,169
Lancaster WRP Stage V Expansion, Phase I	-	-	63,713,106	-	-	-
Palmdale WRP Stage V Expansion, Phase I	-	-	-	53,807,987	-	-
Valencia WRP Steam Boiler Upgrade	-	-	-	-	-	4,201,586
Total Subordinate Revenue Obligations	<u>-</u>	<u>-</u>	<u>227,631,592</u>	<u>203,892,987</u>	<u>-</u>	<u>23,625,643</u>
Total Obligations	<u>\$ 1,629,432</u>	<u>228,983</u>	<u>229,942,998</u>	<u>205,819,435</u>	<u>320,246</u>	<u>43,499,752</u>

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

SECTION 7-Updated Tables contained in the Official Statements.

DISTRICT 14 & 20 CONNECTION FEE REVENUE

Fiscal Year	District 14				District 20			
	Rates	Collected	Refunds ⁽¹⁾	Net Revenue	Rates	Collected	Refunds ⁽¹⁾	Net Revenue
2005-06	2,720	8,409,831	(71,191)	8,338,640	2,720	5,622,037	(576,748)	5,045,289
2006-07	3,190	5,507,244	(45,224)	5,462,020	3,190	5,031,582	(331,353)	4,700,229
2007-08	4,190	2,738,880	(411,489)	2,327,391	4,190	4,961,208	(210,430)	4,750,778
2008-09	5,190	2,426,772	(94,268)	2,332,504	5,190	727,392	(15,570)	711,822
2009-10	6,190	2,025,259	(121,825)	1,903,434	6,190	812,715	-	812,715
2010-11	6,190	971,121	(50,758)	920,363	6,190	588,102	-	588,102
2011-12	6,190	956,410	-	956,410	6,190	477,727	(1,532)	476,195
2012-13	6,190	2,159,862	-	2,159,862	6,190	1,098,476	-	1,098,476
2013-14	6,190	995,679	-	995,679	6,190	386,129	-	386,129
2014-15	6,190	812,219	(6,190)	806,029	6,190	674,087	-	674,087

(1) Refunds are reflected on this schedule during the fiscal year in which the fees were collected, not the fiscal year in which the refund was processed.

SEWAGE UNITS BY CUSTOMER TYPE, USER FEES AND AD VALOREM TAXES Fiscal Year 2014-15

District	Number of Sewage Units ⁽¹⁾				Sewage Units	User Fees ⁽²⁾	A.V. Taxes ⁽²⁾
	Residential	Commercial	Industrial	Contract			
JO System	1,211,795	528,504	234,073	20,921	1,995,293	\$307,391,539	\$58,477,581
14	56,452	13,869	2,605	999	73,925	34,817,689	1,139,134
20	35,280	9,075	292	28	44,675	22,585,366	1,103,133
SCV	72,015	26,018	1,074	3,384	102,491	25,257,760	6,347,057
4	10,031	15,917	138		26,086	3,727,516	502,973
9	423	676			1,099	86,498	88,114
27	494	64			558	0	304,590
TOTAL:	1,386,490	594,123	238,182	25,332	2,244,127	\$398,866,368	\$67,962,582

⁽¹⁾ A sewage unit is the average daily quantity of sewage flow and strength from a single family home.

⁽²⁾ Amounts based on receipt of funds for Fiscal Year 2014-15 and actual billings.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' SERVICE CHARGE RATES (Dollars Per Single Family Home Per Year)

District (JO) ⁽¹⁾	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
1	\$ 152	\$ 154	\$ 156	\$ 158	\$ 163
2	147	148	149	150	155
3	148	150	152	154	157
5	130	132	134	136	141
8	135	139	143	147	154
15	130	132	134	136	141
16	133	135	137	139	142
17	134	136	138	140	143
18	148	149	150	151	156
19	146	148	150	152	155
21	145	146	147	148	153
22	143	145	147	149	152
23	112	114	116	118	120
28 ³	335	336	337	338	340
28 ³	127	128	129	130	132
29	328	340	340	340	340
SBC	119	121	121	122	124
 (Non-JO) ^{(1),(2)}					
4	150	150	150	150	150
9	78	78	78	78	78
14	360	360	448	472	496
20	381	429	477	525	535
SCV	199	215	231	247	267

⁽¹⁾ JO indicated Joint Outfall.

⁽²⁾ District No. 27 does not have any service charge rate in effect as its other revenues have been sufficient to meet expenses. District No. 27 does have a Master Service Charge Ordinance in place should the need for a service charge arise.

⁽³⁾ Beginning in Fiscal Year 1999-00 District No. 28 had two service charge rates. The first rate is for those users directly connected to the La Canada Outfall Trunk Sewer or the Foothill Main Trunk Sewer or tributary to the La Canada WRP; the second for those users within the City of La Canada Flintridge Assessment District.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

FUND BALANCES ON JUNE 30, 2015

Districts	Operating Fund		Capital Improvement
	Total Fund	Available as Rate	Fund
		Stabilization Fund	
			Total Fund
1	34,629,139	34,629,000	38,310,757
2	63,532,354	63,532,000	51,836,268
3	49,856,063	49,856,000	31,911,462
4	36,518,717	36,518,000	6,243,747
5	71,754,372	71,754,000	46,919,713
8	14,098,524	14,098,000	30,826,512
9	4,588,388	3,191,000	438,033
14	44,893,530	42,024,000	7,358,744
15	62,566,978	62,566,000	41,008,848
16	43,294,390	43,294,000	20,284,406
17	7,315,220	6,519,000	3,038,441
18	28,953,965	28,953,000	29,263,959
19	12,010,817	12,010,000	9,059,617
20	19,058,387	18,345,000	736,423
21	48,458,884	48,458,000	40,329,982
22	45,151,276	45,151,000	26,045,013
23	13,122,855	12,589,000	5,105,937
27	543,157	543,000	22,287
28	6,072,686	4,161,000	285,012
29	3,956,464	3,621,000	1,342,521
SBC	27,750,217	27,750,000	9,796,792
SCV	31,944,108	31,944,000	69,567,705
Total	670,070,491	661,506,000	469,732,179

AVERAGE YEARLY FLOW FROM THE PARTICIPATING DISTRICTS⁽¹⁾

Fiscal Years 2010-2011 Through 2014-15

(In Millions Of Gallons Per Day)

District	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
JO System ⁽²⁾	402.00	389.58	386.21	376.58	365.68
14	13.50	14.00	14.62	13.40	15.03
20	9.51	9.23	9.26	9.23	9.19
SCV	19.95	19.73	19.85	19.52	18.89
TOTAL:	444.96	432.54	429.94	418.73	408.79

⁽¹⁾ The flow from Districts Nos. 4, 9 and 27 is disposed of through the City sewerage system.

⁽²⁾ Joint Outfall System is comprised of Districts Nos. 1, 2, 3, 5, 8, 15, 16, 17, 18, 19, 21, 22, 23, 28, 29, 34 and SBC.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

Outstanding Senior and Subordinate Obligations

	Outstanding Balance December 31, 2015
Obligations Constituting Senior A.V. Obligations and Senior Revenue Obligations:	
2011 Series A Revenue Bonds	\$ 126,625,000
2013 Series A Revenue Bonds	39,305,000
Total Senior A.V. Obligation	<u>165,930,000</u>
Senior Revenue Obligations	
Primary Sedimentation Tank Covers	1,494,514
Secondary Effluent Pump Station	498,959
Biological Reactors/Secondary Clarifiers	41,435,540
Cryogenic Oxygen Generation	8,409,023
Power Generation Equipment Purchase	4,565,710
Waste Activated Sludge Thickening Expansion	1,676,417
Relocating and Installing High-Speed Centrifuge	843,623
Installation of Secondary Influent Pumping Equip	1,903,480
Fuel Gas Compressor Upgrade	294,507
Modifications of Electrical Power	1,629,523
Primary Screenings and Grit Dewatering Fac.	4,689,378
Environmental Laboratory Building	3,854,937
JWPCP Digestion Tanks 17-23	21,268,929
Modification of Biological Reactors	18,413,554
High-Speed Scroll Centrifuges Purch & Install	2,090,657
Secondary Infl Pump Station Equipment	4,929,652
Valencia WRP Solids Processing Expansion	2,687,957
Valencia WRP Stage V Expansion-Equipment	493,595
La Canada Foothill Main Trunk Sewer	378,557
Silo Odor Control Facilities, Phase I	2,779,024
Silo Odor Control Facilities, Phase II	1,801,458
Total Senior Revenue Obligations	<u>126,138,994</u>
Subordinate Revenue Obligations:	
2005 Series A Revenue Bonds	19,695,000
2007 Series A Revenue Bonds	130,390,000
2015 Series A Revenue Bonds	145,280,000
Install of Secondary Infl Pumping Equip Stg II	811,278
Central Odor Control System	5,740,993
Heat Recovery Steam Generation Equipment	2,386,528
Power Generation Steam Turbine Generator	1,778,286
Pomona WRP NDN Facilities	2,773,994
Pomona WRP NDN Facilities Equip. Purch.	102,721
Los Coyotes WRP NDN Facilities	11,400,233
Los Coyotes WRP Ammonia Addition Station	604,299
Long Beach WRP NDN Facilities	2,851,004
Long Beach WRP Ammonia Addition Station	417,098
Long Beach WRP NDN Facilities Equipment	269,053
Long Beach WRP Aeration System	184,255
Long Beach Pumping Plant Upgrades*	20,189,471
Whittier Narrows WRP NDN Facilities	3,024,351

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

	Outstanding Balance
	December 31, 2015
Subordinate Revenue Obligations (Continued):	
San Jose Creek WRP NDN Facilities	5,222,960
San Jose Creek WRP NDN Fac. Equipment	768,179
Lancaster - Rosamond Outfall & TS, Phase 1	4,303,255
Lancaster - Rosamond Outfall & TS, Phase 2	7,476,712
Lancaster - Rosamond Outfall & TS, Phase 3	6,858,519
Valencia WRP Stage V Expansion	18,621,888
Saugus WRP Equipment Purchases	802,169
Lancaster WRP Stage V Expansion, Phase I	63,713,106
Palmdale WRP Stage V Expansion, Phase I	53,807,987
Valencia WRP Steam Boiler Upgrade*	4,201,586
Los Coyotes WRP Interceptor Sewer Rehab Phase II	10,465,618
Wright Road Truck Sewer Repair	534,917
District 5 Interceptor Section 2A Rehab	10,798,074
Alamitos PP Force Main No. 2	880,836
Total Subordinate Revenue Obligations	<u>536,354,370</u>
Total Obligations	<u>\$ 828,423,364</u>

*Funds have been received as of December 31, 2015, however, this obligation is not yet in repayment.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 1	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 28,932	\$ 29,407	\$ 29,838	\$ 31,039
A.V. Tax	2,607	3,352	2,631	3,182
Interest	668	489	488	606
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	<u>32,207</u>	<u>33,248</u>	<u>32,957</u>	<u>34,827</u>
CIF Pledged for Debt ⁽³⁾	<u>154</u>	<u>152</u>	<u>40</u>	<u>41</u>
Total Revenue for Senior Calculation	32,361	33,400	32,997	34,868
CIF Connection Fee Revenue ⁽³⁾	<u>1,409</u>	<u>1,408</u>	<u>2,737</u>	<u>2,038</u>
Total Revenue for Subordinate Calculation	33,616	34,656	35,694	36,865
EXPENSES⁽⁴⁾				
Total O&M	21,513	21,238	22,586	22,408
Rate Stabilization Fund ⁽⁵⁾	<u>1,169</u>	<u>3,347</u>	<u>1,015</u>	<u>2,655</u>
Total	22,682	24,585	23,601	25,063
DEBT SERVICE PAYMENTS				
Senior				
State Loans	2,042	1,995	1,546	1,519
Revenue Bonds	<u>2,209</u>	<u>2,194</u>	<u>2,192</u>	<u>2,173</u>
Total Senior Debt Payments	4,251	4,189	3,738	3,692
Subordinate				
State Loans	290	324	468	433
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	290	324	468	433
Total Debt Service	4,541	4,513	4,206	4,125
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	2.21	2.03	2.39	2.54
SUBORDINATE	2.41	2.23	2.88	2.86

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 2	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 41,384	\$ 43,603	\$ 41,755	\$ 43,259
A.V. Tax	5,084	6,944	5,248	6,509
Interest	1,220	833	784	954
Rate Stabilization Fund ⁽²⁾	-	-	3,542	-
Subtotal	<u>47,688</u>	<u>51,380</u>	<u>51,329</u>	<u>50,722</u>
CIF Pledged for Debt ⁽³⁾	<u>231</u>	<u>232</u>	<u>61</u>	<u>60</u>
Total Revenue for Senior Calculation	47,919	51,612	51,390	50,782
CIF Connection Fee Revenue ⁽³⁾	<u>1,996</u>	<u>2,351</u>	<u>3,548</u>	<u>3,316</u>
Total Revenue for Subordinate Calculation	49,684	53,731	54,877	54,038
EXPENSES⁽⁴⁾				
Total O&M	32,538	32,728	34,207	33,387
Rate Stabilization Fund ⁽⁵⁾	<u>2,471</u>	<u>4,371</u>	<u>-</u>	<u>1,652</u>
Total	35,009	37,099	34,207	35,039
DEBT SERVICE PAYMENTS				
Senior				
State Loans	3,007	2,977	2,332	2,206
Revenue Bonds	<u>3,411</u>	<u>3,386</u>	<u>3,384</u>	<u>3,356</u>
Total Senior Debt Payments	6,418	6,363	5,716	5,562
Subordinate				
State Loans	435	493	644	570
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	435	493	644	570
Total Debt Service	6,853	6,856	6,360	6,132
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.94	2.20	2.89	2.73
SUBORDINATE	2.14	2.43	3.25	3.10

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 3	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 33,070	\$ 33,314	\$ 33,003	\$ 34,788
A.V. Tax	3,928	6,083	4,278	5,222
Interest	732	526	541	688
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	<u>37,730</u>	<u>39,923</u>	<u>37,822</u>	<u>40,698</u>
CIF Pledged for Debt ⁽³⁾	<u>179</u>	<u>178</u>	<u>47</u>	<u>48</u>
Total Revenue for Senior Calculation	37,909	40,101	37,869	40,746
CIF Connection Fee Revenue ⁽³⁾	<u>1,473</u>	<u>1,860</u>	<u>2,478</u>	<u>2,342</u>
Total Revenue for Subordinate Calculation	39,203	41,783	40,300	43,040
EXPENSES⁽⁴⁾				
Total O&M	23,987	24,123	25,805	24,986
Rate Stabilization Fund ⁽⁵⁾	<u>3,418</u>	<u>6,040</u>	<u>853</u>	<u>4,262</u>
Total	27,405	30,163	26,658	29,248
DEBT SERVICE PAYMENTS				
Senior				
State Loans	2,317	2,281	1,788	1,745
Revenue Bonds	<u>2,591</u>	<u>2,572</u>	<u>2,570</u>	<u>2,549</u>
Total Senior Debt Payments	4,908	4,853	4,358	4,294
Subordinate				
State Loans	337	378	494	451
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	337	378	494	451
Total Debt Service	5,245	5,231	4,852	4,745
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	2.07	1.97	2.46	2.57
<u>SUBORDINATE</u>	<u>2.25</u>	<u>2.22</u>	<u>2.81</u>	<u>2.91</u>

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 5	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 44,632	\$ 46,579	\$ 44,901	\$ 46,142
A.V. Tax	8,906	10,480	8,661	10,658
Interest	1,335	894	849	1,018
Rate Stabilization Fund ⁽²⁾	-	-	6,107	-
Subtotal	<u>54,873</u>	<u>57,953</u>	<u>60,518</u>	<u>57,818</u>
CIF Pledged for Debt ⁽³⁾	<u>267</u>	<u>273</u>	<u>71</u>	<u>70</u>
Total Revenue for Senior Calculation	55,140	58,226	60,589	57,888
CIF Connection Fee Revenue ⁽³⁾	<u>2,405</u>	<u>3,030</u>	<u>4,018</u>	<u>4,056</u>
Total Revenue for Subordinate Calculation	57,278	60,983	64,536	61,874
EXPENSES⁽⁴⁾				
Total O&M	37,903	38,692	40,506	39,180
Rate Stabilization Fund ⁽⁵⁾	<u>398</u>	<u>3,357</u>	<u>-</u>	<u>922</u>
Total	<u>38,301</u>	<u>42,049</u>	<u>40,506</u>	<u>40,102</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	3,466	3,506	2,716	2,569
Revenue Bonds	<u>5,576</u>	<u>5,535</u>	<u>5,530</u>	<u>5,486</u>
Total Senior Debt Payments	9,042	9,041	8,246	8,055
Subordinate				
State Loans	503	581	751	663
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	503	581	751	663
Total Debt Service	9,545	9,622	8,997	8,718
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.81	1.73	2.34	2.13
SUBORDINATE	<u>1.99</u>	<u>1.97</u>	<u>2.67</u>	<u>2.50</u>

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 8	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 18,660	\$ 19,399	\$ 19,512	\$ 20,828
A.V. Tax	1,735	2,051	1,681	2,017
Interest	450	316	284	337
Rate Stabilization Fund ⁽²⁾	-	645	103	-
Subtotal	<u>20,845</u>	<u>22,411</u>	<u>21,580</u>	<u>23,182</u>
CIF Pledged for Debt ⁽³⁾	<u>99</u>	<u>96</u>	<u>24</u>	<u>25</u>
Total Revenue for Senior Calculation	20,944	22,507	21,604	23,207
CIF Connection Fee Revenue ⁽³⁾	<u>905</u>	<u>1,091</u>	<u>1,545</u>	<u>1,595</u>
Total Revenue for Subordinate Calculation	21,750	23,502	23,125	24,777
EXPENSES⁽⁴⁾				
Total O&M	15,369	15,379	15,293	15,622
Rate Stabilization Fund ⁽⁵⁾	<u>766</u>	<u>-</u>	<u>-</u>	<u>2,439</u>
Total	16,135	15,379	15,293	18,061
DEBT SERVICE PAYMENTS				
Senior				
State Loans	1,280	1,236	934	940
Revenue Bonds	<u>1,348</u>	<u>1,338</u>	<u>1,336</u>	<u>1,325</u>
Total Senior Debt Payments	2,628	2,574	2,270	2,265
Subordinate				
State Loans	186	205	258	243
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	186	205	258	243
Total Debt Service	2,814	2,779	2,528	2,508
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.76	2.69	2.67	2.16
SUBORDINATE	2.00	2.92	3.10	2.68

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 15	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 31,447	\$ 33,145	\$ 32,776	\$ 33,972
A.V. Tax	5,461	6,542	5,548	6,628
Interest	1,053	714	700	848
Rate Stabilization Fund ⁽²⁾	-	-	1,377	-
Subtotal	<u>37,961</u>	<u>40,401</u>	<u>40,401</u>	<u>41,448</u>
CIF Pledged for Debt ⁽³⁾	<u>193</u>	<u>193</u>	<u>50</u>	<u>51</u>
Total Revenue for Senior Calculation	38,154	40,594	40,451	41,499
CIF Connection Fee Revenue ⁽³⁾	<u>1,691</u>	<u>1,852</u>	<u>2,890</u>	<u>2,587</u>
Total Revenue for Subordinate Calculation	39,652	42,253	43,291	44,035
EXPENSES⁽⁴⁾				
Total O&M	26,175	26,281	27,357	26,997
Rate Stabilization Fund ⁽⁵⁾	<u>4,450</u>	<u>5,350</u>	<u>-</u>	<u>2,398</u>
Total	30,625	31,631	27,357	29,395
DEBT SERVICE PAYMENTS				
Senior				
State Loans	2,505	2,475	1,908	1,864
Revenue Bonds	<u>3,490</u>	<u>3,464</u>	<u>3,461</u>	<u>3,434</u>
Total Senior Debt Payments	5,995	5,939	5,369	5,298
Subordinate				
State Loans	364	410	528	481
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	364	410	528	481
Total Debt Service	6,359	6,349	5,897	5,779
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.20	1.44	2.34	2.19
SUBORDINATE	1.42	1.67	2.70	2.53

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 16	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 16,421	\$ 17,384	\$ 16,869	\$ 17,763
A.V. Tax	3,646	4,351	3,641	4,688
Interest	671	430	406	502
Rate Stabilization Fund ⁽²⁾	-	-	467	-
Subtotal	<u>20,738</u>	<u>22,165</u>	<u>21,383</u>	<u>22,953</u>
CIF Pledged for Debt ⁽³⁾	<u>104</u>	<u>104</u>	<u>27</u>	<u>27</u>
Total Revenue for Senior Calculation	20,842	22,269	21,410	22,980
CIF Connection Fee Revenue ⁽³⁾	<u>866</u>	<u>1,127</u>	<u>1,637</u>	<u>1,626</u>
Total Revenue for Subordinate Calculation	21,604	23,292	23,020	24,579
EXPENSES⁽⁴⁾				
Total O&M	13,705	13,707	14,056	14,225
Rate Stabilization Fund ⁽⁵⁾	<u>2,570</u>	<u>2,635</u>	<u>-</u>	<u>1,765</u>
Total	16,275	16,342	14,056	15,990
DEBT SERVICE PAYMENTS				
Senior				
State Loans	1,424	1,330	1,020	993
Revenue Bonds	<u>2,175</u>	<u>2,158</u>	<u>2,157</u>	<u>2,140</u>
Total Senior Debt Payments	3,599	3,488	3,177	3,133
Subordinate				
State Loans	197	221	282	256
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	197	221	282	256
Total Debt Service	3,796	3,709	3,459	3,389
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.21	1.64	2.23	2.15
<u>SUBORDINATE</u>	<u>1.40</u>	<u>1.87</u>	<u>2.59</u>	<u>2.53</u>

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 17	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 2,272	\$ 2,330	\$ 2,290	\$ 2,317
A.V. Tax	426	487	429	508
Interest	110	70	72	85
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	<u>2,808</u>	<u>2,887</u>	<u>2,791</u>	<u>2,910</u>
CIF Pledged for Debt ⁽³⁾	<u>14</u>	<u>14</u>	<u>4</u>	<u>3</u>
Total Revenue for Senior Calculation	2,822	2,901	2,795	2,913
CIF Connection Fee Revenue ⁽³⁾	<u>104</u>	<u>135</u>	<u>195</u>	<u>164</u>
Total Revenue for Subordinate Calculation	2,912	3,022	2,986	3,074
EXPENSES⁽⁴⁾				
Total O&M	1,778	1,795	1,867	1,823
Rate Stabilization Fund ⁽⁵⁾	<u>435</u>	<u>535</u>	<u>398</u>	<u>565</u>
Total	<u>2,213</u>	<u>2,330</u>	<u>2,265</u>	<u>2,388</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	209	176	136	128
Revenue Bonds	<u>278</u>	<u>276</u>	<u>276</u>	<u>274</u>
Total Senior Debt Payments	487	452	412	402
Subordinate				
State Loans	26	29	37	33
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	26	29	37	33
Total Debt Service	513	481	449	435
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.20	1.20	1.20	1.22
<u>SUBORDINATE</u>	<u>1.36</u>	<u>1.44</u>	<u>1.61</u>	<u>1.58</u>

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 18	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 23,188	\$ 23,941	\$ 22,612	\$ 23,607
A.V. Tax	2,784	3,970	3,358	3,905
Interest	575	398	397	487
Rate Stabilization Fund ⁽²⁾	-	-	309	-
Subtotal	<u>26,547</u>	<u>28,309</u>	<u>26,676</u>	<u>27,999</u>
CIF Pledged for Debt ⁽³⁾	<u>128</u>	<u>125</u>	<u>33</u>	<u>33</u>
Total Revenue for Senior Calculation	26,675	28,434	26,709	28,032
CIF Connection Fee Revenue ⁽³⁾	<u>1,100</u>	<u>1,452</u>	<u>2,113</u>	<u>1,626</u>
Total Revenue for Subordinate Calculation	27,647	29,761	28,789	29,625
EXPENSES⁽⁴⁾				
Total O&M	17,713	17,748	18,574	18,041
Rate Stabilization Fund ⁽⁵⁾	<u>70</u>	<u>3,094</u>	<u>-</u>	<u>1,392</u>
Total	17,783	20,842	18,574	19,433
DEBT SERVICE PAYMENTS				
Senior				
State Loans	1,659	1,607	1,266	1,205
Revenue Bonds	<u>1,908</u>	<u>1,893</u>	<u>1,892</u>	<u>1,877</u>
Total Senior Debt Payments	3,567	3,500	3,158	3,082
Subordinate				
State Loans	241	266	350	311
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	241	266	350	311
Total Debt Service	3,808	3,766	3,508	3,393
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	2.43	2.09	2.47	2.69
SUBORDINATE	2.59	2.37	2.91	3.00

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 19	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 6,414	\$ 6,370	\$ 5,786	\$ 6,438
A.V. Tax	1,023	1,404	1,043	1,316
Interest	209	142	140	170
Rate Stabilization Fund ⁽²⁾	-	-	227	-
Subtotal	<u>7,646</u>	<u>7,916</u>	<u>7,196</u>	<u>7,924</u>
CIF Pledged for Debt ⁽³⁾	<u>35</u>	<u>36</u>	<u>9</u>	<u>9</u>
Total Revenue for Senior Calculation	7,681	7,952	7,205	7,933
CIF Connection Fee Revenue ⁽³⁾	<u>285</u>	<u>375</u>	<u>621</u>	<u>454</u>
Total Revenue for Subordinate Calculation	7,931	8,291	7,817	8,378
EXPENSES⁽⁴⁾				
Total O&M	5,016	4,759	5,021	4,970
Rate Stabilization Fund ⁽⁵⁾	<u>637</u>	<u>880</u>	<u>-</u>	<u>756</u>
Total	5,653	5,639	5,021	5,726
DEBT SERVICE PAYMENTS				
Senior				
State Loans	455	454	355	343
Revenue Bonds	<u>615</u>	<u>610</u>	<u>610</u>	<u>605</u>
Total Senior Debt Payments	1,070	1,064	965	948
Subordinate				
State Loans	66	75	98	88
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	66	75	98	88
Total Debt Service	1,136	1,139	1,063	1,036
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.83	2.10	2.16	2.24
SUBORDINATE	2.01	2.33	2.63	2.56

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

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⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 21	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 26,912	\$ 28,248	\$ 27,280	\$ 33,897
A.V. Tax	3,332	4,065	3,313	4,317
Interest	847	573	563	709
Rate Stabilization Fund ⁽²⁾	-	-	266	-
Subtotal	<u>31,091</u>	<u>32,886</u>	<u>31,422</u>	<u>38,923</u>
CIF Pledged for Debt ⁽³⁾	<u>155</u>	<u>153</u>	<u>40</u>	<u>40</u>
Total Revenue for Senior Calculation	31,246	33,039	31,462	38,963
CIF Connection Fee Revenue ⁽³⁾	<u>1,325</u>	<u>1,910</u>	<u>2,527</u>	<u>2,285</u>
Total Revenue for Subordinate Calculation	32,416	34,796	33,949	41,208
EXPENSES⁽⁴⁾				
Total O&M	20,953	20,648	22,195	21,428
Rate Stabilization Fund ⁽⁵⁾	<u>1,286</u>	<u>3,945</u>	<u>-</u>	<u>6,072</u>
Total	<u>22,239</u>	<u>24,593</u>	<u>22,195</u>	<u>27,500</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	2,013	1,966	1,529	1,465
Revenue Bonds	<u>2,057</u>	<u>2,042</u>	<u>2,041</u>	<u>2,024</u>
Total Senior Debt Payments	4,070	4,008	3,570	3,489
Subordinate				
State Loans	293	326	423	378
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	293	326	423	378
Total Debt Service	4,363	4,334	3,993	3,867
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	2.14	2.03	2.48	3.18
SUBORDINATE	2.33	2.35	2.94	3.54

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 22	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 23,096	\$ 23,658	\$ 22,680	\$ 23,169
A.V. Tax	2,783	4,231	2,986	3,694
Interest	726	469	501	601
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	<u>26,605</u>	<u>28,358</u>	<u>26,167</u>	<u>27,464</u>
CIF Pledged for Debt ⁽³⁾	<u>128</u>	<u>130</u>	<u>34</u>	<u>33</u>
Total Revenue for Senior Calculation	26,733	28,488	26,201	27,497
CIF Connection Fee Revenue ⁽³⁾	<u>1,356</u>	<u>1,525</u>	<u>2,727</u>	<u>2,013</u>
Total Revenue for Subordinate Calculation	27,961	29,883	28,894	29,477
EXPENSES⁽⁴⁾				
Total O&M	17,559	17,731	18,988	17,796
Rate Stabilization Fund ⁽⁵⁾	<u>2,239</u>	<u>4,297</u>	<u>10</u>	<u>789</u>
Total	19,798	22,028	18,998	18,585
DEBT SERVICE PAYMENTS				
Senior				
State Loans	1,663	1,672	1,297	1,199
Revenue Bonds	<u>1,780</u>	<u>1,767</u>	<u>1,766</u>	<u>1,751</u>
Total Senior Debt Payments	3,443	3,439	3,063	2,950
Subordinate				
State Loans	242	277	359	309
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	242	277	359	309
Total Debt Service	3,685	3,716	3,422	3,259
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.94	1.80	2.23	2.92
SUBORDINATE	2.22	2.11	2.89	3.34

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

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⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 23	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 4,196	\$ 3,889	\$ 3,500	\$ 3,864
A.V. Tax	309	367	306	459
Interest	201	125	107	150
Rate Stabilization Fund ⁽²⁾	-	-	120	-
Subtotal	<u>4,706</u>	<u>4,381</u>	<u>4,033</u>	<u>4,473</u>
CIF Pledged for Debt ⁽³⁾	<u>19</u>	<u>19</u>	<u>5</u>	<u>4</u>
Total Revenue for Senior Calculation	4,725	4,400	4,038	4,477
CIF Connection Fee Revenue ⁽³⁾	<u>142</u>	<u>170</u>	<u>260</u>	<u>189</u>
Total Revenue for Subordinate Calculation	4,848	4,551	4,293	4,662
EXPENSES⁽⁴⁾				
Total O&M	3,340	3,236	3,319	3,107
Rate Stabilization Fund ⁽⁵⁾	<u>600</u>	<u>390</u>	<u>-</u>	<u>670</u>
Total	<u>3,940</u>	<u>3,626</u>	<u>3,319</u>	<u>3,777</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	247	241	185	156
Revenue Bonds	<u>376</u>	<u>373</u>	<u>373</u>	<u>370</u>
Total Senior Debt Payments	623	614	558	526
Subordinate				
State Loans	36	39	51	40
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	36	39	51	40
Total Debt Service	659	653	609	566
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.20	1.20	1.20	1.25
<u>SUBORDINATE</u>	<u>1.38</u>	<u>1.42</u>	<u>1.60</u>	<u>1.56</u>

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 28	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 1,057	\$ 1,069	\$ 1,036	\$ 1,062
A.V. Tax	490	554	498	582
Interest	61	40	40	58
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	<u>1,608</u>	<u>1,663</u>	<u>1,574</u>	<u>1,702</u>
CIF Pledged for Debt ⁽³⁾	<u>4</u>	<u>4</u>	<u>1</u>	<u>1</u>
Total Revenue for Senior Calculation	1,612	1,667	1,575	1,703
CIF Connection Fee Revenue ⁽³⁾	<u>33</u>	<u>39</u>	<u>64</u>	<u>56</u>
Total Revenue for Subordinate Calculation	1,641	1,702	1,638	1,758
EXPENSES⁽⁴⁾				
Total O&M	520	539	590	591
Rate Stabilization Fund ⁽⁵⁾	<u>465</u>	<u>500</u>	<u>368</u>	<u>490</u>
Total	985	1,039	958	1,081
DEBT SERVICE PAYMENTS				
Senior				
State Loans	417	419	408	407
Revenue Bonds	<u>99</u>	<u>97</u>	<u>98</u>	<u>97</u>
Total Senior Debt Payments	516	516	506	504
Subordinate				
State Loans	7	9	12	10
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	7	9	12	10
Total Debt Service	523	525	518	514
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.20	1.20	1.20	1.21
<u>SUBORDINATE</u>	<u>1.25</u>	<u>1.26</u>	<u>1.31</u>	<u>1.32</u>

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 29	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 1,966	\$ 2,005	\$ 1,945	\$ 2,007
A.V. Tax	87	147	83	114
Interest	39	23	32	45
Rate Stabilization Fund ⁽²⁾	-	277	-	-
Subtotal	<u>2,092</u>	<u>2,452</u>	<u>2,060</u>	<u>2,166</u>
CIF Pledged for Debt ⁽³⁾	<u>5</u>	<u>5</u>	<u>1</u>	<u>1</u>
Total Revenue for Senior Calculation	2,097	2,457	2,061	2,167
CIF Connection Fee Revenue ⁽³⁾	<u>46</u>	<u>74</u>	<u>68</u>	<u>75</u>
Total Revenue for Subordinate Calculation	2,138	2,526	2,128	2,241
EXPENSES⁽⁴⁾				
Total O&M	1,052	1,097	1,156	1,108
Rate Stabilization Fund ⁽⁵⁾	<u>248</u>	<u>-</u>	<u>737</u>	<u>885</u>
Total	1,300	1,097	1,893	1,993
DEBT SERVICE PAYMENTS				
Senior				
State Loans	66	68	51	49
Revenue Bonds	<u>31</u>	<u>31</u>	<u>30</u>	<u>30</u>
Total Senior Debt Payments	97	99	81	79
Subordinate				
State Loans	9	11	71	71
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	9	11	71	71
Total Debt Service	106	110	152	150
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	8.12	13.63	1.20	1.30
<u>SUBORDINATE</u>	<u>7.91</u>	<u>12.99</u>	<u>1.55</u>	<u>1.65</u>

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

<u>South Bay Cities</u>	<u>Fiscal Year 2011/12</u>	<u>Fiscal Year 2012/13</u>	<u>Fiscal Year 2013/14</u>	<u>Fiscal Year 2014/15</u>
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 6,894	\$ 7,180	\$ 7,022	\$ 6,926
A.V. Tax	3,892	4,381	3,903	4,679
Interest	350	245	251	313
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	<u>11,136</u>	<u>11,806</u>	<u>11,176</u>	<u>11,918</u>
CIF Pledged for Debt ⁽³⁾	<u>47</u>	<u>47</u>	<u>12</u>	<u>12</u>
Total Revenue for Senior Calculation	11,183	11,853	11,188	11,930
CIF Connection Fee Revenue ⁽³⁾	<u>352</u>	<u>478</u>	<u>638</u>	<u>606</u>
Total Revenue for Subordinate Calculation	11,488	12,284	11,814	12,524
EXPENSES⁽⁴⁾				
Total O&M	6,923	7,019	7,480	7,422
Rate Stabilization Fund ⁽⁵⁾	<u>2,109</u>	<u>2,101</u>	<u>358</u>	<u>1,292</u>
Total	9,032	9,120	7,838	8,714
DEBT SERVICE PAYMENTS				
Senior				
State Loans	608	606	476	459
Revenue Bonds	<u>951</u>	<u>944</u>	<u>943</u>	<u>935</u>
Total Senior Debt Payments	1,559	1,550	1,419	1,394
Subordinate				
State Loans	88	100	132	119
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	88	100	132	119
Total Debt Service	1,647	1,650	1,551	1,513
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.32	1.70	2.27	2.22
<u>SUBORDINATE</u>	<u>1.49</u>	<u>1.92</u>	<u>2.56</u>	<u>2.52</u>

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 4	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 3,556	\$ 3,813	\$ 3,734	\$ 3,729
A.V. Tax	405	474	409	503
Interest	360	253	277	369
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	<u>4,321</u>	<u>4,540</u>	<u>4,420</u>	<u>4,601</u>
CIF Pledged for Debt ⁽³⁾	-	-	-	-
Total Revenue for Senior Calculation	4,321	4,540	4,420	4,601
CIF Connection Fee Revenue ⁽³⁾	455	71	301	1,034
Total Revenue for Subordinate Calculation	4,776	4,611	4,721	5,635
EXPENSES⁽⁴⁾				
Total O&M	1,338	1,034	1,507	1,467
Rate Stabilization Fund ⁽⁵⁾	1,678	2,320	1,364	1,277
Total	<u>3,016</u>	<u>3,354</u>	<u>2,871</u>	<u>2,744</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	-	-	-	-
Revenue Bonds	329	327	327	325
Total Senior Debt Payments	329	327	327	325
Subordinate				
State Loans	-	-	-	-
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	-	-	-	-
Total Debt Service	329	327	327	325
DEBT SERVICE COVERAGE:				
SENIOR	3.97	3.63	4.74	5.71

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 9	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 83	87	67	87
A.V. Tax	78	87	73	88
Interest	30	30	39	49
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	191	204	179	224
CIF Pledged for Debt ⁽³⁾	-	-	-	-
Total Revenue for Senior Calculation	191	204	179	224
CIF Connection Fee Revenue ⁽³⁾	-	-	6	3
Total Revenue for Subordinate Calculation	191	204	185	227
EXPENSES⁽⁴⁾				
Total O&M	96	69	87	133
Rate Stabilization Fund ⁽⁵⁾	40	80	38	37
Total	136	149	125	170
DEBT SERVICE PAYMENTS				
Senior				
State Loans	-	-	-	-
Revenue Bonds	46	46	45	45
Total Senior Debt Payments	46	46	45	45
Subordinate				
State Loans	-	-	-	-
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	-	-	-	-
Total Debt Service	46	46	45	45
DEBT SERVICE COVERAGE:				
SENIOR	1.20	1.20	1.20	1.20

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 14	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 26,330	\$ 32,491	\$ 35,054	\$ 36,216
A.V. Tax	911	991	812	1,139
Interest	471	249	261	354
Rate Stabilization Fund ⁽²⁾	1,380	-	-	-
Subtotal	<u>29,092</u>	<u>33,731</u>	<u>36,127</u>	<u>37,709</u>
CIF Pledged for Debt ⁽³⁾	<u>5,320</u>	<u>6,155</u>	<u>3,488</u>	<u>3,488</u>
Total Revenue for Senior Calculation	34,412	39,886	39,615	41,197
CIF Connection Fee Revenue ⁽³⁾	<u>710</u>	<u>2,160</u>	<u>996</u>	<u>806</u>
Total Revenue for Subordinate Calculation	29,802	35,891	37,123	38,515
EXPENSES⁽⁴⁾				
Total O&M	9,420	10,714	12,279	12,654
Rate Stabilization Fund ⁽⁵⁾	<u>-</u>	<u>2,697</u>	<u>4,650</u>	<u>5,750</u>
Total	9,420	13,411	16,929	18,404
DEBT SERVICE PAYMENTS				
Senior				
State Loans	-	-	-	-
Revenue Bonds	<u>468</u>	<u>465</u>	<u>464</u>	<u>464</u>
Total Senior Debt Payments	468	465	464	464
Subordinate				
State Loans	1,937	6,855	6,856	6,752
Revenue Bonds	<u>11,115</u>	<u>11,113</u>	<u>11,110</u>	<u>11,110</u>
Total Subordinate Debt Payments	13,052	17,968	17,966	17,862
Total Debt Service	13,520	18,433	18,430	18,326
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	25.51	18.29	10.17	10.63
SUBORDINATE	1.51	1.22	1.10	1.10

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 20	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 18,298	\$ 21,604	\$ 21,928	\$ 23,238
A.V. Tax	973	1,004	846	1,103
Interest	277	211	168	186
Rate Stabilization Fund ⁽²⁾	-	-	800	
Subtotal	<u>19,548</u>	<u>22,819</u>	<u>23,742</u>	<u>24,527</u>
CIF Pledged for Debt ⁽³⁾	<u>3,832</u>	<u>2,343</u>	<u>3,980</u>	<u>3,960</u>
Total Revenue for Senior Calculation	23,380	25,162	27,722	28,487
CIF Connection Fee Revenue ⁽³⁾	<u>476</u>	<u>1,098</u>	<u>185</u>	<u>674</u>
Total Revenue for Subordinate Calculation	20,024	23,917	23,927	25,201
EXPENSES⁽⁴⁾				
Total O&M	8,855	9,300	10,211	10,405
Rate Stabilization Fund ⁽⁵⁾	<u>1,500</u>	<u>4,980</u>	<u>-</u>	<u>1,025</u>
Total	<u>10,355</u>	<u>14,280</u>	<u>10,211</u>	<u>11,430</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	-	-	-	-
Revenue Bonds	<u>389</u>	<u>387</u>	<u>386</u>	<u>384</u>
Total Senior Debt Payments	389	387	386	384
Subordinate				
State Loans	-	-	3,749	3,749
Revenue Bonds	<u>8,391</u>	<u>8,392</u>	<u>8,389</u>	<u>8,391</u>
Total Subordinate Debt Payments	8,391	8,392	12,138	12,140
Total Debt Service	8,780	8,779	12,524	12,524
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	11.91	6.43	13.92	12.80
<u>SUBORDINATE</u>	<u>1.10</u>	<u>1.10</u>	<u>1.10</u>	<u>1.10</u>

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

District No. 27	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 1	\$ 2	\$ 1	\$ 1
A.V. Tax	252	288	255	305
Interest	18	5	2	3
Rate Stabilization Fund ⁽²⁾	-	843	-	-
Subtotal	<u>271</u>	<u>1,138</u>	<u>258</u>	<u>309</u>
CIF Pledged for Debt ⁽³⁾	-	-	-	-
Total Revenue for Senior Calculation	<u>271</u>	<u>1,138</u>	<u>258</u>	<u>309</u>
CIF Connection Fee Revenue ⁽³⁾	-	-	-	-
Total Revenue for Subordinate Calculation	<u>271</u>	<u>1,138</u>	<u>258</u>	<u>309</u>
EXPENSES⁽⁴⁾				
Total O&M	154	108	74	80
Rate Stabilization Fund ⁽⁵⁾	<u>40</u>	<u>-</u>	<u>44</u>	<u>124</u>
Total	<u>194</u>	<u>108</u>	<u>118</u>	<u>204</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	-	-	-	-
Revenue Bonds	<u>64</u>	<u>64</u>	<u>64</u>	<u>63</u>
Total Senior Debt Payments	<u>64</u>	<u>64</u>	<u>64</u>	<u>63</u>
Subordinate				
State Loans	-	-	-	-
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>64</u>	<u>64</u>	<u>64</u>	<u>63</u>
DEBT SERVICE COVERAGE:				
SENIOR	1.20	16.09	2.19	1.67

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA (\$000)

<u>Santa Clarita Valley</u>	<u>Fiscal Year 2011/12</u>	<u>Fiscal Year 2012/13</u>	<u>Fiscal Year 2013/14</u>	<u>Fiscal Year 2014/15</u>
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 22,245	\$ 23,615	\$ 25,103	\$ 26,789
A.V. Tax	5,655	6,182	5,208	6,347
Interest	1,107	644	611	811
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	<u>29,007</u>	<u>30,441</u>	<u>30,922</u>	<u>33,947</u>
CIF Pledged for Debt ⁽³⁾	<u>4,753</u>	<u>4,737</u>	<u>4,737</u>	<u>4,721</u>
Total Revenue for Senior Calculation	33,760	35,178	35,659	38,668
CIF Connection Fee Revenue ⁽³⁾	<u>2,323</u>	<u>3,712</u>	<u>3,737</u>	<u>5,418</u>
Total Revenue for Subordinate Calculation	31,330	34,153	34,659	39,365
EXPENSES⁽⁴⁾				
Total O&M	19,019	19,466	20,348	20,251
Rate Stabilization Fund ⁽⁵⁾	<u>5,250</u>	<u>5,674</u>	<u>3,086</u>	<u>4,112</u>
Total	<u>24,269</u>	<u>25,140</u>	<u>23,434</u>	<u>24,363</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	1,011	1,011	627	627
Revenue Bonds	<u>3,378</u>	<u>3,352</u>	<u>3,349</u>	<u>3,322</u>
Total Senior Debt Payments	4,389	4,363	3,976	3,949
Subordinate				
State Loans	2,014	2,014	2,398	2,660
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	2,014	2,014	2,398	2,660
Total Debt Service	6,403	6,377	6,374	6,609
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.70	1.84	2.47	2.95
<u>SUBORDINATE</u>	<u>1.10</u>	<u>1.41</u>	<u>1.76</u>	<u>2.27</u>

⁽¹⁾ Fiscal Year 2013-2014 operating revenues includes service charge refunds related to prior years. The program that provided for these refunds will end July 1, 2015.

⁽²⁾ These funds were expensed in prior years and are being used to pay unexpected operating costs and thereby minimize the impact on the Districts' ratepayers.

⁽³⁾ Beginning fiscal year 2005-06, all connection fees pledged for repayment of debt were considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

⁽⁴⁾ Does not include depreciation.

⁽⁵⁾ These funds are being set aside to minimize the impact on the Districts' ratepayers in the event of future unexpected operating costs.

⁽⁶⁾ Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

**COUNTY SANITATION DISTRICTS
OF LOS ANGELES COUNTY**

Single Audit Report

For The Fiscal Year Ended June 30, 2015

**COUNTY SANITATION DISTRICTS
OF LOS ANGELES COUNTY**

Single Audit Report

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MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Boards of Directors
County Sanitation Districts of Los Angeles County:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the County Sanitation Districts of Los Angeles County (Districts) as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated December 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Districts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Districts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Districts' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

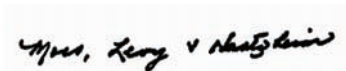
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Districts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Moss, Levy & Hartzheim, LLP
Culver City, California
December 21, 2015



MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Boards of Directors
County Sanitation Districts of Los Angeles County:

Report on Compliance for Each Major Federal Program

We have audited the County Sanitation Districts of Los Angeles County's (Districts) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2015. The Districts' major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Districts' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Districts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Districts' compliance.

Opinion on Each Major Federal Program

In our opinion, the Districts complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Districts is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Districts' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Districts' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes. This report is intended solely for the information and use of the Districts' Boards and management, the State Controller's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Moss, Levy & Hartzheim, LLP
Culver City, California
December 21, 2015

**COUNTY SANITATION DISTRICTS
OF LOS ANGELES COUNTY**

Schedule of Expenditures of Federal Awards

For The Fiscal Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditure(s)
United States Environmental Protection Agency Pass-through Programs			
Passed-through California State Water Resources Control Board State Water Resources Control Board Capitalization Grants for Clean Water State Revolving Funds	66.458	C-06-7694-110	\$ 4,938,077
State Water Resources Control Board Capitalization Grants for Clean Water State Revolving Funds	66.458	C-06-5892-110	<u>1,399,967</u>
Total United States Environmental Protection Agency Pass- through Programs			<u>6,338,044</u>
Total Expenditures of Federal Awards			<u><u>\$ 6,338,044</u></u>

See accompanying notes to schedule of expenditures of federal awards

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to the Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2015

1. REPORTING ENTITY

The financial reporting entity consists of (a) the primary government, County Sanitation Districts of Los Angeles County (Districts), and (b) entities which include organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The consolidated entity of the Districts is:

- The Los Angeles County Sanitation Districts Financing Authority (Authority)

The Authority exists solely to facilitate the issuance of long-term debt. The Authority has no daily operations and does not conduct business on its own behalf. Since the governing body of the Authority is entirely comprised of members of the Districts' Boards and the Authority provides services entirely for the Districts, the Authority's financial activities are consolidated with the Districts for financial reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Districts utilize the accrual method of accounting. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the Districts. All Federal financial assistance received was passed-through the State of California.

The Schedule was prepared from only the account of the grant program and, therefore, does not present the financial position or results of operations of the Districts.

3. PROGRAM DESCRIPTIONS

U.S. Environmental Protection Agency

Capitalization Grants For Clean Water State Revolving Funds (CFDA No. 66.458)

Capitalization grants are awarded to States to create and maintain Clean Water State Revolving Funds to: (1) enable States to encourage construction of wastewater treatment facilities to meet the enforceable requirements of the Clean Water Act; (2) increase the emphasis on nonpoint source pollution control and protection of estuaries; and (3) establish permanent financing institutions in each State to provide continuing sources of financing to maintain water quality. The Clean Water State Revolving Fund provides loans and other types of financial assistance (but not grants) to qualified communities and local agencies.

**COUNTY SANITATION DISTRICTS
OF LOS ANGELES COUNTY**

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified

_____ Yes X No

Significant deficiency(ies) identified not considered
to be material weaknesses

_____ Yes X None reported

Noncompliance material to financial statements noted

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified

_____ Yes X No

Significant deficiency(ies) identified not considered
to be material weaknesses

_____ Yes X None reported

Type of auditor’s report issued on compliance for
major programs:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section 510 (a)

_____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

66.458

Capitalization Grants For State Revolving Funds

Dollar threshold used to distinguish between Type A
and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee:

 X Yes _____ No

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

None

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM
AUDIT**

None

**COUNTY SANITATION DISTRICTS
OF LOS ANGELES COUNTY**

Status of Prior Year's Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2015

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM
AUDIT**

There were no federal award findings.



SANITATION DISTRICTS OF LOS ANGELES COUNTY / CALIFORNIA

Converting Waste into Resources

APPENDIX B

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book entry system has been obtained from DTC and District No. 20, the Authority and the Underwriter take no responsibility for the completeness or accuracy thereof. District No. 20, the Authority and the Underwriter cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Holders (a) payments of interest, principal or premium, if any, with respect to the 2016 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2016 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2016 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. 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 2016 Bonds. The 2016 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 2015 Bond will be issued for each maturity of the 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, 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 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. 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 a Standard & Poor's rating of AA+. 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.

Purchases of the 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016 Bond ("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 2016 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 2016 Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued.

To facilitate subsequent transfers, all 2016 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 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 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 2016 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2016 Bonds may wish to ascertain that the nominee holding the 2016 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 the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2016 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2016 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 redemption proceeds, distributions, and dividend payments 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.

DTC may discontinue providing its services as securities depository with respect to the 2016 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities 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-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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APPENDIX C

SUMMARY OF CERTAIN LEGAL DOCUMENTS

The following is a summary of certain provisions of the 2016 Installment Purchase Agreement and the 2016 Indenture (each as defined in the forepart of this Official Statement). This summary does not purport to be comprehensive and reference should be made to the 2016 Installment Purchase Agreement and the 2016 Indenture for a full and complete statement of their provisions.

CERTAIN DEFINITIONS

“Ad Valorem Taxes” means, for any period, the ad valorem property taxes received by the District during such period pursuant to Article XIII A of the Constitution of the State of California and Section 95 et seq. of the California Revenue and Taxation Code, excluding any such taxes levied to pay any voter approved general obligation indebtedness of the District.

“Additional AV Obligations” means AV Obligations other than the Joint Acquisition Agreements.

“Additional Installment Payments” has the meaning ascribed to such term in the Joint Acquisition Agreements.

“Additional Obligations” means Obligations other than the Installment Purchase Agreement and the Joint Acquisition Agreements.

“Adjusted Net Gross Revenues” means, for any period, the Net Gross Revenues for such period, less amounts, if any, transferred during such period from the Revenue Account to the Rate Stabilization Account.

“Adjusted Net Revenues” means, for any period, the Net Revenues for such period, less amounts, if any, transferred during such period from the Revenue Account to the Rate Stabilization Account.

“Administrative Costs” means the ordinary and necessary administrative costs and incidental expenses related to the Authority Bonds, the Indenture and the Installment Purchase Agreement, including, but not limited to Obligation Trustee fees (including any fees and expenses of Obligation Trustee counsel) and indemnification payable by the Authority pursuant to the Indenture and fees incurred in connection with the calculation of arbitrage rebate due to the federal government with respect to the Authority Bonds.

“Affiliate” of another Person means any Person directly or indirectly controlling, controlled by, or under common control with, such other Person; for purposes of the Installment Purchase Agreement, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

“Annual Debt Service” means, for any Bond Year, the sum of (a) the interest payable on all Outstanding Bonds in such Bond Year, assuming that all Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds, and (b) the principal amount of all Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year).

“Assumed Debt Service” means, for any period (a) for any Obligation other than District Bonds, that portion of the Obligation Payments for such Obligation required to be made in such period, and (b) for District Bonds, the sum of (i) the interest payable during such period on all such outstanding District Bonds, assuming that all outstanding serial District Bonds are retired as scheduled and that all outstanding term District Bonds 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 such District Bonds), (ii) that portion of the principal amount of all such outstanding serial District Bonds maturing on any principal payment date which falls in such period, and (iii) that portion of the principal amount of all outstanding term District Bonds required to be redeemed or paid on any redemption date which falls in such period (together with the redemption premiums, if any, thereon). For purposes of calculating Assumed Debt Service, the following assumptions shall be used:

(A) in determining the principal amount due in each period, payment shall be assumed to be made in accordance with any amortization schedule established for such Obligations, including any scheduled payment at maturity or mandatory redemption or prepayment of Obligations on the basis of accreted value and, for such purpose, the scheduled payment at maturity or redemption payment or prepayment shall be deemed a principal payment;

(B) in determining the interest due in each period, interest payable at a fixed rate shall be assumed to be made at such fixed rate and on the required payment dates;

(C) if any outstanding Obligations constitute Variable Rate Indebtedness, the interest rate on such Obligations shall be assumed to be 110% of the rate of interest on such Obligations on the date of calculation;

(D) if Additional Obligations proposed to be incurred will be Variable Rate Indebtedness, then such Additional Obligations shall be assumed to bear interest at the rate quoted in the "25 Revenue Bond Index" for the last week of the month preceding the date of sale of such Additional Obligations, as published in *The Bond Buyer*, or if that index is no longer published, another similar index selected by the District, or if the District fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Additional Obligations proposed to be issued, or if there are no such Treasury Bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(E) if any outstanding Obligations constitute Balloon Indebtedness (and such Obligations do not constitute Short-Term Obligations excluded from the calculation of Assumed Debt Service pursuant to clause (H), below) or if Additional Obligations proposed to be incurred would constitute Balloon Indebtedness (and such Additional Obligations would not constitute Short-Term Obligations excluded from the calculation of Assumed Debt Service pursuant to clause (H), below), then such amounts as constitute Balloon Indebtedness shall be treated as if the principal amount of such Obligations were amortized from the date originally incurred in substantially equal installments of principal and interest over a term of 30 years; the interest rate used for such computation shall be the rate quoted in the "25 Revenue Bond Index" for the last week of the month preceding the date of calculation, as published in *The Bond Buyer*, or if that index is no longer published, another similar index selected by the District, or if the District fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Obligations on the date incurred, or if there are no such United States Treasury bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(F) if any outstanding Obligations constitute Credit Enhanced Obligations or if Additional Obligations proposed to be incurred would constitute Credit Enhanced Obligations, then (x) Assumed Debt Service on such Obligations shall be deemed to include any periodic payment payable to the Credit Enhancer as a condition of the Credit Enhancer's standing ready to provide moneys necessary for payment to the holders of such Credit Enhanced Obligations, and (y) Assumed Debt Service on such Obligations shall not be based upon the terms of any reimbursement obligations to the Credit Enhancer except to the extent and for periods during which payments have been required

to be made pursuant to such reimbursement obligations due to the Credit Enhancer's advancing funds and not being reimbursed;

(G) if any outstanding Obligations constitute Option Obligations or if Additional Obligations proposed to be incurred would constitute Option Obligations, then (x) Assumed Debt Service on such Obligations shall not include amounts payable upon exercise by the holder thereof of the option to tender such Obligations for payment to the extent and for so long as a Liquidity Backer is required to provide the moneys necessary for such payment, (y) Assumed Debt Service on such Obligations shall be deemed to include any periodic fees payable to the Liquidity Backer as a condition of the Liquidity Backer's standing ready to provide the moneys necessary for such payment, and (z) Assumed Debt Service on such Obligations shall not be based upon the terms of any reimbursement obligation to the Liquidity Backer except to the extent and for periods during which payments have been required to be made pursuant to such reimbursement obligation due to the Liquidity Backer advancing funds and being reimbursed;

(H) if any outstanding Obligations constitute Short-Term Obligations or if Additional Obligations proposed to be incurred would constitute Short-Term Obligations, and such Short-Term Obligations are or will be payable only out of Ad Valorem Taxes or Revenues of the Fiscal Year in which such Short-Term Obligations are incurred, then Debt Service on such Short-Term Obligations shall be disregarded and not included in calculating Assumed Debt Service;

(I) if any outstanding Obligation constitutes a Financial Contract, then amounts payable by the District under such Financial Contract shall be included in calculating Assumed Debt Service only if and to the extent that such amounts exceed amounts receivable by the District under such Financial Contract; if the interest rate applicable to payments receivable by the District under such Financial Contract is a variable rate, such variable rate shall be calculated in accordance with clause (C), above;

(J) if any Additional Obligation proposed to be incurred will be a Financial Contract, then amounts payable by the District under such Financial Contract shall be included in calculating Assumed Debt Service only if and to the extent that such amounts exceed amounts receivable by the District under such Financial Contract; if the interest rate applicable to payments receivable by the District under such Financial Contract will be a variable rate, such variable rate shall be calculated in accordance with clause (D), above;

(K) if amounts constituting accrued interest or capitalized interest have been deposited with an Obligation Trustee for Obligations, then the interest payable with respect to such Obligations from such amounts shall be disregarded and not included in calculating Assumed Debt Service;

(L) if moneys or Defeasance Securities have been deposited by the District into a separate fund or account or are otherwise held by the District or by a fiduciary to be used to pay Debt Service on specified Obligations, and such Obligations are discharged, or no longer outstanding, pursuant to the terms of the instrument under which they are issued or arise, then the Debt Service to be paid from such moneys or Defeasance Securities, or from the earnings thereon, shall be disregarded and not included in calculating Assumed Debt Service;

(M) the amount on deposit in an Obligation Reserve Fund on any date of calculation of Assumed Debt Service shall be deducted from the amount of principal due at the final maturity of the Obligations for which such Obligation Reserve Fund was established and in each preceding year until such amount is exhausted; and

(N) with respect to Obligation Payments that are not comprised of separate payments of interest and principal but which, rather, are required pursuant to the instrument under which they arise

to be paid in amounts sufficient to pay principal and interest on bonds, notes or other obligations of an entity other than the District, for purposes of calculating Assumed Debt Service, interest payments and principal payments (whether at maturity or by redemption or prepayment) with respect to such bonds, notes or other obligations shall be deemed to be interest payments and principal payments with respect to such Obligation Payments.

“Assumed Maximum Annual Debt Service” means, at any point in time, with respect to Obligations to be outstanding immediately after the incurring of the Obligations in connection with the incurrence of which Assumed Maximum Annual Debt Service is being calculated, the maximum amount of Assumed Debt Service on such Obligations in the then current or any future Bond Year.

“Authority” means the Los Angeles County Sanitation Districts Financing Authority, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State, and any successor thereto.

“Authority Bonds” or “Bonds” means the Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2016 Series A (District No. 20 Revenue Bonds) issued under and pursuant to the Indenture.

“Authority Revenues” means all Installment Payments.

“Authorized Denominations” means \$5,000 and any integral multiple of \$5,000.

“Authorized Representative” means (a) with respect to the Authority, the Chairperson, the President, the Vice President, the Treasurer and the Secretary of the Authority, and any other Person designated as an Authorized Representative of the Authority in a Written Certificate of the Authority filed with the Trustee, and (b) with respect to the District, the Chairperson of the Board of Directors of the District (or his or her designee), the Chief Engineer and General Manager of the District (or his or her designee), the Assistant Chief Engineer and Assistant General Manager of the District (or his or her designee) and the Chief Accountant of the District (or his or her designee), and any other Person designated as an Authorized Representative of the District in a Written Certificate of the District filed with the Trustee.

“AV Obligation Payments” means Senior AV Obligation Payments and Subordinate AV Obligation Payments.

“AV Obligations” means Senior AV Obligations and Subordinate AV Obligations.

“Average Annual Debt Service” means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

“Balloon Indebtedness” means an Obligation 50% or more of the principal of which matures or is payable on the same date and which is not required by the instrument pursuant to which such Obligation was incurred to be amortized by payment or redemption prior to such date.

“Book-Entry Bonds” means the Bonds registered in the name of the nominee of DTC, or any successor securities depository for the Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“Bond Counsel” means a firm of attorneys which are nationally recognized as experts in the area of municipal finance.

“Bond Year” means the period from the Closing Date through October 1, 2017 and, thereafter, the twelve-month period commencing on October 2 of each year through and including October 1 of the following year.

“Business Day” means a day which is not (a) a Saturday, Sunday or legal holiday in the State, (b) a day on which banking institutions in the State, or in any state in which the Office of the Trustee is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

“Closing Date” means November 16, 2016.

“Code” means the Internal Revenue Code of 1986.

“Connection Fees” means connection and other similar fees imposed by the District for the privilege of connecting any parcel within the boundaries of the District directly or indirectly to the Sewerage System, or for increasing the strength and/or quantity of wastewater attributable to a connected parcel within the District.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of November 1, 2016, by and between the Authority and U.S. Bank National Association, in its capacity as Trustee and in its capacity as Dissemination Agent, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority or the District relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, any premium for bond insurance and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Credit Enhanced Obligations” means Obligations, the payments with respect to which are secured by an irrevocable letter of credit, surety bond, insurance policy or other credit facility or arrangement with an entity which the District is obligated to reimburse for advances made for amounts due on such Credit Enhanced Obligations.

“Credit Enhancer” means the entity issuing or providing the irrevocable letter of credit, surety bond, insurance policy or other credit facility or arrangement securing payments with respect to Credit Enhanced Obligations.

“Debt Service” means, for any period (a) for any Obligation other than District Bonds, that portion of the Obligation Payments for such Obligation required to be made in such period, and (b) for District Bonds, the sum of (i) the interest payable during such period on all such outstanding District Bonds, assuming that all outstanding serial District Bonds are retired as scheduled and that all outstanding term District Bonds 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 such District Bonds), (ii) that portion of the principal amount of all such outstanding serial District Bonds maturing on any principal payment date which falls in such period, and (iii) that portion of the principal amount of all outstanding term District Bonds required to be redeemed or paid on any redemption date which falls in such period (together with the redemption premiums, if any, thereon); provided, however, that (A) if amounts constituting accrued interest or capitalized interest have been deposited with an Obligation Trustee for Obligations, then the interest payable with respect to such Obligations from such amounts shall be disregarded and not included in calculating Debt Service, (B) if moneys or Defeasance Securities have been deposited by the District into a separate fund or account or are otherwise held by the District or by a fiduciary to be used to pay Debt Service on specified Obligations, and such Obligations are

discharged, or no longer outstanding, pursuant to the terms of the instrument under which they are issued or arise, then the Debt Service to be paid from such moneys or Defeasance Securities, or from the earnings thereon, shall be disregarded and not included in calculating Debt Service, (C) interest income received on investment of moneys in an Obligation Reserve Fund and transferred to the District in such period shall, for the purposes of calculating Debt Service, offset interest payments and principal payments with respect to such Obligation Payments required to be made in such period, (D) the amount on deposit in an Obligation Reserve Fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Obligations for which such Obligation Reserve Fund was established and in each preceding year until such amount is exhausted, and (E) with respect to Obligation Payments that are not comprised of separate payments of interest and principal but which, rather, are required pursuant to the instrument under which they arise to be paid in amounts sufficient to pay principal and interest on bonds, notes or other obligations of an entity other than such District, for purposes of calculating Debt Service, interest payments and principal payments (whether at maturity or by redemption or prepayment) with respect to such bonds, notes or other obligations shall be deemed to be interest payments and principal payments with respect to such Obligation Payments.

“Defeasance Securities” means (a) direct general 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), and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America.

“District” means County Sanitation District No. 20 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District Bonds” means Senior District Bonds and Subordinate District Bonds.

“DTC” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Book-Entry Bonds, including any such successor appointed pursuant to the Indenture.

“Event of Default” means an event described under the heading “INSTALLMENT PURCHASE AGREEMENT – Events of Default and Remedies of the Authority – Events of Default.”

“Financial Contract” means any interest rate swap agreement, currency swap agreement, forward payment conversion agreement, future or contract entered into by the District with respect to any Obligation providing for payment based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, or a contract entered into by the District with respect to any Obligation to exchange cash flows or a series of payments, or a contract entered into by the District with respect to any Obligation, including, without limitation, interest rate floors or caps, options, rates or calls, to hedge payment, currency, rate, spread, or similar exposure or any similar contract entered into by the District with respect to any Obligation.

“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.

“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.

“Gross Revenues” means, for any period, all income and revenue received by the District from the operation or ownership of the Sewerage System, determined in accordance with Generally Accepted Accounting Principles, including all rates and charges received by the District for the services of the Sewerage

System, investment income (to the extent generally available to pay costs with respect to the Sewerage System) and all other money howsoever derived by the District from the operation or ownership of the Sewerage System or arising from the Sewerage System, together with (a) Ad Valorem Taxes received by the District during such period, (b) Connection Fees collected during such period to the extent that such Connection Fees could be properly applied to the payment of, or loaned from the District's Capital Improvement Fund for the payment of, outstanding Obligations, (c) amounts, if any, transferred during such period from the Rate Stabilization Account to the Revenue Account, but excluding (i) payments received under Financial Contracts, (ii) refundable deposits made to establish credit and advances or contributions in aid of construction, and (iii) ad valorem taxes to the extent required by law to pay any voter approved general obligation indebtedness of the District.

"Indenture" means the Indenture, dated as of November 1, 2016, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

"Installment Payments" means the Installment Payments required to be made by the District described under the heading "INSTALLMENT PURCHASE AGREEMENT – Installment Payments; Subordinate Revenue Obligations – Installment Payments; Subordinate Revenue Obligation."

"Installment Purchase Agreement" means the Installment Purchase Agreement, dated as of November 1, 2016, by and between the District and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms of the Installment Purchase Agreement.

"Interest Payment Date" means April 1 and October 1 of each year, commencing April 1, 2017.

"JAA Districts" has the meaning ascribed to the term "Districts" in each of the Joint Acquisition Agreements.

"JAA Installment Payments (2011)" has the meaning ascribed to the term "Installment Payments" in the Joint Acquisition Agreement (2011).

"JAA Installment Payments (2013)" has the meaning ascribed to the term "Installment Payments" in the Joint Acquisition Agreement (2013).

"JAA Installment Payments" means, collectively, the JAA Installment Payments (2011) and the JAA Installment Payments (2013).

"Joint Acquisition Agreement (2011)" means the Joint Acquisition Agreement, dated as of July 1, 2011, by and among the County Sanitation Districts of Los Angeles County named therein and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

"Joint Acquisition Agreement (2013)" means the Joint Acquisition Agreement, dated as of July 1, 2013, by and among the County Sanitation Districts of Los Angeles County named therein and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

"Joint Acquisition Agreements" means, collectively, the Joint Acquisition Agreement (2011) and the Joint Acquisition Agreement (2013).

"Joint Administration Agreement" means the Amended Joint Administration Agreement, effective September 10, 2014, among the JAA Districts, County Sanitation District No. 34 of Los Angeles County and

Newhall Ranch Sanitation District of Los Angeles County, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

“Letter of Representations” means the Letter of Representations from the Authority to DTC, or any successor securities depository for Book-Entry Bonds, in which the Authority makes certain representations with respect to issues of its securities for deposit by DTC or such successor depository.

“LIBOR” means, as of any date, the British Banker’s Association average of interbank offered rates in the London market for United States dollar deposits for a one year period, as most recently reported in *The Wall Street Journal* or, if not reported in such newspaper, as reported in such other source as may be selected by the District.

“Liquidity Backer” means any bank or other financial institution whose long term indebtedness is rated “AA” or better by S&P or whose long term indebtedness is rated “Aa” or better by Moody’s, such ratings to be determined without regard to any subcategory or modifier.

“Maintenance and Operations Costs” means, for any period, the reasonable and necessary costs spent or incurred by the District for maintaining and operating the Sewerage System, calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Sewerage System in good repair and working order, and including Administrative Costs, salaries and wages of employees, payments to its employee retirement systems (to the extent paid from Revenues), overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, but excluding in all cases (a) depreciation, replacement and obsolescence charges or reserves therefor, (b) amortization of intangibles or other bookkeeping entries of a similar nature, (c) costs of capital additions, replacements, betterments, extensions or improvements to the Sewerage System, which under Generally Accepted Accounting Principles are chargeable to a capital account or to a reserve for depreciation, (d) charges for the payment of principal of or interest on any general obligation bond of the District heretofore or hereafter issued for purposes of the Sewerage System, and (e) charges for the payment of any debt service on Obligations.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made.

“Moody’s” means Moody’s Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Net Gross Revenues” means, for any period, the Gross Revenues for such period, less the Maintenance and Operation Costs for such period.

“Net Operating Revenues” means, for any period, the Operating Revenues for such period, less the Maintenance and Operation Costs for such period.

“Net Proceeds” means, when used with respect to any insurance, self insurance or condemnation award, the proceeds from such award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

“Net Revenues” means, for any period, the Revenues for such period, less the Maintenance and Operation Costs for such period.

“Obligation Payments” means AV Obligation Payments and Revenue Obligation Payments.

“Obligation Reserve Fund” means, with respect to an Obligation, any debt service reserve fund or account established to secure the payment of Obligation Payments with respect to such Obligation.

“Obligation Trustee” means, with respect to an Obligation, the trustee, fiscal agent or other fiduciary authorized to act for the benefit and on behalf of the owners of such Obligation or the owners of interests in such Obligation, as the case may be.

“Obligations” means AV Obligations and Revenue Obligations.

“Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California or such other or additional offices as may be specified to the Authority by the Trustee in writing and, with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Operating Revenues” means, for any period, all income and revenue received by the District from the operation or ownership of the Sewerage System, determined in accordance with Generally Accepted Accounting Principles, including all rates and charges received by the District for the services of the Sewerage System, investment income (to the extent generally available to pay costs with respect to the Sewerage System) and all other money howsoever derived by the District from the operation or ownership of the Sewerage System or arising from the Sewerage System, together with Ad Valorem Taxes received by the District during such period and remaining after paying, or making provision for the payment of, AV Obligations, but excluding (a) Connection Fees, (b) payments received under Financial Contracts, (c) refundable deposits made to establish credit and advances or contributions in aid of construction, and (d) ad valorem taxes to the extent required by law to pay any voter approved general obligation indebtedness of the District.

“Opinion of Counsel” means a written opinion of Bond Counsel.

“Option Obligations” means Obligations which by their terms, or by the terms of the instrument pursuant to which they were incurred, may be or are required to be tendered by and at the option of the holder thereof for payment or purchase by the District or a third party prior to the stated maturity thereof.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the disqualified Bond provisions of the Indenture) all Bonds theretofore or thereupon executed by the Authority and authenticated and delivered by the Trustee pursuant to the Indenture, except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation, (b) Bonds paid or deemed to have been paid within the meaning of the Indenture, and (c) Bonds in lieu of which other Bonds shall have been executed by the Authority and authenticated and delivered pursuant to the Indenture.

“Owner” means any Person who shall be the registered owner of any Outstanding Bond, as shown on the Registration Books.

“Participant” means any entity which is recognized as a participant by DTC in the book-entry system of maintaining records with respect to Book-Entry Bonds.

“Participating Underwriter” has the meaning ascribed to such term in the Continuing Disclosure Agreement.

“Payment Date” means March 15 and September 15 of each year, commencing March 15, 2017.

“Permitted Investments” means any of the following to the extent then permitted by law:

(a) United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations of, or obligations guaranteed directly or indirectly by, the United States of America or securities or other instruments evidencing ownership interests in such obligations or in specified portions of the interest on or principal of such obligations;

(b) Obligations issued by the Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation, the Federal Farm Credit Bank or the Tennessee Valley Authority, or (ii) obligations, participations or other instruments of or issued by, or fully guaranteed as to interest and principal, the Federal National Mortgage Association (excluding stripped mortgage backed securities which are valued at greater than par on the unpaid principal), or (iii) guaranteed portions of Small Business Administration notes, or (iv) obligations, participations or other instruments of or issued by a federal agency or a United States of America government-sponsored enterprise;

(c) Commercial paper at the time of investment of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by Moody’s and S&P, which commercial paper is limited to issuing authorities that are organized and operating within the United States of America and that have total assets in excess of \$500,000,000 and that have an “A” or higher rating for the issuer’s unsecured debentures, other than commercial paper, as provided by Moody’s and S&P; provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10% of the outstanding commercial paper of an issuing authority;

(d) Certificates of deposit, whether negotiable or non-negotiable, issued by a state or national bank (including the Trustee, its parent and their affiliates) or a state or federal savings and loan association, provided that such certificates of deposit shall be either (i) continuously and fully insured by the Federal Deposit Insurance Corporation, or (ii) have maturities of not more than 365 days and issued by any state or national bank or a state or federal savings and loan association, the short term obligations of which are rated in the highest short term letter and numerical rating category by Moody’s and S&P;

(e) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System. Purchases of bankers acceptances may not exceed 270 days maturity;

(f) Any repurchase agreement with any state or national bank (including the Trustee) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is either (i) with any institution which has debt rated no lower than “A” and “A” or whose commercial paper is rated no lower than “A-1” and “Prime-1” by Moody’s and S&P, respectively, (ii) with any authority or other entity that falls under the jurisdiction of the Federal Bankruptcy Code, provided that (A) the term of such repurchase agreement is less than one year or due on demand, (B) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral, (C) the market value of the collateral is maintained at levels acceptable to Moody’s and S&P as evidenced by a Written Certificate of the Districts delivered to the Trustee, (D) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral immediately, (E) the repurchase agreement securities must be either obligations of, or fully guaranteed as to principal and interest by, the United States of America or any agency of the United States of America, certificates of deposit or bankers’ acceptances, and (F) repurchase agreement securities are free and clear of any third-party lien or claim, or (iii) with financial institutions insured by the Federal Deposit Insurance Corporation, or any broker-dealer with “retail customers” which falls under the jurisdiction of the Securities Investors Protection Corporation, provided that (A) the market value of the collateral is maintained at levels acceptable to Moody’s and S&P as evidenced by a Written Certificate of the Districts delivered to the Trustee, (B) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral, (C) the Trustee has a perfected first priority security interest in the collateral, (D) the collateral is free and clear of third-party liens and in the case

of a Securities Investors Protection Corporation broker was not acquired pursuant to a repurchase agreement or reverse repurchase agreement; and (E) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral immediately;

(g) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State of California or of any political subdivision or public agency thereof which are in the highest short-term rating category or within one of the three highest long term rating categories of Moody's and S&P (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(h) For amounts less than \$10,000: interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank, or state or federal savings and loan association in the State of California, fully insured by the Federal Deposit Insurance Corporation, including the Trustee, its parent and their affiliates;

(i) Investments in taxable money market funds or portfolios restricted to obligations maturing in one year or less and which funds or portfolios are rated in either of the two highest rating categories by Moody's or S&P, or have or are portfolios guaranteed as to payment of principal and interest by the full faith and credit of the United States of America including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services;

(j) Guaranteed investment contracts or funding agreements (in either case approved for investment under the Indenture by Moody's and S&P as evidenced by a Written Certificate of the Districts delivered to the Trustee) with insurance companies, rated "Aa" and "AA" as to claims paying ability by Moody's and S&P, respectively, such agreements with securities dealers, commercial banks or insurance companies, the long term unsecured obligations of which are rated within one of the three highest long term rating categories of Moody's and S&P, or such agreements the obligations of such securities dealers, commercial banks or insurance companies under which are guaranteed by a Person the long term unsecured obligations of which are rated within one of the three highest long term rating categories of Moody's and S&P;

(k) Investments in the Local Agency Investment Fund created pursuant to Section 16429.1 of the California Government Code provided, however, that the Trustee may restrict investments in the Local Agency Investment Fund if required to keep monies available for the purposes of the Indenture;

(l) The Los Angeles County Treasurer's Office Pooled Surplus Investment Fund; provided, however, that such investments may be acquired and withdrawn in the name of the Trustee only, and that such investments may be freely withdrawn when required for the purpose of the Indenture;

(m) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code, which invests exclusively in investments permitted by Section 53635 of the California Government Code as it may be amended; and

(n) A demand purchase or put agreement or contract with a state or national bank, the long term unsecured debt of which is rated no lower than "Aa" and "AA" by Moody's and S&P, respectively, which agreement or contract provides that such bank will purchase from the Trustee, at no less than the original purchase price thereof, Permitted Investments described in paragraph (a) or (b), above, held in a fund or account established under the Indenture, such purchase to be made whenever the moneys made available by such purchase are required for the purposes of such fund or account and the Trustee so demands.

“Person” means an individual, a corporation, a partnership, an association, a limited liability company, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Prior 2005 Bonds” means the Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2005 Series A (District No. 20 Subordinate Revenue Bonds) issued under and pursuant to the Prior 2005 Bonds Indenture.

“Prior 2005 Bonds Indenture” means the Indenture, dated as of June 1, 2005, by and between the Authority and The Bank of New York Trust Company, N.A., as trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

“Prior 2005 Bonds Trustee” means The Bank of New York Mellon Trust Company, N.A., as successor trustee under the Prior 2005 Bonds Indenture.

“Prior 2007 Bonds” means the Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2007 Series A (District No. 20 Subordinate Revenue Bonds) issued under and pursuant to the Prior 2007 Bonds Indenture.

“Prior 2007 Bonds Escrow Agreement” means the Prior 2007 Bonds Escrow Agreement, dated as of November 1, 2016, by and between the Authority and the Prior 2007 Bonds Escrow Bank, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

“Prior 2007 Bonds Escrow Bank” means The Bank of New York Mellon Trust Company, N.A., as prior trustee and as Prior 2007 Bonds Escrow bank under the Prior 2007 Bonds Escrow Agreement, and any successor thereto.

“Prior 2007 Bonds Indenture” means the Indenture, dated as of March 1, 2007, by and between the Authority and The Bank of New York Trust Company, N.A., as trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

“Purchased Improvements” means the improvements to the Sewerage System described in the Installment Purchase Agreement.

“Rebate Requirement” has the meaning ascribed to such term in the Tax Certificate.

“Record Date” means the fifteenth day of the month preceding an Interest Payment Date, whether or not such day is a Business Day.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

“Reserve Facility” with respect to the Installment Purchase Agreement, means any line of credit, letter of credit, insurance policy, surety bond or other credit source deposited in lieu of cash in an Obligation Reserve Fund.

“Reserve Facility Agreement” means the contract or agreement entered into by the District and the issuer of a Reserve Facility in connection with the issuance of such Reserve Facility providing for the reimbursement of such issuer for claims paid under such Reserve Facility, the payment of interest on the amounts so paid and the payment of reasonable costs, expenses and other amounts.

“Reserve Facility Costs” means, with respect to a Reserve Facility, interest on any claims paid under such Reserve Facility, as provided therein or in Reserve Facility Agreement entered into by the District and the

issuer of such Reserve Facility in connection with the issuance of such Reserve Facility and any other amounts payable to such issuer pursuant to such Reserve Facility or such Reserve Facility Agreement; provided, however, that Reserve Facility Costs shall not include amounts to reimburse such issuer for claims paid under such Reserve Facility.

“Revenue Obligation Payments” means Senior Revenue Obligation Payments and Subordinate Revenue Obligation Payments.

“Revenue Obligations” means Senior Revenue Obligations and Subordinate Revenue Obligations.

“Revenues” means, for any period, all income and revenue received by the District from the operation or ownership of the Sewerage System, determined in accordance with Generally Accepted Accounting Principles, including all rates and charges received by the District for the services of the Sewerage System, investment income (to the extent generally available to pay costs with respect to the Sewerage System) and all other money howsoever derived by the District from the operation or ownership of the Sewerage System or arising from the Sewerage System, together with (a) Ad Valorem Taxes received by the District during such period remaining after paying, or making provision for the payment of, AV Obligations, (b) Connection Fees collected during such period to the extent that such Connection Fees could be properly applied to the payment of, or loaned from the District’s Capital Improvement Fund for the payment of, outstanding Obligations, and (c) amounts, if any, transferred during such period from the Rate Stabilization Account to the Revenue Account, but excluding (i) payments received under Financial Contracts, (ii) refundable deposits made to establish credit and advances or contributions in aid of construction, and (iii) ad valorem taxes to the extent required by law to pay any voter approved general obligation indebtedness of the District.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Senior AV Obligation Payments” means the installment, lease or other payments of interest and principal or, if there are no separate payments of interest and principal, the installment, lease or other payments, payable by the District under and pursuant to Senior AV Obligations.

“Senior AV Obligations” means the Joint Acquisition Agreements and all contracts or leases of the District authorized and executed by the District under and pursuant to applicable law, the installment, lease or other payments under which are payable, first, from Ad Valorem Taxes on a parity with the JAA Installment Payments and, second, to the extent that such Ad Valorem Taxes are insufficient therefor, from Net Revenues on a parity with the Senior Obligation Payments.

“Senior District Bonds” means all revenue bonds or notes of the District authorized, executed, issued and delivered under and pursuant to applicable law, the payments of which are made from the Net Revenues on a parity with the Senior Revenue Contract Payments and the portion, if any, of the AV Obligation Payments not paid from Ad Valorem Taxes. The term “Senior District Bonds” includes, but is not limited to, obligations in the form of bonds, notes, bond anticipation notes, and commercial paper.

“Senior Obligation Payments” means Senior AV Obligation Payments, Subordinate AV Obligation Payments and Senior Revenue Obligation Payments.

“Senior Obligations” means Senior AV Obligations, Subordinate AV Obligations and Senior Revenue Obligations.

“Senior Revenue Contract Payments” means the installment, lease or other payments of interest and principal or, if there are no separate payments of interest and principal, the installment, lease or other payments, payable by the District under and pursuant to Senior Revenue Contracts.

“Senior Revenue Contracts” means all contracts or leases of the District authorized and executed by the District under and pursuant to applicable law, the installment, lease or other payments under which are payable from the Net Revenues on a parity with the Senior District Bonds and the portion, if any, of the AV Obligations not paid from Ad Valorem Taxes.

“Senior Revenue Obligation Payments” means the debt service payments payable by the District under and pursuant to Senior District Bonds and Senior Revenue Contract Payments.

“Senior Revenue Obligations” means Senior District Bonds and Senior Revenue Contracts.

“Serial Bonds” means Bonds designated as Serial Bonds in the Indenture, for which no sinking fund payments are provided.

“Sewerage System” means the whole and each and every part of the wastewater collection, conveyance, treatment and disposal facilities of the District, all real and personal property, or any interest therein, constituting a part thereof and all additions, improvements, betterments and extensions thereto whether presently existing or hereafter acquired, constructed or installed.

“Short-Term Obligations” means Obligations having an original maturity of less than or equal to one year and which are not renewable at the option of the District for a term greater than one year beyond the date of original incurrence.

“State” means the State of California.

“State Loan” means the loan evidenced by the Project Finance Agreement (State Revolving Fund Project No. C-06-4746-110; Agreement No. 09-852-550), dated July 7, 2009, between the District and the State Water Resources Control Board, an administrative and regulatory agency of the State of California, as amended to date.

“Subordinate AV Obligation Payments” means the installment, lease or other payments of interest and principal or, if there are no separate payments of interest and principal, the installment, lease or other payments, payable by the District under and pursuant to Subordinate AV Obligations.

“Subordinate AV Obligations” means all contracts or leases of the District authorized and executed by the District under and pursuant to applicable law, the installment, lease or other payments under which are payable, first, from Ad Valorem Taxes remaining after payment therefrom of the Senior AV Obligation Payments and, second, to the extent that such Ad Valorem Taxes are insufficient therefor, from Net Revenues on a parity with the Senior Obligation Payments.

“Subordinate District Bonds” means all revenue bonds or notes of the District authorized, executed, issued and delivered under and pursuant to applicable law, the payments of which are made from the Net Revenues remaining after payment therefrom of the Senior Obligation Payments, on a parity with the Subordinate Revenue Contract Payments. The term “Subordinate District Bonds” includes, but is not limited to, obligations in the form of bonds, notes, bond anticipation notes, and commercial paper.

“Subordinate Revenue Contract Payments” means the installment, lease or other payments of interest and principal or, if there are no separate payments of interest and principal, the installment, lease or other payments, payable by the District under and pursuant to Subordinate Revenue Contracts.

“Subordinate Revenue Contracts” means the Installment Purchase Agreement and all contracts or leases of the District authorized and executed by the District under and pursuant to applicable law, the installment, lease or other payments under which are payable from the Net Revenues remaining after payment therefrom of the Senior Obligation Payments, on a parity with the Subordinate District Bonds.

“Subordinate Revenue Obligation Payments” means the debt service payments payable by the District under and pursuant to Subordinate District Bonds and Subordinate Revenue Contract Payments.

“Subordinate Revenue Obligations” means Subordinate District Bonds and Subordinate Revenue Contracts.

“Supplemental Indenture” means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Support Payment Due Date” means the date ten days after each Payment Date.

“Support Payments” means the District’s Additional Installment Payments and any similar payments required to be made by the District pursuant to the terms of an Obligation of the District in the event that any other District fails to pay any Obligation Payment required to be paid by such other District on the applicable Payment Date.

“Tax Certificate” means the Tax Certificate and Agreement executed by the Authority and the District at the time of issuance of the Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

“Term Bonds” means Bonds designated as Term Bonds in the Indenture, which are payable on or before their specified maturity dates from mandatory sinking fund redemption payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Trustee” means U.S. Bank National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America, or any successor thereto as Trustee under the Indenture, substituted therefor as provided therein.

“Variable Rate Indebtedness” means any portion of any Obligation the interest rate on which is not established at the time of incurring such Obligation and has not, at some subsequent date, been established at a rate which is not subject to fluctuation or subsequent adjustment.

“Written Certificate” and **“Written Request”** mean (a) with respect to the Authority, a written certificate or written request, respectively, signed in the name of the Authority by an Authorized Representative of the Authority, and (b) with respect to the District, a written certificate or written request, respectively, signed in the name of the District by an Authorized Representative of the District. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

INSTALLMENT PURCHASE AGREEMENT

Representations and Warranties

Representations and Warranties of the District. The District represents and warrants that:

(a) the District is a county sanitation district organized and existing under the laws of the State of California;

(b) that the District has full legal right, power and authority to enter into the Installment Purchase Agreement and carry out its obligations under the Installment Purchase Agreement and to carry out and consummate all transactions contemplated by the Installment Purchase Agreement, and the District has complied with the provisions of applicable law in all matters relating to such transactions;

(c) by proper action, the District has duly authorized the execution, delivery and due performance of the Installment Purchase Agreement;

(d) the execution and delivery of the Installment Purchase Agreement and the consummation of the transactions contemplated in the Installment Purchase Agreement will not violate, in a manner that would materially adversely affect the District's ability to perform its obligations under the Installment Purchase Agreement, any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the District is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, which conflict, breach or default would materially adversely affect the District's ability to perform its obligations under the Installment Purchase Agreement, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the District which lien, charge or encumbrance would materially adversely affect the District's ability to perform its obligations under the Installment Purchase Agreement; and

(e) the District has determined that it is necessary and proper for District uses and purposes within the terms of applicable law that the District acquire the Purchased Improvements in the manner provided for in the Installment Purchase Agreement, in order to provide essential services and facilities to the persons residing in the District.

Representations and Warranties of the Authority. The Authority represents and warrants that:

(a) the Authority is a joint exercise of powers authority organized and existing under the laws of the State of California;

(b) the Authority has full legal right, power and authority to enter into the Installment Purchase Agreement and to carry out and consummate all transactions contemplated by the Installment Purchase Agreement, and the Authority has complied with the provisions of applicable law in all matters relating to such transactions;

(c) by proper action, the Authority has duly authorized the execution, delivery and due performance of the Installment Purchase Agreement; and

(d) the execution and delivery of the Installment Purchase Agreement and the consummation of the transactions contemplated in the Installment Purchase Agreement will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Authority is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority.

Purchase of Purchased Improvements by, and Sale Thereof to, the Authority; Payment

Purchase and Sale of Purchased Improvements. The District represents and warrants that it is the sole and exclusive owner of the Purchased Improvements. The Authority, as provided in the Installment Purchase Agreement, purchases from the District, and the District, as provided in the Installment Purchase Agreement, sells to the Authority, the Purchased Improvements in accordance with the provisions of the Installment Purchase Agreement. All right, title and interest in the Purchased Improvements shall immediately vest in the Authority on the Closing Date without further action on the part of the Authority or the District.

Payment. On the Closing Date, the Authority shall pay to the District, as and for the purchase price of the Purchased Improvements, the amount to be set forth in the Installment Purchase Agreement, which amount shall be paid from the proceeds of the Authority Bonds, and which the District directs shall be applied as provided in the Indenture.

Purchase and Sale of Purchased Improvements; Payments

Purchase and Sale of Purchased Improvements. The District, as provided in the Installment Purchase Agreement, purchases from the Authority, and the Authority, as provided in the Installment Purchase Agreement, sells to the District, for the Installment Payments, the Purchased Improvements in accordance with the provisions of the Installment Purchase Agreement. All right, title and interest in the Purchased Improvements shall immediately vest in the District on the Closing Date without further action on the part of the District or the Authority.

Installment Payments; Subordinate Revenue Obligation. The District shall pay to the Authority the Installment Payments at the times and in the amounts provided in the Installment Purchase Agreement. The Installment Payments shall be paid from Net Revenues after the payment or setting aside therefrom of amounts required for the payment of Debt Service on Senior Obligations and amounts required to build up or replenish Obligation Reserve Funds for Senior Obligations. The amount of the Installment Payment payable by the District shall be equal to the interest on, or the principal of (including mandatory sinking fund redemptions) and interest on, as applicable, the Authority Bonds due on the following Interest Payment Date. Pursuant to the Indenture, the Installment Payments are to be applied to the payment of the principal of (including mandatory sinking fund redemptions) and interest on the Authority Bonds, and the Installment Payments shall be made in amounts that are sufficient, but no more than sufficient, to pay the scheduled payments of principal of (including mandatory sinking fund redemptions) and interest on the Outstanding Authority Bonds. If and to the extent that, on any Payment Date, there are amounts on deposit in the Payment Fund established under the Indenture, said amounts shall be credited against the Installment Payment due on such date. Each Installment Payment shall be paid to the Trustee, as assignee of the Authority, no later than the applicable Payment Date, in lawful money of the United States of America, in funds which will be available not later than the Business Day following payment.

The Installment Purchase Agreement constitutes a Subordinate Revenue Contract and, consequently, a Subordinate Revenue Obligation. The Installment Payments constitute Subordinate Revenue Contract Payments and, consequently, Subordinate Revenue Obligation Payments.

Late Payments. In the event the District fails to make any of the payments required to be made by it under the Installment Purchase Agreement, such payment shall continue as an obligation of the District until such amount shall have been fully paid and, to the extent permitted by law, the District agrees to pay the same with interest accruing thereon at a rate per annum equal to LIBOR, plus 0.50%.

Obligation Absolute. The obligation of the District to make the Installment Payments and other payments required to be made by it under the provisions of the Installment Purchase Agreement summarized under the heading “INSTALLMENT PURCHASE AGREEMENT – Purchase and Sale of Purchased Improvements; Payments,” from Net Revenues as described therein, is absolute and unconditional, and until

such time as the Installment Payments and such other payments shall have been paid in full (or the agreements, covenants and other obligations of the District under the Installment Purchase Agreement have been discharged and satisfied pursuant to the Installment Purchase Agreement), the District shall not discontinue or suspend any Installment Payments or other payments required to be made by it under the Installment Purchase Agreement when due, whether or not the Purchased Improvements or any part thereof are operating or operable, or their use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such Installment Payments and other payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Pledges; Funds and Accounts

Pledge of Ad Valorem Taxes. Pursuant to the Joint Acquisition Agreements, the District has pledged all of the Ad Valorem Taxes to the payment of the Senior AV Obligations as provided therein, and the Ad Valorem Taxes shall not be used for any other purpose while any of the Senior AV Obligations remain unpaid; provided, however, that out of the Ad Valorem Taxes there may be apportioned such sums for such purposes as are expressly permitted thereby. Such pledge constitutes a first lien on Ad Valorem Taxes for the payment of the Senior AV Obligations.

The District may, in connection with the incurrence of Subordinate AV Obligations, pledge the Ad Valorem Taxes to the payment of the Subordinate AV Obligations; provided, however, that such pledge, and any lien created thereby, shall be junior and subordinate to the pledge of, and lien on, the Ad Valorem Taxes for the payment of the Senior AV Obligations.

Pledge of Net Revenues. Pursuant to the Joint Acquisition Agreements, the District has pledged all of the Net Revenues to the payment of the Senior Obligations as provided therein, and the Net Revenues shall not be used for any other purpose while any of the Senior Obligations remain unpaid; provided, however, that out of the Net Revenues there may be apportioned such sums for such purposes as are expressly permitted thereby. Such pledge constitutes a first lien on Net Revenues for the payment of the Senior Obligations.

The District, as provided in the Installment Purchase Agreement, pledges all of the Net Revenues to the payment of the Subordinate Obligations as provided in the Joint Acquisition Agreements and in the Installment Purchase Agreement, and the Net Revenues shall not be used for any other purpose while any of the Subordinate Obligations remain unpaid; provided, however, that out of the Net Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Joint Acquisition Agreements and as provided in the Installment Purchase Agreement. Such pledge, and the lien created thereby, shall be junior and subordinate to the pledge of, and lien on, the Net Revenues for the payment of the Senior Obligations but shall be senior to the pledge of, and lien on, the Net Revenues for the reimbursement of claims paid under Reserve Facilities and the payment of Reserve Facility Costs.

The District, as provided in the Installment Purchase Agreement, pledges all of the Net Revenues to the reimbursement of claims paid under Reserve Facilities and the payment of Reserve Facility Costs as provided in the Installment Purchase Agreement, and the Net Revenues shall not be used for any other purpose while any of such claims or Reserve Facility Costs remain unpaid; provided, however, that out of the Net Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Joint Acquisition Agreements and under the Installment Purchase Agreement. Such pledge, and the lien created thereby, shall be junior and subordinate to the pledge of, and lien on, the Net Revenues for the payment of the Senior Obligations and the pledge of, and lien on, the Net Revenues for the payment of the Subordinate Obligations.

Establishment of Funds and Accounts. Pursuant to the Joint Acquisition Agreements, the District has agreed, and the District, as provided in the Installment Purchase Agreement, agrees, to establish and maintain within its treasury, so long as any Obligations remain outstanding, an Operating Fund and a Capital

Improvement Fund. Subject to the provisions thereof, pursuant to the Joint Acquisition Agreements, the District has agreed, and, subject to the provisions of the following paragraph, the District, as provided in the Installment Purchase Agreement, agrees, to establish and maintain within the Operating Fund, so long as any Obligations remain outstanding, the following accounts:

- (a) Ad Valorem Tax Account;
- (b) Senior AV Obligation Payment Account;
- (c) Subordinate AV Obligation Payment Account;
- (d) Revenue Account;
- (e) Senior Revenue Obligation Payment Account;
- (f) Subordinate Revenue Obligation Payment Account;
- (g) Rate Stabilization Account; and
- (h) Surplus Account.

Notwithstanding the foregoing, the District need not establish a Subordinate AV Obligation Payment Account unless and until it has incurred Subordinate AV Obligations; the District need only establish a Rate Stabilization Account if and when it deems the establishment of such account to be necessary or appropriate for the management of its financial affairs.

Allocation of Ad Valorem Taxes. The District, in order to carry out and effectuate the pledge contained in the Joint Acquisition Agreements, has agreed and covenanted, and, as provided in the Installment Purchase Agreement, agrees and covenants, that all Ad Valorem Taxes received by it shall be deposited when and as received in the Ad Valorem Tax Account. The District shall set aside and deposit or transfer, as the case may be, from the Ad Valorem Tax Account the amounts set forth below at the following times and in the following order of priority:

(a) **Senior AV Obligation Payment Account.** On or before each Payment Date, the District shall transfer to the Senior AV Obligation Payment Account legally available Ad Valorem Taxes in an amount which, together with other amounts on deposit therein, is at least equal to Debt Service due and payable on all outstanding Senior AV Obligations before the following Payment Date; provided, however, that no such deposit need be made if amounts on deposit in such Senior AV Obligation Payment Account are at least equal to the amount of such Debt Service.

(b) **Subordinate AV Obligation Payment Account.** After having made the deposit to the Senior AV Obligation Payment Account required by paragraph (a), above, the District shall, on or before each Payment Date, transfer to the Subordinate AV Obligation Payment Account legally available Ad Valorem Taxes in an amount which, together with other amounts on deposit therein, is at least equal to Debt Service due and payable on all outstanding Subordinate AV Obligations before the following Payment Date; provided, however, that no such deposit need be made if amounts on deposit in such Subordinate AV Obligation Payment Account are at least equal to the amount of such Debt Service.

(c) **Revenue Account.** On October 1 of each year, the District shall transfer any amount remaining in the Ad Valorem Tax Account to the Revenue Account; provided, however, that if on any date during the Bond Year ending on such October 1 the amount on deposit in the District's Ad Valorem Tax Account, together with amounts transferred during such Bond Year to the Senior AV Obligation Payment Account and the Subordinate AV Obligation Payment Account, is greater than Debt Service for the 12 month period ending on the following October 1 on all of the outstanding Senior AV Obligations and Subordinate AV Obligations, any or all of such amount in excess of such Debt Service may be transferred to the District's Revenue Account.

Allocation of Revenues. The District, in order to carry out and effectuate the pledge contained in the Joint Acquisition Agreements, has agreed and covenanted and, in order to carry out and effectuate such pledge

and the pledge as described under the heading “INSTALLMENT PURCHASE AGREEMENT – Pledges; Funds and Accounts – Pledge of Net Revenues, “ the District, as provided in the Installment Purchase Agreement, agrees and covenants that all Operating Revenues received by it shall be deposited when and as received in the Revenue Account. The District shall pay from the Revenue Account all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operations Costs), the payment of which is not immediately required) as and when the same shall be due and payable.

After having paid, or having made provision for the payment of, Maintenance and Operation Costs, the District shall set aside and deposit or transfer, as the case may be, from the Revenue Account the amounts set forth below at the following times and in the following order of priority:

(a) Senior Revenue Obligation Payment Account/Senior AV Obligation Payment Account/Subordinate AV Obligation Payment Account. On or before each Payment Date, the District shall transfer legally available Net Operating Revenues (i) to the Senior Revenue Obligation Payment Account, an amount which, together with other amounts on deposit therein, is at least equal to Debt Service due and payable on all Senior Revenue Obligations before the following Payment Date; provided, however, that no such deposit need be made if the amounts on deposit in such Senior Revenue Obligation Payment Account are at least equal to the amount of such Debt Service, (ii) to the Senior AV Obligation Payment Account, an amount which, together with other amounts on deposit therein, is at least equal to Debt Service due and payable on Senior AV Obligations before the following Payment Date; provided, however, that no such deposit need be made if the amounts on deposit in such Senior AV Obligation Payment Account are at least equal to the amount of such Debt Service, and (iii) to the Subordinate AV Obligation Payment Account, an amount which, together with other amounts on deposit therein, is at least equal to Debt Service due and payable on Subordinate AV Obligations before the following Payment Date; provided, however, that no such deposit need be made if the amounts on deposit in such Subordinate AV Obligation Payment Account are at least equal to the amount of such Debt Service. Transfers to be made by the District to the Senior AV Obligation Payment Account and Subordinate AV Obligation Payment Account on or before each Payment Date shall be made, first, from the Ad Valorem Tax Account and, second, to the extent that amounts in the Ad Valorem Tax Account are not sufficient, therefor from the Revenue Account.

If the District is notified that it is required to make a Support Payment for a Senior Obligation, then on or before the applicable Support Payment Due Date, the District shall transfer legally available Net Operating Revenues (i) if such Support Payment relates to Senior Revenue Obligations, to the Senior Revenue Obligation Payment Account, an amount equal to such Support Payment, (ii) if such Support Payment relates to Senior AV Obligations, to the Senior AV Obligation Payment Account, an amount equal to such Support Payment, and (iii) if such Support Payment relates to Subordinate AV Obligations, to the Subordinate AV Obligation Payment Account, an amount equal to such Support Payment.

In the event that the District has insufficient Net Operating Revenues to make all of the transfers contemplated by the provisions in this subsection (a), then such transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Senior Revenue Obligations, Senior AV Obligations and Subordinate AV Obligations, payments with respect to which are required to be made.

(b) Senior Obligation Reserve Funds. After having made the transfers required by subsection (a), above, the District shall, on or before each Payment Date, transfer to each Obligation Trustee for Senior Obligations, for deposit in the applicable Obligation Reserve Fund, legally available Net Operating Revenues in an amount equal to the amount, if any, required to be deposited therein to build up or replenish such Obligation Reserve Fund as and to the extent required by the applicable instrument pursuant to which such Senior Obligation was incurred. In the event that there

are insufficient Net Operating Revenues to make all of the transfers contemplated by this subsection (b), then said transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Senior Obligations, deposits to the Obligation Reserve Funds for which are required to be made.

(c) Subordinate Revenue Obligation Payment Account. After having made the transfers required by subparagraphs (a) and (b), above, on or before each Payment Date, the District shall transfer legally available Net Operating Revenues to the Subordinate Revenue Obligation Payment Account in an amount which, together with other amounts on deposit therein, is at least equal to Debt Service due and payable on all Subordinate Revenue Obligations before the following Payment Date; provided, however, that no such deposit need be made if the amounts on deposit in such Subordinate Revenue Obligation Payment Account are at least equal to the amount of such Debt Service.

If the District is notified that it is required to make a Support Payment for a Subordinate Obligation, then on or before the date such Support Payment is due, the District shall transfer legally available Net Operating Revenues to the Subordinate Revenue Obligation Payment Account in an amount equal to such Support Payment.

In the event that the District has insufficient Net Revenues to make all of the transfers contemplated by this subsection (c) then such transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Subordinate Revenue Obligations, payments with respect to which are required to be made.

(d) Subordinate Revenue Obligation Reserve Funds. After having made the transfers required by subparagraphs (a), (b) and (c), above, the District shall, on or before each Payment Date, transfer to each Obligation Trustee for Subordinate Revenue Obligations, for deposit in the applicable Obligation Reserve Fund, legally available Net Operating Revenues in an amount equal to the amount, if any, required to be deposited therein to build up or replenish such Obligation Reserve Fund, as and to the extent required by the applicable instrument pursuant to which such Subordinate Revenue Obligation was incurred, and to reimburse the issuer of any Reserve Facility on deposit in such Obligation Reserve Fund for any claims paid thereunder, as and to the extent required by the Reserve Facility Agreement pursuant to which such Reserve Facility was issued. In the event that there are insufficient Net Operating Revenues to make all of the transfers contemplated by this subsection (d), then said transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Subordinate Revenue Obligations, deposits to the Obligation Reserve Funds for which are required to be made.

(e) Rate Stabilization Account. After having made the transfers required by subparagraphs (a), (b), (c) and (d), above, the District may, on or before the Interest Payment Date immediately following the date on which said transfers are required to be made, transfer all or a portion of the Net Operating Revenues remaining in the Revenue Account to the Rate Stabilization Account; provided, however, that the District shall not make any such transfer to the Rate Stabilization Account if and to the extent that such transfer would result in there being insufficient amounts in the Surplus Account to pay Reserve Facility Costs then due and payable.

(f) Surplus Account. After having made the transfers required or permitted by subparagraphs (a), (b), (c), (d) and (e), above, the District shall, on or before the Interest Payment Date immediately following the date on which said transfers are required to be made, transfer all of the Net Operating Revenues remaining in the Revenue Account to the Surplus Account.

Allocation of Connection Fees. The District, in order to carry out and effectuate the pledge contained in the Joint Acquisition Agreements, has agreed and covenanted and, in order to carry out and effectuate such pledge and the pledge as described under the heading "INSTALLMENT PURCHASE

AGREEMENT – Pledges; Funds and Accounts – Pledge of Net Revenues,” the District, as provided in the Installment Purchase Agreement, agrees and covenants that all Connection Fees received by it shall be deposited when and as received in the Capital Improvement Fund. The District shall apply the Connection Fees on deposit in the Capital Improvement Fund to (a) the payment of the costs of acquiring, constructing and installing improvements to the Sewerage System, and (b) if permissible, the making of loans to pay other costs of acquiring, constructing and installing improvements to the Sewerage System. Additionally, to the extent that there are insufficient Net Operating Revenues to make all of the transfers required by subparagraphs (a), (b), (c) and (d) appearing under the heading “INSTALLMENT PURCHASE AGREEMENT – Pledges; Funds and Accounts – Allocation of Revenues,” such Connection Fees shall be set aside and deposited, and, if necessary and permissible, loaned, as the case may be, to make up the deficiencies in the transfers of Net Operating Revenue, in the order of priority specified under the heading “INSTALLMENT PURCHASE AGREEMENT – Pledges; Funds and Accounts – Allocation of Revenues.”

Senior AV Obligation Payment Account. During the period from each Payment Date to the day preceding the following Payment Date, the District shall transfer from the Senior AV Obligation Payment Account to the appropriate entity, the Senior AV Obligation Payments as and when due and payable, as required by the instrument pursuant to which such Senior AV Obligations were incurred. In the event there are insufficient amounts on deposit in the Senior AV Obligation Payment Account to make all of the payments contemplated by the preceding sentence, then said payments shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Senior AV Obligation Payments due and payable during such period.

Subordinate AV Obligation Payment Account. During the period from each Payment Date to the day preceding the following Payment Date, the District shall transfer from the Subordinate AV Obligation Payment Account to the appropriate entity the Subordinate AV Obligation Payments as and when due and payable, as required by the instrument pursuant to which such Subordinate AV Obligations were incurred. In the event there are insufficient amounts on deposit in the Subordinate AV Obligation Payment Account to make all of such Subordinate AV Obligation Payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Subordinate AV Obligation Payments due and payable during such period.

Senior Revenue Obligation Payment Account. During the period from each Payment Date to the day preceding the following Payment Date, the District shall transfer from the Senior Revenue Obligation Payment Account to the appropriate entity the Senior Revenue Obligation Payments as and when due and payable, as required by the instrument pursuant to which such Senior Revenue Obligations were incurred. In the event there are insufficient amounts on deposit in the Senior Revenue Obligation Payment Account to make all of such Senior Revenue Obligation Payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Senior Revenue Obligation Payments due and payable during such period.

Subordinate Revenue Obligation Payment Account. During the period from each Payment Date to the day preceding the following Payment Date, the District shall transfer from the Subordinate Revenue Obligation Payment Account (a) to the Trustee on said Payment Date, the Installment Payment then due and payable, and (b) to the appropriate entity, the Subordinate Revenue Obligation Payments (other than the Installment Payments) as and when due and payable, as required by the instrument pursuant to which such Subordinate Revenue Obligations were incurred. In the event there are insufficient amounts on deposit in the Subordinate Revenue Obligation Payment Account to make all of such Subordinate Revenue Obligation Payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Installment Payments and Subordinate Revenue Obligation Payments due and payable during such period.

Surplus Account. Amounts on deposit in the Surplus Account shall be used to pay Reserve Facility Costs as and when the same are due and payable and may from time to time be used for any other purposes for which District funds may be legally applied.

Additional Obligations

No Additional AV Obligations or Senior Revenue Obligations Except for Refunding. The District shall not incur Additional AV Obligations or Senior Revenue Obligations; provided, however, that, notwithstanding the foregoing, the District may incur Additional AV Obligations or Senior Revenue Obligations for the exclusive purpose of refunding a Joint Acquisition Agreement, and the District's JAA Installment Payments payable thereunder, provided:

(a) There shall not have occurred and be continuing an Event of Default under the Installment Purchase Agreement.

(b) The District provides to each Obligation Trustee for Obligations a Written Certificate of the District demonstrating that the present value of Assumed Debt Service on the refunding Additional AV Obligations or Senior Revenue Obligations, as applicable, through maturity will be less than the present value of Assumed Debt Service on the Joint Acquisition Agreements, and the District's JAA Installment Payments payable thereunder, through maturity.

(c) The Support Payments, if any, payable by the District in connection with such Additional AV Obligations or Senior Revenue Obligations, as applicable, shall be payable only on Support Payment Due Dates.

(d) Any required transfer of Net Revenues for replenishment of an Obligation Reserve Fund for such Additional AV Obligations or Senior Revenue Obligations, other than from delinquent AV Obligation Payments or Senior Revenue Obligation Payments, respectively, with respect thereto, shall occur only on Payment Dates.

(e) If such Obligations are Additional AV Obligations, the instrument pursuant to which such Additional AV Obligations are incurred shall designate whether such Additional AV Obligations are Senior AV Obligations or Subordinate AV Obligations.

Subordinate Revenue Obligations. The District may at any time incur Subordinate Revenue Obligations, provided:

(a) There shall not have occurred and be continuing an Event of Default under the Installment Purchase Agreement.

(b) The District provides to each Obligation Trustee for Obligations a Written Certificate of the District demonstrating that Adjusted Net Gross Revenues for any 12 consecutive calendar months during the 24 calendar month period ending prior to the incurring of such Subordinate Revenue Obligations, determined in accordance with Generally Accepted Accounting Principles and as shown by the books of the District, shall have amounted to at least 110% of Assumed Maximum Annual Debt Service on all Senior Obligations and Subordinate Revenue Obligations to be outstanding immediately after the incurring of such Subordinate Revenue Obligations. For purposes of demonstrating compliance with the foregoing, Adjusted Net Gross Revenues may be adjusted for (x) any changes in rates and charges for the services of the Sewerage System which have been adopted prior to the date of incurring such Subordinate Revenue Obligations, (y) customers added to the Sewerage System subsequent to the commencement of the applicable 12 month computation period but prior to the date of incurring such Subordinate Revenue Obligations, and (z) the estimated change in available Adjusted Net Gross Revenues which will result from the connection of existing residences

or businesses to the Sewerage System within one year following completion of any project to be funded or any system to be acquired from the proceeds of such Subordinate Revenue Obligations.

For purposes of preparing the Written Certificate of the District described above, the District may rely upon financial statements prepared by the District that have not been subject to audit by an independent certified public accountant if audited financial statements for the period are not available. Such Written Certificate of the District shall not be required if the Subordinate Revenue Obligations being incurred are Short-Term Obligations excluded from the calculation of Assumed Debt Service pursuant to clause (H) of the definition thereof. Such Written Certificate of the District shall also not be required if (x) the Subordinate Revenue Obligations being incurred are for the exclusive purpose of refunding then outstanding Subordinate Revenue Obligations, and (y) at the time of the incurring of such Subordinate Revenue Obligations a Written Certificate of the District shall be delivered showing that the present value of Assumed Debt Service on the refunding Subordinate Revenue Obligations through maturity will be less than the present value of Assumed Debt Service on the refunded Subordinate Revenue Obligations through maturity.

(c) The Subordinate Revenue Obligation Payments for such Subordinate Revenue Obligations shall not be subject to acceleration in the event of a default by the District.

(d) The Support Payments, if any, payable by the District in connection with such Subordinate Revenue Obligations shall be payable only on Support Payment Due Dates.

(e) Any required transfer of Net Revenues for replenishment of an Obligation Reserve Fund for such Subordinate Revenue Obligations or for reimbursement of a claim paid under a Reserve Facility on deposit therein, other than from delinquent Subordinate Revenue Obligation Payments with respect thereto, shall occur only on Payment Dates.

No Other Additional Obligations. The District shall not incur any obligations payable from Net Revenues except as provided in the Installment Purchase Agreement; provided, however, that the District may from time to time incur obligations payable from Net Revenues after the payment or setting aside therefrom of amounts required for the payment of Debt Service on Senior Obligations, amounts required to build up or replenish Obligation Reserve Funds for Senior Obligations, amounts required for the payment of Debt Service on Subordinate Obligations and amounts required to build up or replenish Obligation Reserve Funds for Subordinate Obligations.

Covenants

Compliance with Agreements. The District will punctually pay the Installment Payments and other payments required to be made by it under the Installment Purchase Agreement 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 Purchased Improvements, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State 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, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The District agrees that it will faithfully observe and perform all the agreements, conditions, covenants and terms contained in each Joint Acquisition Agreement required to be observed and performed by it.

Against Encumbrances. The District agrees that it will not mortgage or otherwise encumber, pledge or place any charge upon the Sewerage System or any part thereof, or upon any of the Revenues or Ad Valorem Taxes that would impair the District's ability to comply with its obligations under the Installment Purchase Agreement.

So long as any Obligations are outstanding, the District will not issue any bonds or incur obligations payable from Revenues or Ad Valorem Taxes or secured by a pledge, lien or charge upon Revenues or Ad Valorem Taxes, except as provided in the Installment Purchase Agreement.

Against Sale or Other Disposition of Property. The District agrees that it will not sell, lease or otherwise dispose of the Sewerage System or any part thereof essential to the proper operation of the Sewerage System or to the maintenance of Revenues; provided, however, that any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Sewerage System, or any material or equipment which has become worn out, may be sold if such sale will not materially reduce Net Revenues and if the proceeds of such sale are deposited in the Operating Fund. The District agrees that it will not enter into any agreement or lease which impairs the operation of the Sewerage System or any part thereof necessary to secure adequate Revenues for the payment of the Obligations or which would otherwise impair the rights of the Authority with respect to Revenues or the operation of the Sewerage System. Notwithstanding the foregoing, the District may sell or lease the Sewerage System or any part thereof if all of the following conditions are satisfied: (a) the Sewerage System or such part thereof is sold or leased to another local governmental agency (including the Authority) or to a nonprofit corporation that is organized for the purpose of assisting one or more local governmental agencies in financing or refinancing capital projects, (b) in the case of a sale of the Sewerage System or a part thereof, the District, as part of that same sale transaction, simultaneously repurchases the Sewerage System or such part thereof, (c) in the case of a lease of the Sewerage System or a part thereof, the District, as part of that same lease transaction, simultaneously leases back, for a term that is not substantially less than the term of that lease, the Sewerage System or such part thereof, and (d) the net financing proceeds obtained by the District from such sale and repurchase or lease and lease back are used by the District, or set aside for use by the District, either to pay for improvements to the Sewerage System or to refund or refinance Obligations.

Maintenance and Operation of the Sewerage System; Budgets. The District will maintain and preserve the Sewerage System in good repair and working order at all times and will operate the Sewerage System in an efficient and economical manner and will pay all of Maintenance and Operation Costs as they become due and payable, but the District shall not be required to pay such Maintenance and Operation Costs if the validity thereof shall be contested in good faith (so long as such nonpayment will not materially adversely affect the District's ability to perform its obligations under the Installment Purchase Agreement). On or before July 1 of each Fiscal Year, commencing July 1, 2016, the District will adopt a budget approved by the Board of Directors of the District that appropriates amounts for the payment of Obligations payable during such Fiscal Year.

Amount of Rates and Charges. The District, to the extent permitted by applicable law, will fix, prescribe and collect rates and charges for the services of the Sewerage System which will be at least sufficient to yield during each Fiscal Year (a) Revenues sufficient to make all payments required pursuant to the Installment Purchase Agreement, including payments of Maintenance and Operations Costs and any amounts payable under any Reserve Facility Agreement, (b) and Net Gross Revenues equal to 110% of Debt Service on Senior Obligations and Subordinate Revenue Obligations for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless Revenues and Net Gross Revenues

from such reduced rates and charges will at all times be sufficient to meet the requirements summarized in this paragraph.

Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on Net Revenues or Ad Valorem Taxes or any part thereof or on any funds in the hands of the District or the Trustee which might impair the security of the Installment Payments, but the District shall not be required to pay such claims if the validity thereof shall be contested in good faith (so long as such nonpayment will not materially adversely affect the District's ability to perform its obligations under the Installment Purchase Agreement).

Compliance with Contracts. The District will 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 Sewerage System and all other contracts affecting or involving the Sewerage System to the extent that the District's failure to so comply, keep, observe or perform would have a material adverse effect on the District's ability to perform its obligations under the Installment Purchase Agreement.

Insurance. The District will procure and maintain or cause to be procured and maintained casualty insurance on the Sewerage System with responsible insurers, or provide self insurance (which may be provided in the form of risk-sharing pools), in such amounts and against such risks (including accident to or destruction of the Sewerage System) as are usually covered in connection with wastewater systems similar to the Sewerage System. In the event of any damage to or destruction of the Sewerage System caused by the perils covered by such insurance or self insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Sewerage System. The District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Sewerage System shall be free and clear of all claims and liens unless the District determines that such property or facility is not necessary to the efficient or proper operation of the Sewerage System and therefore determines not to reconstruct, repair or replace such project or facility. If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be deposited in the Operating Fund and be available for other proper uses of funds deposited in the Operating Fund.

The District will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with wastewater systems similar to the Sewerage System; provided that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with wastewater systems similar to the Sewerage System and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance required to be maintained under the Installment Purchase Agreement shall, to extent reasonably obtainable, provide that the Authority and the Trustee shall be given 30 days' written notice of any intended cancellation thereof or reduction of coverage provided thereby. If the District has elected to satisfy any insurance requirement under the Installment Purchase Agreement through self insurance, the District shall provide to the Trustee annually on or before July 1 a certificate of an accredited actuary, certifying in writing that such self insurance is adequate to meet the particular requirements of the Installment Purchase Agreement.

Accounting Records. The District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Sewerage System, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions.

Protection of Security and Rights of the Authority. The District will preserve and protect the security of the Installment Purchase Agreement and the rights of the Authority to the Installment Payments and other payments required to be made by the District under the Installment Purchase Agreement and will warrant and defend such rights against all claims and demands of all Persons.

Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Sewerage System or any part thereof or upon Revenues or Ad Valorem Taxes when the same shall become due. The District will duly observe and comply with all valid regulations and requirements of any governmental authority relative to the operation of the Sewerage System 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.

Collection of Rates and Charges; No Free Service. The District will have in effect at all times rules and regulations for the payment of bills for services of the Sewerage System. The District agrees that it will not permit any part of the Sewerage System or any facility thereof to be used or taken advantage of free of charge by any Person, or by any public agency (including the United States of America, the State and any city, county, district, political subdivision, public authority or agency of any thereof), except (a) to the extent that any such free use is required by the terms of any existing contract, agreement or arrangement, and (b) for incidental insignificant free use so long as such free use does not prevent the District from satisfying its other covenants under the Installment Purchase Agreement, including, without limitation, as described under the heading "INSTALLMENT PURCHASE AGREEMENT – Covenants – Amount of Rates and Charges."

Eminent Domain Proceeds. If all or any part of the Sewerage System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied to the replacement of the property or facilities so taken, unless the District determines that such property or facility is not necessary to the efficient or proper operation of the Sewerage System and therefore determines not to replace such property or facilities. Any Net Proceeds of such award not applied to replacement, or remaining after such work has been completed, shall be deposited in the Operating Fund and be available for other proper uses of funds deposited in the Operating Fund.

Tax Covenants. The District agrees that it will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Authority Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the District agrees that it will comply with the requirements of the Tax Certificate, which is incorporated in the Installment Purchase Agreement as if fully set forth in the Installment Purchase Agreement. This covenant shall survive payment in full or defeasance of the Authority Bonds.

Enforcement of Contracts. The District agrees that it will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment or supplement to, or otherwise take any action under or in connection with, any contracts previously or hereafter entered into, which contracts provide the District with an interest in wastewater collection, conveyance, treatment or disposal facilities (including the Joint Administration Agreement) unless the Board of Directors of the District determines by resolution that such rescission or amendment would not materially adversely affect the ability of the District to pay the Installment Payments or other payments required to be made by it under the Installment Purchase Agreement, or to perform and observe all of its covenants under the Installment Purchase Agreement.

Administrative Costs. The District shall pay each charge constituting an Administrative Cost. Administrative Costs shall be paid by the District directly to the Person or Persons to whom such amounts shall be payable. The District shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 30 days after notice in writing from the Trustee to the District stating the amount of Administrative Costs then due and payable and the purpose thereof.

Continuing Disclosure. The District agrees that it will provide the Authority with such financial and operating data and other information with respect to the District, at such times, as is necessary or appropriate for the Authority to comply with its undertakings under the Continuing Disclosure Agreement.

Indemnification. To the extent permitted by law, the District, as provided in the Installment Purchase Agreement, agrees to indemnify and hold the Authority and the Trustee, as assignee of the Authority, and their officers and members harmless against any and all liabilities which might arise out of or are related to the Purchased Improvements or any portion thereof or the Authority Bonds, and the District further agrees to defend the Authority and the Trustee, as assignee of the Authority, and their officers and members in any action arising out of or related to the Purchased Improvements or any portion thereof or the Authority Bonds.

Further Assurances. The District will 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.

Right to Redeem; Discharge of Obligations

Right to Redeem. On or after October 1, 2026, the District shall have the right to cause Authority Bonds maturing on or after October 1, 2027 to be redeemed in accordance with the Indenture, by providing the Trustee with funds sufficient for such purpose (which funds may be derived by the District from any source) and giving notice as provided in the Installment Purchase Agreement.

Notice. Before exercising its right to cause Authority Bonds to be redeemed pursuant to the Installment Purchase Agreement, the District shall give written notice to the Trustee of its intention to exercise such right, specifying the date on which such redemption shall be made, which date shall be not less than 60 nor more than 75 days from the date such notice is given, and specifying the amounts and maturities of Authority Bonds to be redeemed.

Discharge of Obligations. If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Authority Bonds the interest thereon and the principal thereof and the premiums, if any, thereon or if all Outstanding Authority Bonds shall be deemed to have been paid at the times and in the manner stipulated in the Indenture, and if all amounts then due and payable under the Installment Purchase Agreement shall have been paid or provided for, then all agreements, covenants and other obligations of the District under the Installment Purchase Agreement shall thereupon cease, terminate and become void and be discharged and satisfied.

Events of Default and Remedies of the Authority

Events of Default. The following shall be Events of Default under the Installment Purchase Agreement, and Event of Default shall mean any one or more of the following events:

- (a) if default shall be made by the District in the due and punctual payment of or on account of any Senior Obligations or Subordinate Obligations as the same shall become due and payable;
- (b) 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 (other than as specified in (a) above), and such default shall have continued for a period of 30 days after the District shall have been given notice in writing of such default by the Authority; or
- (c) 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 on Default. Upon the occurrence of an Event of Default, the Authority shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any board member, officer or employee thereof, and to compel the District or any such board member, officer or employee to perform and carry out his or her duties under applicable law and the agreements and covenants required to be performed by him or her contained in the Installment Purchase Agreement;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority;

(c) by suit in equity require the District and its Board members, officers and employees to account as the trustee of an express trust; and

(d) to have a receiver or receivers appointed for the Sewerage System and of the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Application of Net Revenues After Default. If an Event of Default shall occur and be continuing, all Net Revenues, and any other funds, thereafter received by the Authority under any of the provisions of the Installment Purchase Agreement shall be applied as follows and in the following order:

(a) to the payment of the costs and expenses of the Authority if any, in carrying out the provisions of the provisions of the Installment Purchase Agreement relating to events of default and remedies;

(b) to the payment of the entire principal amount of unpaid Subordinate Revenue Obligations, and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable thereto, in accordance with their respective terms, provided, however, that if such Net Revenues are not sufficient to pay such amounts in full, then said Net Revenues shall be applied, as nearly as practicable, pro rata, based on the respective principal amounts of unpaid Subordinate Revenue Obligations.

(c) to such other liabilities of the District as are then payable.

Non-Waiver. Nothing in 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 from Net Revenues after the payment or setting aside therefrom of amounts required for the payment of Debt Service on Senior Obligations and amounts required to build up or replenish Obligation Reserve Funds for Senior Obligations, and the other funds committed under the Installment Purchase Agreement for such payment, 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 applicable 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 conferred upon or reserved to the Authority under the Installment Purchase Agreement 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 law.

Miscellaneous

Liability of District Limited. 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 Net Revenues and the other funds provided in the Installment Purchase Agreement for the payment of the Installment Payments and other payments required to be made by it under the Installment Purchase Agreement, 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, but in no event shall be obligated to, 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 and other payments required to be made by it under the Installment Purchase Agreement is a special obligation of the District payable, in the manner provided in the Installment Purchase Agreement, solely from Net Revenues and other funds provided for in the Installment Purchase Agreement, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. Neither the faith and credit nor the taxing power of any District or the State or any political subdivision thereof is pledged to the payment of the Installment Payments or other payments required to be made under the Installment Purchase Agreement.

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 and the assigns of the Authority any right, remedy or claim under or pursuant to the Installment Purchase Agreement, 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 to the Installment Purchase Agreement.

Amendments. (a) The Installment Purchase Agreement and the Joint Acquisition Agreements and the rights and obligations of the District and the Authority under the Installment Purchase Agreement and thereunder may be amended in writing as may be mutually agreed by the District and the Authority, with the written consent of the Owners of at least a majority in aggregate principal amount of Authority Bonds Outstanding pursuant to the Indenture, provided that no such amendment shall (i) extend the payment date of any Installment Payment, or reduce the amount of any Installment Payment without the prior written consent of the Owner of each Authority Bond so affected, or (ii) reduce the percentage of Authority 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 Joint Acquisition Agreements and the rights and obligations of the District and the Authority under the Installment Purchase Agreement and thereunder may also be amended at any time by an amendment of the Installment Purchase Agreement or thereof which shall become binding upon execution by the District and the Authority, without the written consents of any Owners, but only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority or the District contained in the Installment Purchase Agreement or a Joint Acquisition Agreement other covenants and agreements thereafter to be observed or to surrender any right or power in the Installment Purchase Agreement or therein reserved to or conferred upon the Authority or the District;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Installment Purchase Agreement or a Joint Acquisition Agreement; and

(iii) in any other respect whatsoever as the Authority and the District may deem necessary or desirable, provided that such amendment does not materially adversely affect the interests of the Owners of the Authority Bonds.

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

Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required under the Installment Purchase Agreement to be performed by or on the part of any 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.

Assignment. The Installment Purchase Agreement and any rights under the Installment Purchase Agreement may be assigned by the Authority to the Trustee, as a whole or in part, without the necessity of obtaining the prior consent of the District. The assignment of the Installment Purchase Agreement to the Trustee is solely in its capacity as Trustee under the Indenture and the duties, powers and liabilities of the Trustee in acting under the Installment Purchase Agreement shall be subject to the provisions of the Indenture.

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

Effective Date. The Installment Purchase Agreement shall become effective upon its execution and delivery, and shall terminate when all Installment Payments and other payments required to be made under the Installment Purchase Agreement shall have been fully paid or when there are no longer any Authority Bonds Outstanding.

INDENTURE

Certain Provisions of the Bonds

Limited Liability. 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 Authority Revenues as provided in the Indenture for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants contained in the Indenture. The Authority

may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

The Bonds shall be limited obligations of the Authority and shall be payable solely from the Authority Revenues and the other assets pledged therefor under the Indenture. The Bonds do not constitute a debt or liability of the District or of the State of California and neither the faith and credit of the District nor of the State are pledged to the payment of the principal of, or interest on the Bonds.

Certain Terms. The Bonds shall bear interest at the rates set forth above, payable on the Interest Payment Dates in each year. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is during the period commencing after a Record Date through and including the next succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before the first Record Date, in which event it shall bear interest from the Closing Date; provided, however, that if on the date of authentication of any Bond, interest is then in default on the Outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made to the Person in whose name such Bond is registered, as of the Record Date preceding the applicable Interest Payment Date, on the Registration Books, such interest to be paid by check mailed by first class mail on such Interest Payment Date to such Owner at such Owner's address as it appears on such books. Interest on the Bonds shall be payable in lawful money of the United States of America and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Transfer and Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred upon the Registration Books by the Person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds of the same maturity in a like aggregate principal amount, in any Authorized Denomination. The Trustee shall require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same maturity of other Authorized Denominations. The Trustee shall require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be obligated to make any transfer or exchange of Bonds pursuant to the provisions summarized in this paragraph during the period established by the Trustee for the selection of Bonds for redemption, or with respect to any Bonds selected for redemption.

Bond Registration Books. The Trustee will keep at its office sufficient books for the registration and transfer of the Bonds which shall at all times be open to inspection by the Authority during normal business hours with reasonable prior notice, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Bonds in such books as provided in the Indenture.

Temporary Bonds. The Bonds issued under the Indenture may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such Authorized Denominations as may be determined by the Authority, shall be in fully registered form and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be executed and authenticated in accordance with the terms of the Indenture. If the Authority issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, at the Office of

the Trustee, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under the Indenture as definitive Bonds delivered under the Indenture.

Authority Revenues

Pledge of Authority Revenues. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all Authority Revenues and amounts on deposit in the funds and accounts established under the Indenture (other than the Rebate Fund) are irrevocably pledged to the payment of the interest on and principal of the Bonds as provided in the Indenture, and the Authority Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding.

In order to secure the pledge of the Authority Revenues contained in the Indenture, the Authority transfers, conveys and assigns to the Trustee, for the benefit of the Owners, all of the Authority's rights under the Installment Purchase Agreement (excepting its right to indemnification and its right to receive notices thereunder), including the right to receive Installment Payments and the right to exercise any remedies provided therein in the event of a default by the District thereunder. The Trustee accepts said assignment for the benefit of the Owners subject to the provisions of the Indenture.

The Trustee shall be entitled to and shall receive all of the Authority Revenues, and any Authority Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

Establishment of Fund and Accounts. The Trustee shall establish and maintain the following special trust funds to be held by the Trustee: the "Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2016 Series A (District No. 20 Revenue Bonds) Payment Fund" (the "Payment Fund"), the "Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2016 Series A (District No. 20 Revenue Bonds) Redemption Fund" (the "Redemption Fund") and the "Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2016 Series A (District No. 20 Revenue Bonds) Rebate Fund" (the "Rebate Fund"). Within the Payment Fund the Trustee shall establish and maintain an Interest Account (the "Interest Account") and a Principal Account (the "Principal Account").

Receipt and Deposit of Authority Revenues in the Payment Fund. In order to carry out and effectuate the pledge contained in the Indenture, the Authority agrees and covenants that all Authority Revenues when and as received shall be received in trust under the Indenture for the benefit of the Owners and shall be deposited when and as received in the Payment Fund. All Authority Revenues shall be accounted for through and held in trust in the Payment Fund, and the Authority shall have no beneficial right or interest in any of the Authority Revenues except only as provided in the Indenture. All Authority Revenues, whether received by the Authority in trust or deposited with the Trustee as provided in the Indenture, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses set forth in the Indenture under the heading "INDENTURE – Authority Revenues," and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

All Installment Payments paid by the District shall be deposited, as and when received by the Trustee, in the Payment Fund and shall be allocated, applied and disbursed as provided in the Indenture.

Establishment and Maintenance of Accounts for Use of Money in the Payment Fund. All money in the Payment Fund shall be set aside by the Trustee in the following respective special accounts within the Payment Fund in the following order of priority:

- (a) Interest Account, and

(b) Principal Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes in the Indenture.

On each Interest Payment Date, the Trustee shall transfer from the Payment Fund and deposit in the Interest Account an amount equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. No deposit need be made in the Interest Account if the amount contained in the Interest Account is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

After having made the transfers required pursuant to the preceding paragraph, the Trustee shall, on October 1 of each year, beginning October 1, 2017, transfer from the Payment Fund and deposit in the Principal Account the sum of (i) the aggregate principal amount of all Outstanding Serial Bonds maturing on such October 1, plus (ii) the aggregate amount of all mandatory sinking fund redemption payments required to be made with respect to the Term Bonds on such October 1. No deposit need be made in the Principal Account if the amount contained therein is at least equal to the sum of (i) the aggregate principal amount of all Outstanding Bonds maturing by their terms on such October 1, plus (ii) the aggregate amount of all mandatory sinking fund redemption payments required to be made on such October 1 for all Outstanding Term Bonds. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying (i) the principal of the Serial Bonds as they shall become due and payable, and (ii) the principal of Term Bonds redeemed or purchased pursuant to the Indenture.

Redemption Fund. Any moneys which, pursuant to the Installment Purchase Agreement, are to be used to redeem Bonds pursuant to the Indenture shall be deposited by the Trustee in the Redemption Fund. The Trustee shall, on the scheduled redemption date, withdraw from the Redemption Fund and pay to the Owners entitled thereto an amount equal to the redemption price of the Bonds to be redeemed on such date.

Rebate Fund. There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate, as specified in a Written Request of the Authority. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to the provisions of the Indenture relating to defeasance or anything to the contrary contained in the Indenture, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by the provisions of the Indenture summarized under this heading (“INDENTURE – Authority Revenues –Rebate Fund”), and by the Tax Certificate (which is incorporated in the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate. The Trustee may conclusively rely upon the Authority’s determinations, calculations and certifications required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Authority’s calculations.

Any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described in the Indenture summarized under this heading (“INDENTURE – Authority Revenues – Rebate Fund”), shall be withdrawn by the Trustee and remitted to the Authority.

Costs of Issuance Fund. (a) The Trustee shall establish and maintain a separate fund designated the “Costs of Issuance Fund.” On the Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited therein pursuant to the Indenture. There shall additionally be deposited in the

Cost of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued

(b) The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the District stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment is a proper charge against the Costs of Issuance Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. If, on the last Business Day that is no later than six months after the Closing Date, any amount remains in the Costs of Issuance Fund, the Trustee shall transfer said amount to the Interest Account.

Investment of Moneys in Funds and Accounts. Moneys in the funds and accounts established under the Indenture and held by the Trustee shall, in accordance with a Written Request of the Authority, be invested by the Trustee in Permitted Investments. In the absence of a Written Request of the Authority, the Trustee may invest moneys in such funds and accounts in Permitted Investment described in subparagraph (i) of the definition of Permitted Investments; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Written Request of the Authority specifying a specific money market fund and, if no such Written Request of the Authority is so received, the Trustee shall hold such moneys uninvested. The obligations in which moneys in the said funds and accounts are invested shall mature prior to the date on which such moneys are estimated to be required to be paid out under the Indenture. The Trustee may act as principal or agent in the acquisition or disposition of Permitted Investments. For investment purposes only, the Trustee may commingle the funds and accounts established under the Indenture. The Trustee shall incur no liability for losses arising from any investments made pursuant to the provisions summarized under this heading (“INDENTURE – Authority Revenues – Investment of Moneys in Funds and Accounts”).

For purposes of determining the amount of deposit in any fund or account held under the Indenture, all Permitted Investments credited to such fund or account shall be valued at the market value (excluding accrued interest and brokerage commissions, if any). The Trustee shall, on or before March 1 and September 1 of each year, value the investments in such funds and accounts on the basis of the market value thereof. Except as otherwise provided in the provisions summarized under this heading (“INDENTURE – Authority Revenues – Investment of Moneys in Funds and Accounts”), Permitted Investments representing an investment of moneys attributable to any fund or account and all investment profits or losses thereon shall be deemed at all times to be a part of said fund or account.

The Authority (and the District by execution of the Installment Purchase Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority or the District the right to receive brokerage confirmations of security transactions as they occur, the Authority and the District specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority and the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

Covenants of the Authority

Punctual Payment and Performance. The Authority shall punctually pay the interest on and the principal of and premiums, if any, to become due on every Bond issued under the Indenture in strict conformity with the terms of the Indenture and of the Bonds, and shall faithfully observe and perform all the agreements and covenants contained in the Indenture and in the Bonds.

Installment Purchase Agreement and Other Documents. The Authority shall at all times maintain and vigorously enforce all of its rights under the Installment Purchase Agreement, and shall promptly collect all Installment Payments as the same become due under the Installment Purchase Agreement, and shall

promptly and vigorously enforce its rights against the District if it does not pay such Installment Payments as they become due under the Installment Purchase Agreement. The Authority shall not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Installment Purchase Agreement by the District.

Accounting Records and Reports. The Authority shall keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Authority Revenues, and such books shall be available for inspection by the Trustee, at reasonable hours and under reasonable conditions.

Other Liens. The Authority shall keep the Authority Revenues free from all liens, claims, demands and encumbrances of whatsoever prior nature or character to the end that the security for the Bonds provided in the Indenture will at all times be maintained and preserved free from any claim or liability which, in the judgment of the Trustee (and its determination thereof shall be final), might hamper the security of the Bonds, and the Trustee at its option may (but shall not be obligated to) 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 action or proceeding; provided, however, that in defending such actions or proceedings or in paying or compromising such claims or demands the Trustee shall not in any event be deemed to have waived or released the Authority from liability for or on account of any of its agreements and covenants contained in the Indenture, or from its liability under the Indenture to defend the validity of the Indenture and the pledge of the Authority Revenues made in the Indenture and to perform such agreements and covenants.

Against Encumbrances; Prosecution and Defense of Suits. (a) The Authority shall not create, or permit the creation of, any pledge of, lien on, security interest in or charge or other encumbrance upon the assets pledged under the Indenture, except as permitted by the Indenture. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect said pledge of such assets, and the lien thereon and security interest therein created by the Indenture, against all claims and demands of all Persons whomsoever.

The Authority shall defend against every suit, action or proceeding at any time brought against the Trustee upon any claim arising out of the receipt, application or disbursement of any of the Authority Revenues or involving the rights of the Trustee under the Indenture, provided that the Trustee at its election may appear in and defend any such suit, action or proceeding.

Tax Covenants. (a) The Authority shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority shall comply with the requirements of the Tax Certificate, which is incorporated in the Indenture as if fully set forth in the Indenture. This covenant shall survive payment in full or defeasance of the Bonds.

(b) In the event that at any time the Authority is of the opinion that for purposes of the provisions summarized under this heading (“– Tax Covenants”), it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established under such provisions of the Indenture, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions summarized under this heading (“– Tax Covenants”), if the Authority shall provide to the Trustee an opinion of Bond Counsel to the effect that any specified action required under such provisions of the Indenture is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of the Indenture summarized under this

heading (“– Tax Covenants”) and of the Tax Certificate, and such covenants under the Indenture shall be deemed to be modified to that extent.

Continuing Disclosure. The Authority and the Trustee shall comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Authority or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, and upon indemnification of the Trustee to its reasonable satisfaction, shall) or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Annual Reports and Notifications Required by the Bond Law. If at any time the Trustee fails to pay principal or interest due on any scheduled payment date for the Bonds, the Trustee shall notify the Authority in writing of the occurrence of such event and, in accordance with Section 6599.1(c) of the California Government Code, the Authority shall notify the California Debt and Investment Advisory Commission of the occurrence of such event within 10 days of such occurrence.

Further Assurances. Whenever and so often as requested to do so by the Trustee, the Authority shall 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 Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Indenture.

The Trustee

Appointment and Acceptance of Duties. The Trustee accepts and agrees to the trusts by the Indenture created, to all of which the Authority agrees and the respective Owners of the Bonds, by their purchase and acceptance thereof agree.

Duties, Immunities and Liabilities of Trustee. (a) 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 and no implied duties or obligations shall be read into the Indenture against the Trustee. 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 such Person’s own affairs.

(b) So long as no Event of Default has occurred and is continuing, the Authority may remove the Trustee at any time, and the Authority shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with paragraph (e) below, or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may resign by giving written notice of such resignation to the Authority and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the bond register. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within 60 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the Authority, or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless, at the written request of the Authority or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions in the Indenture set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts under the Indenture by first class mail, postage prepaid, to the Owners at their addresses listed in the bond register.

(e) Any Trustee appointed under the provisions of the Indenture shall be a trust company, national banking association or bank having trust powers, having a corporate trust office in California, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank, national banking association 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 purpose of this paragraph the combined capital and surplus of such bank, national banking association 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. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph (e), the Trustee shall resign immediately in the manner and with the effect specified in the Indenture summarized under this heading ("INDENTURE – The Trustee – Duties, Immunities and Liabilities of Trustee").

(f) No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture.

(g) The Trustee shall not be accountable for the use or application by the Authority, the District or any other party of any funds which the Trustee has released under the Indenture.

(h) The Trustee shall not be responsible for the sufficiency, timeliness or enforceability of the Authority Revenues.

(i) The Trustee may employ attorneys, agents or receivers in the performance of any of its duties under the Indenture and shall not be answerable for the misconduct of any such attorney, agent or receiver selected by it with reasonable care.

(j) The Trustee shall not be deemed to have knowledge of any default or Event of Default under the Indenture or under the Installment Purchase Agreement unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at the Office of the Trustee

(k) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Owners pursuant to the provisions of the Indenture unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

Merger or Consolidation. 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 such company shall be eligible under paragraph (e) of the provisions of the Indenture described under the heading “INDENTURE – The Trustee – Duties, Immunities and Liabilities of Trustee,” shall succeed to the rights and obligations of such Trustee without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Compensation and Indemnification. The Authority shall pay the Trustee, or cause the Trustee to be paid, reasonable compensation for its services rendered under the Indenture and shall reimburse the Trustee for reasonable expenses incurred by the Trustee in the performance of its obligations under the Indenture.

The Authority agrees, to the extent permitted by law, to indemnify the Trustee and its respective officers, directors, members, employees, attorneys and agents for, and to hold them harmless against, any loss, liability or expense (including attorneys’ fees) incurred without negligence or misconduct on their part arising out of or in connection with the acceptance or administration of the trusts imposed by the Indenture, including performance of their duties under the Indenture, including the costs and expenses of defending themselves against any claims or liability in connection with the exercise or performance of any of their powers or duties under the Indenture. Such indemnity shall survive the termination or discharge of the Indenture and resignation or removal of the Trustee.

Liability of Trustee. (a) The recitals of facts in the Indenture and in the Bonds contained shall be taken as statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of the Indenture, the Installment Purchase Agreement or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations in the Indenture or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee or and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than 25% in aggregate principal amount of Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated under the Indenture shall not be construed as a mandatory duty.

(e) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, requisition, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

Whenever in the administration of the trusts imposed upon it by the Indenture 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 an Written Certificate of the Authority, and such Written Certificate of the Authority shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Written Certificate of the Authority, 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.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the District and any Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Amendment of the Indenture

Amendments Permitted. (a) The Indenture and the rights and obligations of the Authority, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or the rate of interest thereon, or extend the time of payment, without the consent of the Owner of each Bond so affected, (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Authority Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Authority Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(b) The Indenture and the rights and obligations of the Authority, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners under the Indenture;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and

(v) in any other respect whatsoever as the Authority may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners under the Indenture.

(c) Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(d) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by the provisions summarized paragraphs (a) or (b) above which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bonds Outstanding at the time of such execution and presentation of such Owner's Bonds for the purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

Amendment of Particular Bonds. The provisions of the Indenture shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

Events of Default and Remedies

Events of Default. The following shall be Events of Default under the Indenture, and Event of Default shall mean any one or more of the following events:

- (a) if default shall be made in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;
- (b) if default shall be made in the due and punctual payment of the principal of or premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;
- (c) if default shall be made by the Authority in the performance of any of the other agreements or covenants required in the Indenture to be performed by the Authority, and such default shall have continued for a period of 60 days after the Authority shall have been given notice in writing of such default by the Trustee;
- (d) if any Event of Default shall have occurred and be continuing under the Installment Purchase Agreement; or
- (e) if the Authority 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 Authority 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 Authority or of the whole or any substantial part of its property.

Proceeding by Trustee. Upon the happening and continuance of any Event of Default, the Trustee in its discretion may, and at the written request of the Owners of not less than 25% in aggregate amount of Bonds Outstanding shall (but only to the extent indemnified to its satisfaction from fees and expenses, including attorneys' fees), do the following:

- (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require the Authority to enforce all rights of the Owners of Bonds, including the right to require the Authority to receive and collect Authority Revenues and to enforce its rights under the Installment Purchase Agreement and to require the Authority to carry out any other covenant or agreement with Owners of Bonds and to perform its duties under the Indenture,
- (b) bring suit upon the Bonds;
- (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners; and
- (d) to have a receiver or receivers appointed for the Authority Revenues and the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Effect of Discontinuance or Abandonment. In case any proceeding taken by the Trustee on account of any default or Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority, the District, the Trustee and the Owners shall be restored to their former positions and rights under the Indenture, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Rights of Owners. Anything in the Indenture to the contrary notwithstanding, subject to the limitations and restrictions as to the rights of the Owners in the provisions of the Indenture summarized under the headings “INDENTURE – Events of Default and Remedies – Events of Default” “– Proceeding by Trustee” and “– Restriction on Owners’ Action,” upon the happening and continuance of any Event of Default, the Owners of not less than 25% in aggregate amount of Bonds then Outstanding shall have the right upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture.

The Trustee may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability.

Restriction on Owners’ Action. In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in the Indenture, no Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Indenture, or any other remedy under the Indenture or on said Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as provided above in the Indenture and unless the Owners of not less than 25% in aggregate amount of Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in the Indenture granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Indenture or for any other remedy under the Indenture; it being understood and intended that no one or more Owners of the Bonds secured by the Indenture shall have any right in any manner whatever by the action of such Owner or Owners to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity shall be instituted, and maintained in the manner in the Indenture provided, and for the equal benefit of all Owners of Outstanding Bonds; subject, however, to the provisions of this paragraph.

Power of Trustee to Enforce. All rights of action under the Indenture or under any of the Bonds secured by the Indenture which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings instituted by the Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners of the Bonds subject to the provisions of the Indenture.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute.

Waiver of Events of Default; Effect of Waiver. The Trustee shall waive any Event of Default under the Indenture and its consequences, upon the written request of the Owners of at least a majority in aggregate amount of Bonds Outstanding. If any Event of Default shall have been waived as in the Indenture provided, the Trustee shall promptly give written notice of such waiver to the Authority and shall give notice thereof by first class mail, postage prepaid to all Owners of Outstanding Bonds if such Owners had previously been given notices of such Event of Default; but no such waiver and annulment shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee and to the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys. Any moneys received by the Trustee pursuant to the Indenture, together with any moneys which upon the occurrence of an Event of Default are held by the Trustee in any of the funds and accounts under the Indenture (other than moneys held for Bonds not presented for payment) shall, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel, be applied to the payment of the whole amount then owing and unpaid on the Outstanding Bonds for principal, and premium, if any, and interest, with interest on the overdue principal, and premium, if any, and interest at a rate per annum equal to LIBOR, plus 0.50%, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid on the Bonds, to the payment of the principal, and premium, if any, and interest then due and unpaid upon the Outstanding Bonds without preference or priority of any of principal, premium or interest over the others or of any installment of interest, or of any Outstanding Bond over any other Outstanding Bond, ratably, according to the amounts due respectively for principal, premium, and interest, to the Persons entitled there without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Bonds.

Whenever moneys are to be applied pursuant to the provisions of the Indenture summarized in the preceding paragraph, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give, by mailing by first class mail as it may deem appropriate, such notice of the deposit with it of any such moneys.

Defeasance

Discharge of Bonds. (a) If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of any Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Indenture and therein, then the Owners of such Bonds shall cease to be entitled to the pledge of the Authority Revenues as provided in the Indenture, and all agreements, covenants and other obligations of the Authority to the Owners of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. If all of the Outstanding Bonds are so paid, the Indenture shall be discharged and satisfied and, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Indenture which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

Subject to the provisions of the above paragraph, when any of the Bonds shall have been paid and if, at the time of such payment, the Authority shall have kept, performed and observed all the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by the Authority or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of the Indenture and such lien and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners of

the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of, redemption premium, if any, and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Authority.

Bonds Deemed Paid. Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in paragraph (a) above if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the Indenture, (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bond on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (iii) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

In order for any Outstanding Bonds to be deemed to have been paid within the meaning of and with the effect expressed in the Indenture prior to the maturity date or redemption date thereof, the Authority shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants as shall be acceptable to the Authority and the Trustee verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date ("Verification"), and (ii) an Opinion of Counsel to the effect that the Bonds are no longer "Outstanding" under the Indenture; each Verification and defeasance opinion shall be acceptable in form and substance to the Authority and the Trustee, and shall be addressed to the Authority and the Trustee.

Unclaimed Money. Anything contained in the Indenture to the contrary notwithstanding, the Trustee shall notify the Authority of any money held by the Trustee in trust for the payment and discharge of any of the Bonds which has remained unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee. The Trustee shall repay such money to the Authority 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 Authority for the payment of such Bonds.

Miscellaneous

Benefits of Indenture Limited. Nothing contained in the Indenture, expressed or implied, is intended to give to any Person other than the Authority, the Trustee and the Owners any right, remedy or claim under or by reason of the Indenture. Any agreement or covenant required in the Indenture to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Owners.

Waiver of Personal Liability. No member, officer or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the

Bonds by reason of their issuance, but nothing contained in the Indenture shall relieve any member, officer or employee of the Authority from the performance of any official duty provided thereby or by any applicable provisions of law.

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

Destruction of Cancelled Bonds. Whenever provision is made for the return to the Authority of any Bonds which have been cancelled pursuant to the provisions of the Indenture, Trustee shall destroy such Bonds and furnish to the Authority a certificate of such destruction.

Accounts and Funds. Any account or fund required in the Indenture to be established and maintained 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 purposes 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 accounts and funds shall at all times be maintained in accordance with sound industry practice and with due regard for the protection of the security of the Bonds and the rights of the Owners.

Payment on Non-Business Days. In the event any payment is required to be made under the Indenture on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such non-Business Day.

Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required by the Indenture to be performed by or on the part of the Authority or the Trustee 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 Indenture or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under the Indenture or any applicable provisions of law. The Authority and the Trustee declare that they would have executed and delivered the Indenture and each and every other Article, Section, paragraph, subdivision, sentence, clause and phrase of the Indenture and would have authorized the issuance of the Bonds pursuant to the Indenture irrespective of the fact that any one or more 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.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority, or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this the provisions of the Indenture summarized in this paragraph if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Authority shall specify to the Trustee those Bonds disqualified pursuant to the provisions summarized in this paragraph.

Law Governing. The Indenture shall be governed exclusively by the provisions of the Indenture and by the laws of the State as the same from time to time exist.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”), dated as of November 1, 2016, is by and between the LOS ANGELES COUNTY SANITATION DISTRICTS FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the “Trustee”).

WITNESSETH:

WHEREAS, pursuant to the Indenture, dated as of November 1, 2016 (the “Indenture”), by and between the Authority and the Trustee, the Authority has issued the Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2016 Series A (District No. 20 Revenue Bonds) (the “Bonds”), in the aggregate principal amount of \$170,265,000;

WHEREAS, the Bonds are payable from and secured by installment payments to be made pursuant to the Installment Purchase Agreement, dated as of November 1, 2016 (the “Installment Purchase Agreement”), by and between the Authority and County Sanitation District No. 20 of Los Angeles County (the “District”); and

WHEREAS, this Disclosure Agreement is being executed and delivered by the Authority and the Trustee for the benefit of the owners and beneficial owners of the Bonds and in order to assist the underwriter of the Bonds in complying with Securities and 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. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Disclosure Agreement have the meanings herein specified. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture or, if not defined therein, in the Installment Purchase Agreement.

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

“Annual Report Date” means the date in each year that is the first day of the month following the eighth month after the end of the Authority’s fiscal year, which date, as of the date of this Disclosure Agreement, is March 1.

“Authority” means the Los Angeles County Sanitation Districts Financing Authority, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California, and any successor thereto.

“Disclosure Representative” means the President of the Authority, or his or her designee, or such other person as the Authority shall designate in writing to the Trustee from time to time.

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

“District” means County Sanitation District No. 20 of Los Angeles County, a sanitation district organized and existing under and by virtue of the laws of the State of California, and any successor thereto.

“Indenture” means the Indenture, dated as of November 1, 2016, by and between the Authority and U.S. Bank National Association, as Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

“Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of November 1, 2016, by and between the District and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms hereof.

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

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” means the Official Statement, dated October 12, 2016, relating to the Bonds.

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

“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.

“Trustee” means U.S. Bank National Association, as Trustee under the Indenture, or any successor thereto as Trustee thereunder, substituted in its place as provided therein.

Section 2. Provision of Annual Reports. (a) The Authority shall, or shall cause the Dissemination Agent to, provide to the MSRB an Annual Report which is consistent with the requirements of Section 3 hereof, not later than the Annual Report Date, commencing with the report for the 2015-16 Fiscal Year. The Annual Report may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the Authority and the District, if any, 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 they are not available by that date. If the Authority's or the District's fiscal year changes, the Authority shall, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the Authority shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Authority and the Dissemination Agent to determine if the Authority is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Trustee shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) provide each Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the Authority and (if the Dissemination Agent is not the Trustee) the Trustee certifying that such Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided to the MSRB.

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

(a) The Authority's audited financial statements, if any, 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 Authority's audited financial statements, if any, are not available by the time the Annual Report is required to be filed pursuant to Section 2(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to that used for the Authority's audited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available.

(b) The District's audited financial statements, if any, 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, if any, are not available by the time the Annual Report is required to be filed pursuant to Section 2(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to that used for the District's audited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available. The parties hereto acknowledge that, presently, separate audited financial statements are not prepared for the District but, rather, such financial statements are consolidated with the financial statements of the other County Sanitation Districts of Los Angeles County. So long as

separate audited financial statements are not prepared for the District, the Authority's Annual Report shall contain or incorporate by reference the audited consolidated financial statements, if any, for the County Sanitation Districts of Los Angeles County.

(c) The following information:

(i) The principal amount of Bonds Outstanding as of the December 31 immediately preceding the Annual Report Date.

(ii) The amount of each Senior Obligation, if any, of the District outstanding as of the December 31 immediately preceding the Annual Report Date, and a description of each such Senior Obligation.

(iii) The amount of each Subordinate Obligation, if any, of the District outstanding as of the December 31 immediately preceding the Annual Report Date, and a description of each such Subordinate Obligation.

(iv) An update, for the most recently ended fiscal year, of information of the type contained in the Official Statement in Table Nos. 2, 3, 4, 5, 6, 9, 10 and 11 (not including any projections contained therein).

(d) In addition to any of the information expressly required to be provided under the preceding paragraphs (a), (b) and (c), the Authority 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 Authority, the District or related public entities that have been made available to the public on the MSRB's website. The Authority 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 Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

(1) Principal and interest payment delinquencies.

(2) Unscheduled draws on debt service reserves reflecting financial difficulties.

(3) Unscheduled draws on credit enhancements reflecting financial difficulties.

(4) Substitution of credit or liquidity providers, or their failure to perform.

- (5) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).
- (6) Tender offers.
- (7) Defeasances.
- (8) Rating changes.
- (9) Bankruptcy, insolvency, receivership or similar event of the Authority or the District.

For purposes of the event identified in paragraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

- (1) Unless described in paragraph 5 of subsection (a) of this Section, material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds.
- (2) Modifications to rights of holders of the Bonds.
- (3) Optional, unscheduled or contingent Bond calls.
- (4) Release, substitution, or sale of property securing repayment of the Bonds.
- (5) Non-payment related defaults.
- (6) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(7) Appointment of a successor or additional Trustee or the change of name of a Trustee.

(c) The Trustee shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative and inform such person of the event.

(d) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in subsection (b) of this Section, the Authority shall determine if such event would be material under applicable Federal securities law.

(e) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in subsection (a) of this Section, or determines that knowledge of a Listed Event described in subsection (b) of this Section would be material under applicable Federal securities law, the Authority shall, or shall cause the Dissemination Agent to, file a notice of the occurrence of such Listed Event with the MSRB, within ten business days of such occurrence.

(f) Notwithstanding the foregoing, notice of Listed Events described in paragraph (7) of subsection (a) of this Section and (3) of subsection (a) of this Section need not be given any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

Section 5. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The obligations of the Authority, the Trustee and the Dissemination Agent 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 Authority shall give, or cause to be given, notice of such termination in a filing with the MSRB.

Section 7. Dissemination Agent. The Authority 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. The Dissemination Agent may resign by providing 30 days' written notice to the Authority. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Authority provided neither the Trustee nor the Dissemination Agent shall be obligated to enter into any amendment increasing or affecting its duties or obligations), 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) or (b) 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 the 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 Owners of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Authority shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority 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 required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the Authority 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 or any other event required to be reported.

Section 10. Default. In the event of a failure of the Authority, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of Outstanding Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee) take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority, the Trustee or the 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 Authority, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent.

Article VII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. Neither the Trustee nor the Dissemination Agent shall be responsible for the form or content of any Annual Report or notice of Listed Event. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent permitted by law, the Authority shall indemnify and save the Dissemination Agent harmless against any losses, expenses and liabilities which it may incur in the exercise and performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, and which are not due to its negligence or its willful misconduct. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and the termination of this Disclosure Agreement.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Trustee, the Dissemination Agent, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. 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
SANITATION DISTRICTS
FINANCING AUTHORITY**

By: _____

ACKNOWLEDGED AND ACCEPTED:

**U.S. BANK NATIONAL
ASSOCIATION, AS DISSEMINATION
AGENT**

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Los Angeles County Sanitation Districts Financing Authority

Name of Issue: Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2016 Series A (District No. 20 Revenue Bonds)

Date of Issuance: November 16, 2016

NOTICE IS HEREBY GIVEN that the Los Angeles County Sanitation Districts Financing Authority (the “Authority”) has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of November 1, 2016, by and between the Authority and U.S. Bank National Association, as Trustee. [The Authority anticipates that the Annual Report will be filed by _____.]

Dated: _____

U.S. Bank National Association, as
Trustee

cc: Los Angeles County Sanitation Districts
Financing Authority

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APPENDIX E

FORM OF PROPOSED OPINION OF BOND COUNSEL

Upon delivery of the 2016 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, proposes to render its final approving opinion with respect to the 2016 Bonds in substantially the following form:

[Date of Delivery]

Los Angeles County Sanitation Districts
Financing Authority
Whittier, California

Los Angeles County Sanitation Districts Financing Authority
Capital Projects Revenue Bonds, 2016 Series A
(District No. 20 Revenue Bonds)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Los Angeles County Sanitation Districts Financing Authority (the “Authority”) in connection with the issuance of \$170,265,000 aggregate principal amount of Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2016 Series A (District No. 20 Revenue Bonds) (the “Bonds”), issued pursuant to the Indenture, dated as of November 1, 2016 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”).

In such connection, we have reviewed the Indenture, the Installment Purchase Agreement, dated as of November 1, 2016 (the “Installment Purchase Agreement”), by and between County Sanitation District No. 20 of Los Angeles County (the “District”) and the Authority, the Tax Certificate executed by the Authority and the District, dated as of the date hereof (the “Tax Certificate”), opinions of counsel to the Authority, the District and the Trustee, certificates of the Authority, the District, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized undefined terms used herein have the meanings ascribed thereto in the Indenture or, if not defined therein, in the Installment Purchase Agreement.

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. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, 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 and the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents 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 Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Installment Purchase Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, 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 governmental entities such as the Authority and the District in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability 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 the Installment Purchase Agreement or the accuracy or sufficiency of the description of any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority payable solely from the Authority Revenues and the other assets pledged therefor under the Indenture.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority.

3. The Installment Purchase Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, each of the District and the Authority.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

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