

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 2015 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 2015 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 2015 Bonds. See "TAX MATTERS."



\$149,940,000
LOS ANGELES COUNTY SANITATION DISTRICTS
FINANCING AUTHORITY
Capital Projects Revenue Bonds, 2015 Series A
(District No. 14 Subordinate Revenue Bonds)

Dated: Date of Delivery

Due: October 1, as shown below

The Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2015 Series A (District No. 14 Subordinate Revenue Bonds) (the "2015 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 2015 Bonds will be payable on each April 1 and October 1 (each an "Interest Payment Date") commencing October 1, 2015. DTC will act as securities depository for the 2015 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 2015 Bonds purchased by them. Payment of principal, premium, if any, and interest on the 2015 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 2015 Bonds as described herein. See Appendix B "BOOK-ENTRY ONLY SYSTEM." The 2015 Bonds are being issued to (i) refund and defease all of the Authority's outstanding Capital Projects Revenue Bonds, 2005 Series B (District No. 14 Subordinate Revenue Bonds) and (ii) pay costs of issuance of the 2015 Bonds. See "PLAN OF FINANCE."

The 2015 Bonds are issued pursuant to the Indenture, dated as of July 1, 2015 (the "2015 Indenture"), by and between the Authority and the Trustee. The 2015 Bonds are secured by Authority Revenues (as defined herein), which consist of 2015 Installment Payments (as defined herein) to be made by District No. 14 pursuant to the Installment Purchase Agreement, dated as of July 1, 2015 (the "2015 Installment Purchase Agreement"), by and between District No. 14 and the Los Angeles County Sanitation Districts Financing Authority (the "Authority"), and the amounts on deposit in the funds and accounts established under the 2015 Indenture (other than the Rebate Fund). District No. 14 is obligated to make its 2015 Installment Payments solely from Net Revenues (defined herein) after payment of debt service on Senior Obligations (as defined herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS - Existing Senior Obligations." The 2015 Installment Agreement constitutes a Subordinate Obligation of District No. 14. District No. 14 also has entered in loans with the California State Water Quality Control Board, with an aggregate outstanding principal amount of \$87,005,302 (the "Existing State Loans"), which also constitute Subordinate Obligations and are payable from Net Revenues on a parity with the 2015 Installment Purchase Agreement. District No. 14 may incur Additional Subordinate Obligations payable from Net Revenues on a parity with the 2015 Installment Purchase Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS - Additional Obligations."

The 2015 Bonds are limited obligations of the Authority, payable solely from the Authority Revenues and other amounts pledged therefor under the 2015 Indenture. The 2015 Bonds do not constitute a debt or liability of District No. 14 or of the State of California (the "State") and neither the faith and credit of District No. 14 nor of the State are pledged to the payment of the principal of, or interest on, the 2015 Bonds. The obligation of District No. 14 to make the 2015 Installment Payments is a special obligation of District No. 14 payable solely from Net Revenues and other funds provided for in the 2015 Installment Purchase Agreement, and does not constitute a debt of District No. 14 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. 14 or the State or any political subdivision thereof is pledged to the payment of the 2015 Installment Payments or other payments required to be made under the 2015 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 2015 Bonds.

The 2015 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. 14 by Lewis Brisbois Bisgaard & Smith LLP, Los Angeles, California. First Southwest Company, LLC, Santa Monica, California is serving as Financial Advisor to the Authority. It is anticipated that the 2015 Bonds in book-entry form will be available for delivery to DTC in New York, New York on or about July 8, 2015.

BofA Merrill Lynch
Morgan Stanley

MATURITY SCHEDULE

\$149,940,000 2015 Bonds

Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2015 Series A (District No. 14 Subordinate Revenue Bonds)

<u>Maturity (October 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†]</u>
2015	\$4,660,000	2.000%	0.150%	100.426	545149HU3
2016	2,800,000	5.000	0.460	105.563	545149HV1
2017	2,945,000	5.000	0.820	109.218	545149HW9
2018	3,095,000	5.000	1.190	112.037	545149HX7
2019	3,255,000	5.000	1.480	114.381	545149HY5
2020	3,425,000	5.000	1.710	116.391	545149HZ2
2021	3,600,000	5.000	1.910	118.066	545149JA5
2022	3,785,000	5.000	2.140	119.061	545149JB3
2023	3,980,000	5.000	2.330	119.888	545149JC1
2024	4,650,000	5.000	2.510	120.398	545149JD9
2025	4,890,000	5.000	2.660	120.834	545149JE7
2026	5,140,000	5.000	2.800	119.448*	545149JF4
2027	7,390,000	5.000	2.920	118.276*	545149JG2
2028	7,770,000	5.000	3.020	117.310*	545149JH0
2029	8,170,000	5.000	3.100	116.543*	545149JJ6
2030	8,585,000	5.000	3.200	115.594*	545149JK3
2031	9,030,000	5.000	3.260	115.028*	545149JL1
2032	14,535,000	5.000	3.320	114.466*	545149JM9
2033	15,280,000	5.000	3.350	114.187*	545149JN7
2034	16,065,000	5.000	3.400	113.722*	545149JP2
2035	16,890,000	5.000	3.430	113.445*	545149JQ0

^(*) Priced to first call date of October 1, 2025.

[†] Copyright 2015, American Bankers Association. CUSIP data herein is provided by the CUSIP Global Services (CGS), managed on behalf of the American Bankers Association by S&P Capital IQ. This data is not intended to create a database and does not serve in any way as a substitute for the CGS Database. CUSIP numbers are provided for reference only. The Authority, District No. 14, the Financial Advisor and the Underwriters do not assume any responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2015 Bonds, the Authority, or District No. 14 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 2015 Bonds, and the 2015 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 2015 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. 14, 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. 14 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 2015 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. 14’s forecasts in any way. Except as set forth in the Continuing Disclosure Agreement, neither District No. 14 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.

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**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. 14
OF LOS ANGELES COUNTY**

BOARD OF DIRECTORS

Ken Mann, *City of Lancaster, Chairman*
James C. Ledford, *City of Palmdale*
Michael D. Antonovich, *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*
John H. Gulledege, *Financial Management Department*
Charles E. Boehmke, *Solid Waste Management Department*
Thomas J. Mueller, *Chief Accountant*
Ramon Cortez, *Human Resources Department*

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Los Angeles, California

Authority and District No. 14 Counsel

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Los Angeles, California

Trustee

U.S. Bank National Association
Los Angeles, California

Financial Advisor

First Southwest Company, LLC
Santa Monica, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

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\$149,940,000

**LOS ANGELES COUNTY SANITATION DISTRICTS
FINANCING AUTHORITY
Capital Projects Revenue Bonds, 2015 Series A
(District No. 14 Subordinate Revenue 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 2015 Indenture and the 2015 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 \$149,940,000 aggregate principal amount of Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2015 Series A (District No. 14 Subordinate Revenue Bonds) (the “2015 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 2015 Bonds are being issued pursuant to the Indenture, dated as of July 1, 2015 (the “2015 Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The 2015 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 2015 Bonds

Proceeds of the 2015 Bonds will be used to provide funds to County Sanitation District No. 14 of Los Angeles County (“District No. 14”) to (i) refund the outstanding \$167,625,000 Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2005 Series B (District No. 14 Subordinate Revenue Bonds) (the “2005 Bonds”) and (ii) pay costs of issuance of the 2015 Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF PROCEEDS OF THE 2015 BONDS.”

The Authority

The Authority was formed in 1993 pursuant to the Act and 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. 14

District No. 14 is one of 24 existing sanitation districts established in the County. See "DISTRICT NO. 14." District No. 14's service area covers slightly more than 60 square miles in the Antelope Valley, encompassing much of the City of Lancaster, California ("Lancaster"), portions of the City of Palmdale, California ("Palmdale"), and the surrounding unincorporated County territory. District No. 14 currently provides wastewater management services to approximately 198,000 people and 1,587 commercial parcels. In addition to owning and operating the Lancaster Water Reclamation Plant (the "Lancaster WRP"), District No. 14 owns approximately 76 miles of trunk sewers. See "DISTRICT NO. 14."

Security for the 2015 Bonds

The 2015 Bonds are limited obligations of the Authority payable solely from the Authority Revenues ("Authority Revenues") and the other assets pledged therefor under the 2015 Indenture. Authority Revenues consist of Installment Payments (the "2015 Installment Payments") to be made by District No. 14 pursuant to the Installment Purchase Agreement, dated as of July 1, 2015 (the "2015 Installment Purchase Agreement"), by and between District No. 14 and the Authority. District No. 14 is obligated to make 2015 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 2015 Bonds do not constitute a debt or liability of District No. 14 or of the State of California (the "State") and neither the faith and credit of District No. 14 nor of the State are pledged to the payment of the principal of, or interest on, the 2015 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS."

The 2015 Bonds

The 2015 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 2015 Bonds will be payable semiannually on April 1 and October 1, commencing on October 1, 2015 (each, an "Interest Payment Date"). The 2015 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 2015 Bonds

The 2015 Bonds are subject to mandatory sinking fund redemption and optional redemption prior to maturity as described herein. See "THE 2015 BONDS – Redemption of the 2015 Bonds."

Rate Covenant

Pursuant to the 2015 Installment Purchase Agreement, District No. 14, 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 2015 Installment Purchase Agreement, including payments of Maintenance and Operations Costs (herein defined), and (b) Net Gross Revenues equal to 110% of Debt Service on Senior Obligations and Subordinate Revenue Obligations for such Fiscal Year. District No. 14 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 2015 Bonds.

Existing Indebtedness

District No. 14 has previously incurred Senior Obligations outstanding in the approximate principal amount of \$2.65 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. 14 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. 14 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. 14 under the Acquisition Agreements is approximately \$460,000, subject to increase under certain circumstances described under the discussion in “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Existing Senior Obligations” and “FINANCIAL INFORMATION – Existing Indebtedness.”

In addition to the 2005 Bonds (which are being refunded with the proceeds of the 2015 Bonds), District No. 14 has previously incurred Subordinate Obligations outstanding in the approximate principal amount of \$87.0 million. Such Subordinate Obligations consist of four Existing State Loans. The amount (including the interest component thereof) payable annually by District No. 14 with respect to the Existing State Loans is \$6,855,508. Payments pursuant to the Existing State Loans are payable from Net Revenues on a parity with the 2015 Installment Payments.

Additional Indebtedness

Pursuant to the 2015 Installment Purchase Agreement, District No. 14 may incur Additional Senior Obligations, payments with respect to which will be senior in priority to District No. 14’s obligation to make the 2015 Installment Payments, for the exclusive purpose of refunding the Acquisition Agreements and District No. 14’s installment payments thereunder, subject to satisfaction of the conditions specified in the 2015 Installment Purchase Agreement. In addition, District No. 14 may incur Additional Subordinate Obligations payable on a parity with its obligation to make Installment Payments. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Additional Obligations.”

Potential Acceleration of Payments on Senior Obligations

In connection with District No. 14's obligation to a portion of the Senior Bonds, District No. 14 entered into the Acquisition Agreements, which, among other things, provides for acceleration of a Sanitation District's installment payments under the Acquisition Agreements upon the acceleration of other Senior Obligations of such Sanitation District. If a Sanitation District's installment payments are accelerated pursuant to the Acquisition Agreements, then such Sanitation District's portion of the principal amount of each maturity of the Senior Obligations then outstanding, and the interest accrued thereon, shall immediately become due and payable. District No. 14's portion of the Senior Bonds will be its only Senior Obligations outstanding. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – Existing Senior Obligations."

Book-Entry Form Only

The 2015 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 2015 Bonds. Ownership interests in the 2015 Bonds may be purchased in book-entry form only. So long as DTC or its nominee is the Owner of the 2015 Bonds, principal, redemption premium, if any, and purchase price of and interest on the 2015 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 2015 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 2015 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 2015 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 2015 Bonds and District No. 14, not later than eight months after the end of each fiscal year, commencing with the report for fiscal year 2014-15 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 2015 Bonds are summaries of certain provisions of the 2015 Installment Purchase Agreement and the 2015 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. 14.

Copies of all documents referred to herein, including the 2015 Installment Purchase Agreement and the 2015 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 2015 BONDS

Description of the 2015 Bonds

The 2015 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 2015 Bonds is payable semi-annually beginning October 1, 2015 and on each April 1 and October 1 thereafter until maturity or redemption prior to maturity as provided for in the 2015 Indenture and as described herein. The 2015 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 2015 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE AUTHORITY REVENUES AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE 2015 INDENTURE. THE 2015 BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF DISTRICT NO. 14 OR OF THE STATE AND NEITHER THE FAITH AND CREDIT OF DISTRICT NO. 14 NOR OF THE STATE ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THE 2015 BONDS.

The 2015 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 2015 Bonds. While the 2015 Bonds are held in the book-entry system of DTC, all payments of principal and interest on the 2015 Bonds will be made to Cede & Co., as the registered owner of the 2015 Bonds. See Appendix B – “BOOK-ENTRY ONLY SYSTEM.”

Redemption of the 2015 Bonds

Optional Redemption. The 2015 Bonds maturing on or before October 1, 2025 are not subject to optional redemption prior to their respective stated maturities. The 2015 Bonds maturing on or after October 1, 2026 are subject to redemption prior to their respective stated maturities, upon the exercise by District No. 14 of its right to cause the redemption of 2015 Bonds in accordance with the 2015 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, 2025, of such maturities or portions of maturities as shall be directed by an Authorized Representative of District No. 14 if less than all of the 2015 Bonds are to be called for prior redemption, and by lot within any such maturity if less than all of the 2015 Bonds of such maturity be redeemed at the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium.

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 2015 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 2015 Bond numbers and the maturity or maturities (except in the event of redemption of all of the 2015 Bonds of such maturity or maturities in whole) of the 2015 Bonds to be redeemed, and shall require that such 2015 Bonds be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such 2015 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 2015 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 2015 Bonds, unless at the time such notice is given the 2015 Bonds to be redeemed shall be deemed to have been paid within the meaning of set forth in the 2015 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 2015 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 2015 Bonds. In the event a notice of redemption of 2015 Bonds contains such a condition and such moneys are not so received, the redemption of 2015 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 2015 Bonds pursuant to such notice of redemption.

Effect of Notice of Redemption. If notice has been duly given as provided in the 2015 Indenture, and moneys for the redemption price, and the interest to the applicable date fixed for redemption has been set aside, the 2015 Bonds shall become due and payable on said date and, upon presentation and surrender thereof at the Office of the Trustee, said 2015 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 2015 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 2015 Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of 2015 Bonds shall be held in trust for the account of the Owners of the 2015 Bonds so to be redeemed without liability to such Owners for interest thereon. All 2015 Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of the 2015 Indenture shall be canceled upon surrender thereof and destroyed.

ESTIMATED SOURCES AND USES OF PROCEEDS OF THE 2015 BONDS

The estimated sources and uses of the proceeds of the 2015 Bonds are described in the following table.

<u>Sources</u>	
Principal Amount of 2015 Bonds	\$149,940,000.00
Plus: Original Issue Premium	<u>22,468,044.50</u>
Total Sources	\$172,408,044.50
 <u>Uses</u>	
2005 Escrow Account	\$171,720,321.88
Costs of Issuance ⁽¹⁾	<u>687,722.62</u>
Total Uses	\$172,408,044.50

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

PLAN OF FINANCE

The 2015 Bonds are being issued to provide funds to (i) refund and defease the outstanding \$167,625,000 2005 Bonds and (ii) pay costs of issuance of the 2015 Bonds. See "ESTIMATED SOURCES AND USES OF PROCEEDS OF THE 2015 BONDS."

District No. 14 will apply a portion of the proceeds of the sale of the 2015 Bonds, together with other lawfully available funds, to establish an irrevocable escrow fund to refund and defease the 2005 Bonds pursuant to the legal documents under which the 2005 Bonds were issued. The 2005 Bonds were issued to finance and refinance the costs of the Sewerage System, pay capitalized interest on a portion of the 2005 Bonds and pay costs of issuance of the 2005 Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

**LOS ANGELES COUNTY SANITATION DISTRICTS
FINANCING AUTHORITY
Capital Projects Revenue Bonds, 2005 Series B
(District No. 14 Subordinate Revenue Bonds)**

Base CUSIP: 545149

Maturity Date (October 1)	Amount	Interest Rate	Redemption Date (October 1)	Redemption Price	CUSIP No.[†]
2015	\$2,980,000	4.000%	N/A	N/A	ED4
2016	3,105,000	4.000	10/1/2015	100%	EE2
2017	2,830,000	4.000	10/1/2015	100	EF9
2017	400,000	4.250	10/1/2015	100	EG7
2018	3,280,000	5.000	10/1/2015	100	EJ1
2018	100,000	4.250	10/1/2015	100	EH5
2019	3,555,000	5.000	10/1/2015	100	EK8
2020	3,740,000	5.000	10/1/2015	100	EL6
2021	3,615,000	5.000	10/1/2015	100	EN2
2021	315,000	4.125	10/1/2015	100	EM4
2022	4,130,000	5.000	10/1/2015	100	EP7
2023	4,340,000	5.000	10/1/2015	100	EQ5
2024	5,045,000	5.000	10/1/2015	100	ER3
2025	5,305,000	5.000	10/1/2015	100	ES1
2026	5,575,000	5.000	10/1/2015	100	ET9
2027	7,100,000	5.000	10/1/2015	100	EU6
2028	8,390,000	5.000	10/1/2015	100	EV4
2029	11,460,000	5.000	10/1/2015	100	EW2
2030	12,050,000	5.000	10/1/2015	100	EX0
2035	18,990,000	4.500	10/1/2015	100	EZ5
Term Bond					
2034	61,320,000	5.000	10/1/2015	100	EY8

SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS

General

The 2015 Bonds are limited obligations of the Authority payable solely from the Authority Revenues and the other assets pledged therefor under the 2015 Indenture, including all amounts on deposit in the Payment Fund established under the 2015 Indenture. Authority Revenues consist of 2015 Installment Payments to be made by District No. 14 pursuant to the 2015 Installment Purchase Agreement. District No. 14 is obligated to make 2015 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 2015 Installment Purchase Agreement provides that the 2015 Installment

[†] Copyright 2015, American Bankers Association. CUSIP data herein is provided by the CUSIP Global Services (CGS), managed on behalf of the American Bankers Association by S&P Capital IQ. This data is not intended to create a database and does not serve in any way as a substitute for the CGS Database. CUSIP numbers are provided for reference only. The Authority, District No. 14, the Financial Advisor and the Underwriters do not assume any responsibility for the accuracy of such numbers.

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 2015 Bonds due on the following Interest Payment Date.

Pursuant to the 2015 Installment Purchase Agreement, District No. 14 is obligated to make 2015 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. 14 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. 14 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. 14 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. 14 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. 14'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. 14.

"Maintenance and Operation Costs" means, for any period, the reasonable and necessary costs spent or incurred by District No. 14 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. 14 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. 14 to make the 2015 Installment Payments and other payments required to be made by it under the 2015 Installment Purchase Agreement, from Net Revenues, is absolute and unconditional, and until such time as the 2015 Installment Payments and such other payments shall have been paid in full (or the agreements, covenants and other obligations of District No. 14 under the 2015 Installment Purchase Agreement have been discharged and satisfied), District No. 14 shall not discontinue or suspend any Installment Payments or other payments required to be made by it when due, whether or not the 2015 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 2015 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 2015 Installment Purchase Agreement, the obligation of District No. 14 to make 2015 Installment Payments and other payments required to be made by it under the 2015 Installment Purchase Agreement is a special obligation of District No. 14 payable solely from Net Revenues and other funds specified in the 2015 Installment Purchase Agreement and described herein and does not constitute a debt of District No. 14 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. 14 or the State or any political subdivision thereof is pledged to the payment of the 2015 Installment Payments or other payments required to be made under the 2015 Installment Purchase Agreement.

The 2015 Installment Payments are not secured by, and Owners of the 2015 Bonds have no security interest in or mortgage on, the 2005 Projects or the Sewerage System of District No. 14 or any other real property of District No. 14. Default by District No. 14 will not result in loss of the 2005 Projects or its Sewerage System. For information relating to the remedies of Owners of Bonds and the Trustee upon failure of District No. 14 to pay Installment Payments, see "INDENTURE – Events of Default and Remedies" in Appendix C attached hereto.

Existing Senior Obligations

District No. 14 has previously incurred Senior Obligations outstanding in the principal amount of \$2,653,804. Such Senior Obligation consists 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. 14 pursuant to the Acquisition Agreements are pledged to the payment of its share of those Bonds. The amount of such installment payments (including the interest component thereof) payable annually by District No. 14 is approximately \$460,000, subject to increase pursuant to the Acquisition Agreement. 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.

Existing Subordinate Obligations

In addition to the 2005 Bonds (which are being refunded with a portion of the proceeds of the 2015 Bonds), District No. 14 has previously incurred Subordinate Obligations outstanding in the approximate principal amount of \$87.0 million. Such Subordinate Obligations consist of four Existing State Loans. The amount (including the interest component thereof) payable annually by District No. 14

with respect to the Existing State Loans is \$6,855,508. Amounts payable by the District pursuant to the Existing Loans will be payable from Net Revenues on a parity with the 2015 Installment Payments.

Additional Obligations

No Additional AV Obligations or Senior Revenue Obligations Except for Refunding. District No. 14 shall not incur Additional AV Obligations or Senior Revenue Obligations; provided, however, that, notwithstanding the foregoing, District No. 14 may incur Additional AV Obligations or Senior Revenue Obligations for the exclusive purpose of refunding an Acquisition Agreement, and District No. 14's installment payments payable under such Acquisition Agreement, provided:

(a) There shall not have occurred and be continuing an Event of Default under the 2015 Installment Purchase Agreement.

(b) District No. 14 provides to each Obligation Trustee for Obligations a Written Certificate of District No. 14 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. 14's installment payments payable under the Acquisition Agreements, through maturity.

(c) The Support Payments, if any, payable by District No. 14 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. District No. 14 may at any time incur Subordinate Revenue Obligations, provided:

(a) There shall not have occurred and be continuing an Event of Default under the 2015 Installment Purchase Agreement.

(b) District No. 14 provides to each Obligation Trustee for Obligations a Written Certificate of District No. 14 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. 14, 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.

For purposes of preparing the Written Certificate of District No. 14 described above, District No. 14 may rely upon financial statements prepared by District No. 14 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. 14 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. 14 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. 14 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 District No. 14.

(d) The Support Payments, if any, payable by District No. 14 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. District No. 14 shall not incur any obligations payable from Net Revenues except as provided in the 2015 Installment Purchase Agreement; provided, however, that District No. 14 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. 14 has covenanted in the 2015 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 2015 Installment Purchase Agreement, including payments of Maintenance and Operations Costs (herein defined), and (b) Net Gross Revenues equal to 110% of Debt Service on Senior Obligations and Subordinate Revenue Obligations for such Fiscal Year. District No. 14 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. 14 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 2015 Installment Purchase Agreement, District No. 14 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. 14 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. 14. 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 2015 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. 14 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 2015 Bonds has any right to institute any suit, action or proceeding for the enforcement of any remedy under the 2015 Indenture unless, among other things, the Owners of Bonds representing at least 25% in aggregate amount of the 2015 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 2015 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 2015 Indenture, see “INDENTURE – Events of Default and Remedies” in Appendix C attached hereto.

Annual Budget

District No. 14 has covenanted in the 2015 Installment Purchase Agreement to adopt on or before July 1 of each fiscal year, commencing July 1, 2016, a budget approved by the Board of Directors of District No. 14 that appropriates amounts for the payment of its Obligations (including the 2015 Installment Payments) payable during such fiscal year. For information relating to the budgetary process of District No. 14, see “DISTRICT NO. 14 – Budgetary Process.”

Other Covenants of District No. 14

For a further description of other covenants of District No. 14 under the 2015 Installment Purchase Agreement, see “INSTALLMENT PURCHASE AGREEMENT – Covenants” in Appendix C attached hereto. Among other things, subject to certain exceptions specified in the 2015 Installment Purchase Agreement, District No. 14 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. 14's outstanding Obligations, including the Acquisition Agreements, the Existing State Loans, and any outstanding Subordinate Revenue Bonds.

TABLE 1
SCHEDULE OF DISTRICT NO. 14 OBLIGATIONS PAYMENTS

Fiscal Year Ending June 30	Senior Obligations Debt Service ⁽¹⁾	Subordinate State Loans ⁽²⁾	2015 Installment Payments		Total Debt Service
			Principal	Interest	
2016	\$459,864	\$6,855,508	\$4,660,000	\$5,328,243	\$17,303,615
2017	459,511	6,855,508	2,800,000	7,194,000	17,309,019
2018	460,058	6,855,508	2,945,000	7,050,375	17,310,941
2019	459,036	6,855,508	3,095,000	6,899,375	17,308,919
2020	458,476	6,855,508	3,255,000	6,740,625	17,309,609
2021	457,764	6,855,508	3,425,000	6,573,625	17,311,897
2022	457,147	6,855,508	3,600,000	6,398,000	17,310,655
2023	456,775	6,855,508	3,785,000	6,213,375	17,310,658
2024	456,272	6,855,508	3,980,000	6,019,250	17,311,030
2025		6,855,508	4,650,000	5,803,500	17,309,008
2026		6,855,508	4,890,000	5,565,000	17,310,508
2027		6,855,508	5,140,000	5,314,250	17,309,758
2028		4,918,419	7,390,000	5,001,000	17,309,419
2029		4,918,419	7,770,000	4,622,000	17,310,419
2030		4,918,419	8,170,000	4,223,500	17,311,919
2031		4,918,419	8,585,000	3,804,625	17,308,044
2032		4,918,419	9,030,000	3,364,250	17,312,669
2033			14,535,000	2,775,125	17,310,125
2034			15,280,000	2,029,750	17,309,750
2035			16,065,000	1,246,125	17,311,125
2036			16,890,000	422,250	17,312,250
Total	\$4,124,903	\$106,858,191	\$ 149,940,000	\$102,588,243	\$363,511,337

⁽¹⁾ Equal to installment payments payable by District No. 14 pursuant to the Acquisition Agreements.

⁽²⁾ Equal to the debt service on State Loans currently outstanding.

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.

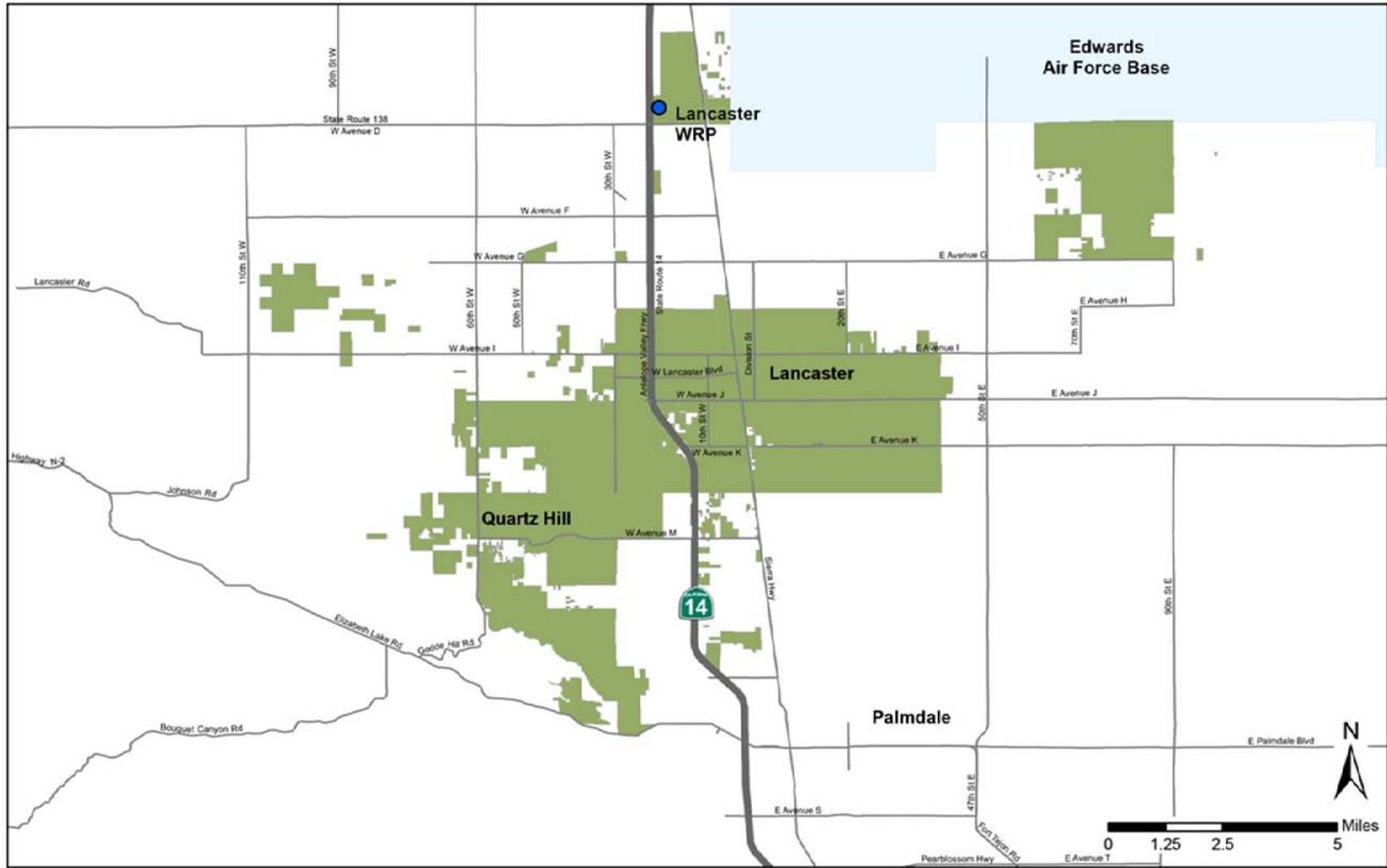
The Authority is governed by a Commission consisting of the Chairperson of each of the Sanitation Districts. The Commission may exercise all rights, powers, duties and privileges of the Commission set forth in the Joint Powers Agreement. The current officers of the Authority are listed under "LOS ANGELES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

DISTRICT NO. 14

Organization

District No. 14 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 31, 1938 to serve what was then unincorporated Antelope Valley located in the northern portion of the County. District No. 14 presently serves most of the populated portions of Lancaster, smaller portions of Palmdale, and adjacent unincorporated County areas. A map of District No. 14's boundaries is on the following page. District No. 14 currently encompasses approximately 38,300 acres and serves approximately 198,000 people. District No. 14 is governed by a three member Board of Directors comprised of the mayor of Lancaster, the mayor of Palmdale and the chairperson of the County Board of Supervisors. The following are the members of the Board of Directors of District No. 14:

<u>Jurisdiction</u>	<u>Director</u>	<u>Alternate</u>
Lancaster	R. Rex Parris	Ken Mann (Chairman)
Palmdale	James C. Ledford	Roxana Martinez
Los Angeles County	Michael D. Antonovich	Mark Ridley-Thomas



Legend

- District 14 Service Area
- Edwards Air Force Base

District 14



Administration

District No. 14, 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 248 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 four 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. 14:

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.

John H. Gulledge, B.S., M.S., M.B.A., Department Head, Financial Management Department. Mr. Gulledge is a Registered Civil Engineer, State of California, and is a member of the Water Environment Federation, the California Water Environment Association, the American Public Works Association, and SWANA. Mr. Gulledge served on the Board of Directors for both the local SWANA chapter and for SWANA’s International Board of Directors for over 20 years.

Mr. Gullede has been a member of the LACSD engineering staff since 1973 and has held various positions throughout his professional career related to both wastewater and solid waste functions. From 1994 to July 2000, Mr. Gullede was the Assistant Department Head for the Solid Waste Management Department. From July 2000 to July 2006, he was the Department Head for the Solid Waste Management Department. Mr. Gullede directed planning, monitoring, research, design, operation and maintenance, and financial management of all of the LACSD solid waste activities including landfills, transfer stations, materials recovery facilities, refuse-to-energy projects, and the development of the future waste-by-rail program. In July 2006, Mr. Gullede became the Department Head for the Financial Management Department, which was a newly-created department responsible for developing financial management strategies for both the wastewater and solid waste programs. These responsibilities include budgeting, rate-setting, and development of capital improvement plans.

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, a member of the American Institute of Certified Public Accountants, 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.

David B. Bruns, B.S., M.S., Assistant 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, Mr. Bruns became the Assistant Department Head for what is now the Financial Management Department.

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 January 1, 2015, the LACSD had an engineering staff of 248 engineers including 215 licensed professional engineers and over 100 professionals in other technical and scientific disciplines (chemists, biologists, geologists, and accountants). The clerical and administrative staff is relatively small.

The monthly employees are divided into nine groups, three of which are represented by national labor organizations. The represented units are the Blue Collar unit, consisting of 652 employees, and the White Collar Unit, consisting of 107 employees, both represented by Local 721, S.E.I.U., CTW, CLC; and the Technical Support Unit, consisting of 285 employees, represented by the California Association of Professional Employees. The non-represented units are the Energy Recovery Unit, consisting of 38 employees; the Professional Unit, consisting of 302 employees; the Confidential Unit, consisting of 31 employees; the Professional Supervisory Unit, consisting of 64 employees; the Supervisory Unit, consisting of 77 employees; and the Management Unit, consisting of 52 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 expired on June 30, 2014, with a new agreement expected to be in place by early 2015.

Existing Wastewater Facilities

District No. 14 owns, operates, and maintains an extensive sewage collection and conveyance network, consisting of approximately 76 miles of trunk sewers. The sewage collection system currently conveys wastewater from approximately 50,600 residences, commercial and industrial sites. Local collector sewer lines, although tributary to District No. 14's trunk sewer network, are owned by Lancaster, Palmdale or the County, depending on the location of the applicable sewer line, and maintained by the County.

Historically, effluent from the Lancaster Water Reclamation Plant ("Lancaster WRP") was delivered to a marsh-like area known as Piute Ponds and, on occasion, onto Rosamond Dry Lake, located in the southwest corner of Edwards Air Force Base. In 2002, due to concerns raised by the Air Force over unauthorized effluent-induced flooding of Rosamond Dry Lake, the Lahontan Regional Water Quality Control Board ("Lahontan RWQCB") issued a revised waste discharge permit for the Lancaster WRP that effectively prohibited the overflow of recycled water onto the dry lake. In 2004, the Lahontan RWQCB issued a Cease and Desist Order for the Lancaster WRP related to unauthorized overflows.

In response to the Lahontan RWQCB requirements, District No. 14, after receiving community input developed a plan involving the construction of lined reservoirs for winter storage, expansion of agricultural irrigation, and worked with the Cities of Lancaster and Palmdale to encourage municipal reuse. At the community's request, the plan included replacing the then-existing oxidation ponds and upgrading treatment of the plant to tertiary treatment to provide a wider variety of reclaimed water uses for the community. Construction of these facilities (the "2005 Facilities") was completed in July 2012 and the Cease and Desist Order has been rescinded. In order to pay for a portion of the 2005 Facilities, District No. 14 entered into the 2005 Subordinate Acquisition Agreement with the Authority in connection with the issuance by the Authority of its 2005 Bonds and obtained a State Loan which constitutes a Subordinate Obligation. See "FINANCIAL INFORMATION – Existing Obligations."

For information relating to future plans with respect to District No. 14's Sewerage System, see "DISTRICT NO. 14 – Operations."

System Capacity and Demand

The 2005 Facilities increased the capacity of the Lancaster WRP to 18 million gallons per day (mgd), providing a reserve capacity of approximately 4 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. Based on population projections (and the concurrent increase in flow), no additional capacity will be required before 2026. See “DISTRICT NO. 14 – Growth” for additional information of potential growth and increases in demand.

TABLE 2
Average Daily Flow from District No. 14
in Millions of Gallons per Day;
Fiscal Years 2009-10 Through 2013-14

Fiscal Year <u>2009-10</u>	Fiscal Year <u>2010-11</u>	Fiscal Year <u>2011-12</u>	Fiscal Year <u>2012-13</u>	Fiscal Year <u>2013-14</u>
14.1	13.5	14.0	14.6	13.4

Source: District No. 14.

Operations

District No. 14 is the sole provider of wastewater management services within its service area. District No. 14’s wastewater treatment and disposal facilities are operated and maintained by District No. 14’s staff.

Customer Base. The estimated number of sewage units (billing units) served by District No. 14 and the corresponding user fees and ad valorem taxes related to each of fiscal years 2009-10 through 2013-14 are presented in the table below. A sewage unit is defined to be the average daily quantity of wastewater flow and strength from a single family home. Following this table is a list of the ten largest customers of District No. 14, their total billing for fiscal year 2013-14, and the percentage each represents of the total user charges collected that year.

TABLE 3

**Estimated Sewage Units By Customer Type, User Fees and Ad Valorem Taxes
Fiscal Years 2009-10 Through 2013-14**

Fiscal Year	Number of Sewage Units ⁽¹⁾					User Fees	A.V. Taxes ⁽²⁾
	Residential	Commercial	Industrial	Contract	Total		
2009-10	53,174	9,388	2,400	1,368	66,348	\$21,942,442	\$2,727,662 ⁽³⁾
2010-11	54,481	9,178	2,305	1,422	67,386	26,018,276	861,142
2011-12	55,365	9,027	2,358	1,275	68,025	25,189,537 ⁽⁴⁾	911,261
2012-13	55,914	9,169	2,507	1,100	68,690	31,688,216	991,495 ⁽⁵⁾
2013-14	56,225	10,337	2,605	999	70,166	33,476,010	812,372 ⁽⁵⁾

- (1) A sewage unit is the average daily quantity of sewage flow and strength from a single family home.
- (2) Actual amount collected. See “DISTRICT NO. 14 – Revenues – Ad Valorem Taxes” for a discussion of the amount of ad valorem taxes retained by District No. 14.
- (3) The Los Angeles County Counsel ruled that the required pass through of tax increment revenue from the Palmdale Redevelopment Agency should apply to all taxing entities within the area (including District No. 14). A payment was made to District No. 14 in January 2010 for its proportionate share for fiscal years 2003-04 through 2008-09.
- (4) District No. 14’s Master Service Charge Ordinance allows dischargers to apply for a reduced charge based on low water usage. Effective July 1, 2011, the Ordinance was amended to allow dischargers a one-time opportunity to retroactively apply for 4 years of reduced charges. Although they were retroactive charges, adjustments were not recorded in the year to which they applied; the reductions for FY’s 2007-08 through 2010-11 were all recorded in 2011-12. The 4-year retroactivity provision expires on July 1, 2015.
- (5) At the end of FY 2012-13, District No. 14 mistakenly received \$87,893 in Prop. 1A Securitization Payments from the Los Angeles County Treasurer and Tax Collector. They realized their error in early FY 2013-14, and the Prop. 1A Securitization moneys were returned.

TABLE 4

**TEN LARGEST CUSTOMERS
Fiscal Year 2013-14**

Customer	Fiscal Year 2013-14 Billing	Percentage of Total User Charges
1. California State Prison Los Angeles County	\$ 1,366,195	4.08%
2. Northrop Grumman Corporation MASD (Site 4)	563,597	1.68
3. Provident Housing Resources, Inc. (Apartments)	195,974	0.59
4. Antelope Valley Hospital	191,199	0.57
5. Mission Linen & Uniform Service	163,342	0.49
6. MGP IX Properties LLC (Shopping Center)	138,416	0.41
7. Caritas Affordable Housing, Inc. (Mobile Homes)	131,405	0.39
8. Northrop Grumman Corporation MASD (Site 3)	109,097	0.33
9. Front Gate Plaza LLC (Shopping Center)	108,538	0.32
10. TRU 2005 RE I LLC (Shopping Center)	<u>105,425</u>	<u>0.32</u>
TOTAL	<u>\$2,967,763</u>	9.18%

Source: District No. 14.

Supplies. All essential supplies for the operation and maintenance of the facilities of District No. 14 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. 14 are revised regularly, and the costs to District No. 14 of compliance with such revisions can be substantial. The Lancaster WRP currently operates under Waste Discharge Requirements (WDRs) No. R6V 2002-0053 (including all amendments thereto), and is permitted to provide recycled water for various uses (e.g. irrigation, agriculture) under Reuse Permit No. R6V 2009-0141. Both the WDRs and Reuse Permit have no expiration date and are amended only as needed. District No. 14 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. 14 has taken and will take immediate corrective actions.

District No. 14 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. 14's estimates. Significant increases in such costs of compliance could adversely affect the ability of District No. 14 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. 14, contemplates the acquisition and maintenance of such permits and licenses to address wastewater management needs for the next 20 years. District No. 14 intends to take into account as part of such facilities plan reasonably foreseeable changes in federal, state and local regulations. See "DISTRICT NO. 14 – Growth."

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 the point of being non-existent. 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 Lancaster WRP have remained relatively stable over the last five years. See "TABLE 2 - Average Daily Flow from District No. 14."

To ensure that District No. 14 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. 14 is not empowered to control land use planning within its service area. Lancaster and Palmdale are responsible for land use planning in the incorporated areas of District No. 14, while the County is responsible for land use planning in the unincorporated areas of District No. 14. District No. 14 has implemented an exchange of information program with the local jurisdictions whereby development and planning information is exchanged. District No. 14 provides Lancaster, 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 Lancaster, Palmdale and the County. This exchange aids the local jurisdictions in the development of their general plans and allows District No. 14 to maintain current estimates of projected wastewater demand.

District No. 14 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. 14 – Financial Policies.” Any territory outside of District No. 14’s current service area must first annex to District No. 14 before service can be provided. In accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, District No. 14 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. 14 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 discharge. The connection fees are accumulated in a restricted fund and withdrawn as necessary to construct expansion-related facilities.

Capital Improvement Program

District No. 14 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. 14. 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. The facilities financed with the proceeds of the 2005 Bonds (the 2005 Facilities) upgraded the level of treatment at the Lancaster WRP by the replacing the oxidation ponds with conventional activated sludge operations and by adding filters. However, the Lancaster WRP continues to use the older, existing influent headworks/pump station and primary sedimentation tanks. Over the next five years (through fiscal year 2019-20), District No. 14 will be undertaking an extensive capital program to upgrade and replace these older facilities. In addition to constructing new tanks, there will be upgrades to the power distribution system, replacement of electrical equipment, the addition of a redundant power source, expansion of the influent screening station, and improved laboratory facilities. The cost of these new facilities is estimated to be nearly \$29 million.

In addition to the facilities at the Lancaster WRP, District No. 14 anticipates purchasing mitigation land that was required as a condition of the Environmental Impact Report (“EIR”) for the 2005 Facilities. The cost of this land is estimated to be approximately \$2.3 million.

District No. 14 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. 14.

FINANCIAL INFORMATION

Following is information concerning the revenues of District No. 14 as well as a description of the budgetary process.

Revenues

Ad Valorem Taxes

Historically, one of the primary revenue sources of District No. 14 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. 14 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. 14 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. 14 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 8 for the historical ad valorem receipts of District No. 14.

Service Charges

Subsequent to the passage of Proposition 13 in 1978, District No. 14 implemented a user fee program establishing the structure and mechanism for levying such 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. 14. 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. 14 – Financial Management” and “FINANCIAL INFORMATION – Tax Levies and Delinquencies.”

Set forth below is a summary of the historical and projected service charge rates in District No. 14. The existing service charge rate ordinance established the current service charge rate of \$496 per year per sewage unit (equivalent single-family home) effective July 1, 2014. It is anticipated that the Board of

Directors will adopt a new rate ordinance in the spring of 2015, with the new rates to become effective on July 1, 2015. As shown in the table below, the District anticipates that rates will be reduced as a result of the savings achieved through the refunding of the 2005 Bonds. If the Board of Directors does not adopt a new rate ordinance, the existing higher rates will remain in effect.

TABLE 5
HISTORICAL AND PROJECTED SERVICE CHARGE RATES
(Dollars Per Single Family Home Per Year)

Fiscal Year	Service Charge Rate
2009-10	\$ 310
2010-11	360
2011-12	360
2012-13	448
2013-14	472
2014-15	496
2015-16*	476
2016-17*	476
2017-18*	476
2018-19*	476

* Projected service charge rates based on anticipated O&M, capital and debt service requirements. Reflects savings resulting from refunding of 2005 Bonds.

Source: District No. 14

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. 14 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. 14.

The majority of the agencies shown in Table 6 are located in the Mojave Desert. Even though they are in the same geographical and climatic region as District No. 14, 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 2005 Facilities were being planned, District No. 14’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. 14 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. As seen in Table 6, District No. 14 is slightly below the statewide average.

TABLE 6
FISCAL YEAR 2014-15 ANNUAL COST OF SERVICE
IN CERTAIN OTHER JURISDICTIONS IN SOUTHERN CALIFORNIA
(Dollars Per Year Per Single Family Home)

<u>Agency</u>	<u>Total Cost⁽¹⁾</u>	<u>Level of Service</u>	<u>Disposal Means</u>
Victorville ⁽²⁾	323	Tertiary	River Discharge/Percolation
Apple Valley ⁽²⁾	377	Tertiary	River Discharge/Percolation
Tehachapi	448	Secondary	Flood Irrigation
Rosamond	500	Partial Tertiary	Evaporation Ponds
District No. 14	583 ⁽³⁾	Tertiary	Agricultural Reuse
Statewide Average	611	Tertiary	Various
District No. 20	624	Tertiary	Agricultural Reuse

⁽¹⁾ Includes service charge rates effective as of fiscal year 2014-15, 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⁾ In FY 2015-16, this rate is anticipated to decrease by \$20.00. See Table 5 – “Historical and Projected Service Charge Rates.”

Source: District No. 14.

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. 14 – 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. 14 will be sufficient to pay for capital projects or that payment of any deficiency from Revenues will not materially adversely affect the ability of District No. 14 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. 14. The projected data for fiscal year 2014-15 is reflective of the additional capacity units (60) through October 2014 plus a projected additional 67 capacity units from November through June 2015. The District believes this is a conservative estimate based on historical data over the past five years. The projected data for fiscal year 2015-16 and thereafter is based on 25% of the average number of new capacity units that were actually realized during the five most recently completed fiscal years. While District No. 14 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 7
HISTORICAL AND PROJECTED CONNECTION FEES
Fiscal Years 2009-10 Through 2018-19

Fiscal Year	Connection Fee Rate (\$ per Capacity Unit)	Number of Additional Capacity Units	Total Connection Fees
2009-10	\$ 6,190	327	\$2,025,259
2010-11	6,190	157	971,121
2011-12	6,190	155	956,410
2012-13	6,190	349	2,159,862
2013-14	6,190	161	995,679
2014-15*	6,190	127	786,130
2015-16*	6,190	57	352,830
2016-17*	6,190	57	352,830
2017-18*	6,190	57	352,830
2018-19*	6,190	57	352,830

* Projected connection fee revenues based on current adopted rate and annual number of new connections equal to 25% of the annual connections made in the preceding 5-year period. For Fiscal Year 2014-15, projected connection fee revenues based on revenue received to date.

Source: District No. 14.

Industrial Wastewater Surcharge

In 1972, District No. 14 instituted a surcharge program for industrial wastewater discharges. The program requires industrial wastewater discharges 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, discharges 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. 14 generates revenue from the sale of recycled water and the leasing of agricultural lands owned by District No. 14. Such revenues are received through long-term contracts and are set by present market conditions. District No. 14 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. 14 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. 14’s investment income is comprised of interest received on funds maintained by District No. 14 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. 14 and the prevailing interest rate. District No. 14 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. 14's budget consists of three major categories: (i) operation and maintenance, (ii) capital, and (iii) debt service. District No. 14 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 improvements to the Lancaster 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 Lancaster 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 2011 Bonds, the 2013 Bonds, and the Existing State Loans. 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 will be replaced with the 2015 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. 14 are then added to its individual costs (including debt service) to determine District No. 14'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 14'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. 14 – 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. 14. 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. 14's fiscal year, and December 31, District No. 14 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. 14'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. 14'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. 14'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. 14 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. 14'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. 14 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. 14 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. 14 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. 14'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 8 is a summary of selected historical and projected operating data of District No. 14. 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. 14 believes these assumptions and forecasts are reasonable for the purposes of the selected projected operating data, District No. 14 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 number of new connections that occurred annually from fiscal year 2009-10 through 2013-14. This equates to approximately 57 new sewage units per year, a growth rate of 0.08%. See "FINANCIAL DATA – Historical and Projected Operating and Financial Data – Connection Fees" for additional information.

The projections assume that the Board of Directors will adopt a new rate ordinance in the spring of 2015, with the new rates to become effective on July 1, 2015, as shown in Table 5. The District anticipates that rates will be reduced as a result of the savings achieved through the refunding of the Series 2005 Bonds. If the Board of Directors does not adopt a new rate ordinance, the existing higher rates will remain in effect.

Ad Valorem Taxes

During the "Great Recession" property values declined in District No. 14 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. 14 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. 14 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 2014-15 will only be 1% higher than the ad valorem taxes received in fiscal year 2013-14, less any moneys previously attributed to the redevelopment agencies. In fiscal year 2015-16 ad valorem taxes are assumed to increase by 1.5% over fiscal year 2014-15 and then increase 2% per year thereafter.

Contract Revenues

Although the wastewater and solid waste systems are financially independent of each other, the sewerage system pays for all of the combined administrative expenses and is then reimbursed by the solid waste system for its share of the expenses. This reimbursement is shown in the projections, as well as in the Comprehensive Annual Financial Report, as part of the contract revenue. The contract revenue related to the sale of reclaimed water and the lease of the agricultural land is assumed to remain constant.

Connection Fees

The annual number of new connections in District No. 14 dropped dramatically with the onset of the “Great Recession” in 2008-09. As the economy has begun to recover that number has leveled off and, in fact, has begun to increase slightly. 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. 14 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 2005 Facilities, which because they utilize conventional activated sludge process are more energy intensive than the historic oxidation ponds. Now that the 2005 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. 14 will implement those capital improvements described in “DISTRICT NO. 14 - 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

Although District No. 14 has previously set aside \$31.6 million in a Rate Stabilization Fund, the projections assume no use of those moneys.

Debt Service

The projections assume that the debt service will be as set forth in “Table 1 – Schedule of Installment Payments” for the Acquisition Agreements and the Existing State Loans, plus projected debt service on the 2015 Bonds.

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

The projections shown in Table 8 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 rate at which they occurred during the preceding five fiscal years.

Cautionary Statement

While District No. 14 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 8, 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 8, such circumstances would not materially adversely affect the financial condition of District No. 14. See “RISK FACTORS” herein.

TABLE 8
DISTRICT NO. 14's HISTORICAL AND PROJECTED OPERATING DATA
(\$ in thousands)

DISTRICT NO. 14	<i>Historical Operating Data</i>					<i>Projected Operating Data*</i>				
	Fiscal Year 2009/10	Fiscal Year 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15	Fiscal Year 2015/16	Fiscal Year 2016/17	Fiscal Year 2017/18	Fiscal Year 2018/19
REVENUE SOURCES										
A.V. Tax	\$2,728	\$861	\$911	\$991	\$812	\$729	\$740	\$755	\$770	\$785
Service Charge	20,209	23,853	23,466	29,440	31,097	33,956	32,270	32,297	32,324	32,351
Industrial Waste	1,734	2,166	1,724	2,248	2,379	2,564	2,455	2,455	2,455	2,455
Contract	376	1,458	1,013	717	1,520	1,187	1,210	1,198	1,198	1,198
Interest	1,694	1,019	471	249	261	218	272	282	301	303
Rate Stabilization Fund	0	5,800	1,380	0	0	0	0	0	0	0
Miscellaneous	197	118	127	86	58	117	117	117	117	117
Subtotal	\$26,938	\$35,275	\$29,092	\$33,731	\$36,127	\$38,771	\$37,064	\$37,104	\$37,165	\$37,209
Connection Fees	4,661	5,320	5,320	6,155	3,488	784	353	353	353	353
Revenue for Sr Debt	\$31,599	\$40,595	\$34,412	\$39,886	\$39,615	\$39,555	\$37,417	\$37,457	\$37,518	\$37,562
Connection Fees	1,857	959	710	2,160	996	784	353	353	353	353
Revenue for Sub Debt	\$28,795	\$36,234	\$29,802	\$35,891	\$37,123	\$39,555	\$37,417	\$37,457	\$37,518	\$37,562
EXPENSES										
Total O&M	8,728	9,084	9,420	10,714	12,279	12,364	13,057	13,571	14,215	14,632
Rate Stabilization Fund	7,300	0	0	2,697	4,650	0	0	0	0	0
Total Expenses	\$16,028	\$9,084	\$9,420	\$13,411	\$16,929	\$12,364	\$13,057	\$13,571	\$14,215	\$14,632
DEBT SERVICE										
Senior AV										
Bonds	478	476	468	465	464	460	460	459	460	459
State Loans	-	-	-	-	-	-	-	-	-	-
Total Senior Debt Service	\$478	\$476	\$468	\$465	\$464	\$460	\$460	\$459	\$460	\$459
Subordinate Revenue										
Bonds	9,179	11,115	11,115	11,113	11,110	11,110	9,988	9,994	9,995	9,994
State Loans	1,937	1,937	1,937	6,855	6,856	6,856	6,856	6,856	6,856	6,856
Total Debt Service	\$11,594	\$13,528	\$13,520	\$18,433	\$18,430	\$18,426	\$17,304	\$17,309	\$17,311	\$17,309
SENIOR DEBT COVERAGE	9.32	38.78	25.51	18.29	10.17	20.05	16.34	15.33	14.03	13.25
SUBORDINATE DEBT COVERAGE	1.10	2.01	1.51	1.22	1.10	1.48	1.41	1.38	1.35	1.32

* See "Historical and Projected Operating and Financial Data" for significant assumptions utilized in the preparation of projected operating results.

Certain Existing Reserves

District No. 14 maintains a variety of reserves for operating costs, capital costs, and rate stabilization. The reserves, totaling nearly \$48 million in aggregate, are maintained in two separate funds, the operating fund and the capital improvement fund (“CIF”). 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 2015 Installment Purchase Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2015 BONDS – General.” The CIF consists of accumulated connections fees and is designated for funding expansion-related capital projects. District No. 14 may make interfund loans from its CIF for purposes other than expansion-related projects under certain conditions. Table 9 shows the fund balances as of June 30, 2014.

TABLE 9
FUND BALANCES AS OF JUNE 30, 2014

Total Fund	Operating Fund Available as Rate Stabilization Fund	Capital Improvement Fund Total Fund
\$ 37,743,389	\$ 31,624,000	\$ 9,998,330

Existing Obligations

District No. 14 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. 14 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.

State Loans

District No. 14 has entered into four State loans with the State Water Resources Control Board (“SWRCB”). All four of the loans are “Subordinate Revenue Obligations” and will be payable from Net Revenues on a parity with the 2015 Installment Payments. All four loans are already in the repayment phase.

Each State Loan generally provides for repayment over a 20-year period in annual installments, except that each State Loan provides that if the District fail to make payments under the State Loan or breach any material provision of the State Loan, the SWRCB has the right to terminate the State Loan and demand immediate repayment of all amounts outstanding, including accrued interest and penalty. See “INDENTURE – Events of Default; Remedies” in Appendix C – “SUMMARY OF CERTAIN LEGAL DOCUMENTS,” attached hereto. See also “CERTAIN RISK FACTORS – Potential Acceleration of Acquisition Agreements and/or State Loans.

For additional information relating to the State Loans, see Note 8 to the basic financial statement set forth in APPENDIX A – “AUDITED FINANCIAL STATEMENTS OF THE DISTRICTS” attached hereto.

Subordinate Acquisition Agreements

As described herein, in connection with the issuance of the 2015 Bonds, District No. 14 will enter into the 2015 Installment Purchase Agreement. The 2015 Installment Purchase Agreement will constitute a “Subordinate Revenue Obligation” of District No. 14. The 2015 Installment Payments will be payable from Net Revenues on a parity with payments due pursuant to the State Loans.

Information Relating to Acquisition Agreements, State Loans, and Subordinate Installment Purchase Agreements

Table 10 contains information concerning the Acquisition Agreements, the various State Loans, and the 2005 Subordinate 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 State Loans, and the 2005 Subordinate Acquisition Agreement are subject to acceleration under certain circumstances.

**TABLE 10
OUTSTANDING OBLIGATIONS**

	Debt Balance (as of 7/1/2015)	Commencement of Repayment
SENIOR A.V. OBLIGATIONS		
2011 Acquisition Agreement	\$1,792,094	10/1/2014
2013 Acquisition Agreement	<u>861,710</u>	10/1/2013
TOTAL SENIOR A.V. OBLIGATION:	<u>\$2,653,804</u>	
 SUBORDINATE REVENUE OBLIGATIONS (PURPOSE OF OBLIGATION SET FORTH BELOW)		
2015 Installment Purchase Agreement*	\$149,940,000	10/1/2015
Trunk “F” Replacement Sewer, Section 1	4,643,686	10/31/2007
Rosamond Outfall Relief TS, Section 1	8,068,195	10/31/2007
Rosamond Outfall Replacement TS, Section 2	7,401,097	10/31/2007
Lancaster WRP Stage V Exp , Ph I	<u>\$66,892,325</u>	7/31/2012
TOTAL SUBORDINATE REVENUE OBLIGATION:	<u>\$236,963,303</u>	
TOTAL OBLIGATION:	<u>\$239,617,107</u>	

* As of the closing date of the 2015 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 installment 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. 14'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. 14 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. 14'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. 14 participates, see Note 11 to the basic financial statements of the Sanitation Districts for fiscal year 2013-14 set forth in Appendix A attached hereto. The Sanitation Districts 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. 14 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. 14 projects. The cost of providing retirement benefits has increased significantly over the last several years and there can be no assurance that District No. 14's required contributions to CalPERS will not materially exceed its estimates.

Other Post-Employment Benefits (OPEB)

Pursuant to the Joint Administration Agreement, District No. 14 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 Sanitation Districts have contributed 100% of the OPEB actuarially required contribution every year. See Note 12 to the basic financial statements of the LACSD for fiscal year 2013-14 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. 14's share in the Accrued Employee Absences at June 30, 2014, was \$972,670.

Insurance

The risk management objectives of District No. 14 are to protect against financial consequences of accidental losses which are catastrophic in nature and to preserve District No. 14's assets and public service capabilities from loss, destruction or depletion. The Sanitation Districts currently have \$25 million of general liability insurance with a \$1,000,000 self-insured retention over the underlying \$1,000,000 automobile liability coverage. Fire and theft insurance has been purchased on specific buildings and their contents in the amount of \$423,267,903. Each of the aforementioned policies is available to District No. 14 through the Sanitation Districts. See Note 9 to the basic financial statements of the Sanitation Districts for fiscal year 2013-14 set forth in Appendix A attached hereto. The Sanitation Districts are self-insured for workers' compensation and medical claims.

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. 14, including reducing property tax revenues received by District No. 14. 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. 14.

Legal Debt and Tax Limitations

The ability of District No. 14 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. 14 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. 14’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. 14 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. 14 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. 14’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. 14 anticipates that any such appropriations limitations will not impair its ability to make its 2015 Installment.

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. 14, 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. 14 does not believe that Proposition 62 will impair its ability to make its 2015 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. 14, 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. 14 does not believe that the potential financial impact of Proposition 218 will adversely affect its ability to make 2015 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. 14 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 2015 Installment Purchase Agreement, District No. 14 has covenanted to impose rates and charge at specified levels. No assurance can be provided that District No. 14 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. 14 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. 14 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. 14 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 2015 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. 14 to make the 2015 Installment Payments and any other payments required to be made by it under the 2015 Installment Purchase Agreement depends on the ability of District No. 14 to generate Net Revenues at the levels required by the 2015 Installment Purchase Agreement. District No. 14's projected operating results, as set forth herein, contemplate that even with a reduction in service charges on residential and commercial users, District No. 14 will be able to make all of its required 2015 Installment Payments. Although, as more particularly described herein, District No. 14 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 2015 Installment Payments. As a result, District No. 14 may be unable to comply with the covenants under the 2015 Installment Purchase Agreement regarding generation of revenues and the District No. 14's covenant does not constitute a guarantee that sufficient Net Revenues will be available to pay the 2015 Installment Payments. Failure by District No. 14 to make its 2015 Installment Payments under the 2015 Installment Purchase Agreement could materially affect the Authority's ability to timely pay debt service on the 2015 Bonds.

In addition, District No. 14'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. 14 to pay the 2015 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. 14 with respect to its wastewater facilities and services could be significant. Such claims are payable from assets of District No. 14 or from other legally available sources. See "DISTRICT NO. 14 – Operations – Permits, Licenses and Other Regulations."

Although rates are the major source of funding for regulatory costs and District No. 14 has covenanted in the 2015 Installment Purchase Agreement to establish such rates as are necessary to enable District No. 14 to make all payments required to be made pursuant to the 2015 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. 14 to generate Net Revenues in the amounts sufficient to pay 2015 Installment Payments.

Earthquake or Other Natural Disasters

The Los Angeles basin 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. 14 or its Sewerage System or results in significantly increased costs could materially adversely affect the ability of District No. 14 to generate Net Revenues in the amounts sufficient to pay 2015 Installment Payments.

Hazardous Waste

Although District No. 14 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. 14 may be responsible, no assurance can be given that such cost of remediation will not materially adversely affect the ability of District No. 14 to generate Net Revenues in the amounts sufficient to pay the 2015 Installment Payments.

Certain Limitations on Ability of District No. 14 to Impose Taxes, Fees and Charges

Certain statutory limitations on District No. 14's ability to impose taxes, fees and charges are discussed in "DISTRICT NO. 14 – Financial Management" and in "FINANCIAL INFORMATION – Legal Debt and Tax Limitations." There can be no assurances that further legislation or initiatives will not affect District No. 14'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. 14, threatened against the Authority or District No. 14, affecting the existence of the Authority or District No. 14 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 2015 Bonds, the application of the proceeds thereof in accordance with the 2015 Indenture, or in any way contesting or affecting the validity or enforceability of the 2015 Bonds, the 2015 Indenture, the 2015 Installment Purchase Agreement, the 2015 Continuing Disclosure Agreement or any action of the Authority or District No. 14 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. 14 or the authority of the Authority or District No. 14, as applicable, with respect to the 2015 Bonds, the execution and delivery of the 2015 Indenture, the 2015 Installment Purchase Agreement or the 2015 Continuing Disclosure Agreement, or any action of the Authority or District No. 14 contemplated by any of said documents, nor to the knowledge of the Authority and District No. 14, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the 2015 Bonds, the 2015 Indenture, the 2015 Installment Purchase Agreement or the 2015 Continuing Disclosure Agreement.

To the best knowledge of District No. 14, 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. 14 contesting or affecting the ability of District No. 14 to collect amounts from which 2015 Installment Payments are payable, or which would have a material adverse effect on District No. 14's ability to make 2015 Installment Payments except one case described below:

Pursuant to an order from the Lahontan Regional Water Quality Control Board, District No. 14 upgraded the Lancaster WRP to tertiary treatment (the "Upgrade Project") which now provides a wider variety of recycled water uses for the community. The Upgrade Project was completed in July 2012 and fully accepted by the District in July 2013.

The construction contractor for the Upgrade Project filed a complaint against District No. 14 in or around May 2013. The complaint alleges that the Contractor is entitled in excess of \$37 million on a variety of grounds related to claims for delays and extra work in connection with the Upgrade Project.

The damages claimed in the complaint include approximately \$5 million that has already been paid to the Contractor, and approximately \$2.1 million retained in an escrow account established pursuant to the construction contract. District No. 14 believes that, if this matter is litigated to conclusion, final adjudication of the matter (including appeals) could take several years. District No. 14 is vigorously defending itself in this matter. District No. 14 does not believe that resolution of this matter will adversely affect the ability of the District to make the 2015 Installment Payments.

CERTAIN LEGAL MATTERS

The validity of the 2015 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. 14 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 2015 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 2015 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 2015 Bonds is less than the amount to be paid at maturity of such 2015 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2015 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 2015 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 2015 Bonds is the first price at which a substantial amount of such maturity of the 2015 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 2015 Bonds accrues daily over the term to maturity of such 2015 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 2015 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2015 Bonds. Beneficial Owners of the 2015 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2015 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2015 Bonds in the original offering to the public at the first price at which a substantial amount of such 2015 Bonds is sold to the public.

2015 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 2015 Bonds. District No. 14 and the Authority have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2015 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 2015 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2015 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 2015 Bonds may adversely affect the value of, or the tax status of interest on, the 2015 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 2015 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 2015 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 2015 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 2015 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 2015 Bonds. Prospective purchasers of the 2015 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 2015 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. 14 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. 14 and the Authority have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2015 Bonds ends with the issuance of the 2015 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend District No. 14, the

Authority or the Beneficial Owners regarding the tax-exempt status of the 2015 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than District No. 14, 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. 14 or the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the 2015 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 2015 Bonds, and may cause District No. 14, the Authority or the Beneficial Owner to incur significant expense.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the 2015 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 2005 Bonds on their respective payment and redemption dates.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of Owners and beneficial owners of the 2015 Bonds to provide certain financial information and operating data relating to the Authority and District No. 14 by not later than March 1 of each year (the "Annual Report"), commencing with the Annual Report for the 2014-15 Fiscal Year (due by March 1, 2016), 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, and, in 2010, upgrades in underlying ratings of certain bonds of the Authority.

FINANCIAL STATEMENTS

Separate financial statements for District No. 14 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, 2014, 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, 2014 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 Ratings Group have assigned ratings to the 2015 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 2015 Bonds.

UNDERWRITING

The 2015 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 2015 Bonds for an aggregate purchase price of \$172,065,756.73 (representing the principal amount of the 2015 Bonds, plus an original issue premium of \$22,468,044.50 and less Underwriters' discount of \$342,287.77).

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 2015 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:

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

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. 14 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. 14 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.

FINANCIAL ADVISOR

First Southwest Company, LLC, Santa Monica, California, is employed as Financial Advisor to the Authority in connection with the issuance of the 2015 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the 2015 Bonds is contingent upon the issuance and delivery of the 2015 Bonds. First Southwest Company, in its capacity as Financial 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 2015 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the Authority has provided the following sentence for inclusion in this Official Statement. The Financial 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 Financial 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 2015 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. 14
OF LOS ANGELES COUNTY

By: /s/Ken Mann
 Chairperson of County Sanitation
 District No. 14 of Los Angeles County

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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, 2014

GRACE ROBINSON HYDE
Chief Engineer & General Manager

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

Prepared by the Accounting Section

Mr. Thomas J. Mueller
Chief Accountant

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COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Comprehensive Annual Financial Report

June 30, 2014

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COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Comprehensive Annual Financial Report

June 30, 2014

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COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

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GRACE ROBINSON HYDE
Chief Engineer and General Manager

December 19, 2014

Honorable Boards of Directors
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, 2014. 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, 2014, 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

During fiscal year 2013-2014, the County Sanitation Districts of Los Angeles County were comprised of 23 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 5.5 million people in Los Angeles County. The Districts' service area covers approximately 800 square miles and encompasses 78 cities and unincorporated territory within the County, excluding the majority of the City of Los Angeles.

A 24th sanitation district, the Newhall Ranch Sanitation District (NRSD), was created in Los Angeles County on June 27, 2006, with the Los Angeles County Department of Public Works acting as staff. On March 11, 2014, NRSD took action to become signatory to the Amended Joint Administration Agreement (Amended JAA). This is the agreement whereby the other 23 districts have agreed to be administered by a single shared staff and legal counsel. At the same time, in order to carry out the business of NRSD during the interim period while the other 23 districts approved the change to the Amended JAA, they appointed the officers and counsel of District No. 2 to serve as interim officers and interim counsel for NRSD. The last of the 23 districts approved the change to the Amended JAA on September 10, 2014.

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 1,706 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 410 million gallons per day (mgd) of wastewater, which is roughly one half of the total wastewater generated in the County. Approximately 152 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, two recycling centers, 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 constructing an intermodal facility as part of the waste-by-rail system, which will be completed in 2015.

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. Twenty-two of the 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 2013-2014 were \$543 million and \$134 million, respectively. Actual expenses for wastewater and solid waste management were \$474 million and \$93 million, respectively.

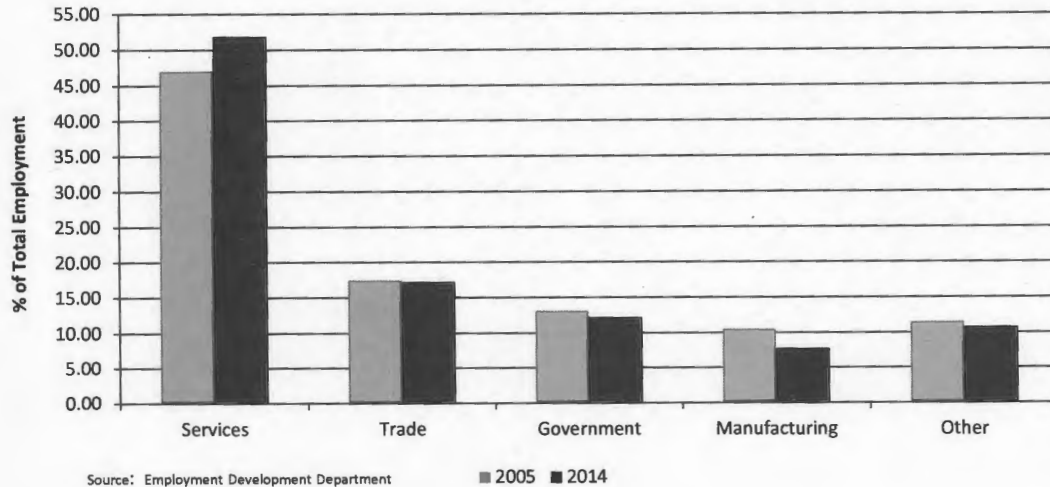
INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

The County has experienced a population decrease of 1.3% since 2005, and the California Department of Finance predicts the County will see an increase of 6.2% by 2025. Per capita personal income increased 36.6% during the past 10 years. A table showing more economic indicators is located on page 96 of the Statistical Section.

The unemployment rate in the County nearly tripled from December 2006 (4.3%) to July 2010 (13.2%). Since reaching that high point, unemployment has steadily decreased to the current (June 2014) level of 8.2%. However, because of the increase in the size of the overall workforce, the total number of civilian employees has actually increased by 1.8% since 2005, with increases seen in the educational and health services sector, which saw a 30.5% increase, the leisure and hospitality sector, which saw an 18.6% increase, and the professional and business services sector, which saw a 6.9% 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 47.1% of total employment in 2005 to 51.9% in 2014, while manufacturing jobs decreased from 10.6% of total employment in 2005 to 7.7% in 2014. According to the Los Angeles County Economic Development Corporation, healthcare and social assistance; leisure and hospitality; professional, scientific, and technical services; administrative and support services; and construction will see the most job growth over the next few years.

Figure 1
L.A. County Economic Sectors
2004 vs. 2014



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 20% since 2005. The decrease in wastewater flow is believed to be associated with the combined effects of the recent economic downturn, specifically a 28% decrease in Joint Outfall System industrial sewage units since fiscal year 2005-2006, and water conservation measures. Increases in wastewater flows are anticipated during and following the economic recovery.

Long-Term Financial Planning

In the spring of 2011, nearly all districts adopted rates for a three-year period, beginning with fiscal year 2011-2012. The minimal increases of \$1 to \$2 per single-family home per year were reflective of the state of the economy and the ongoing recession. However, additional future increases were anticipated to upgrade treatment facilities and infrastructure, to comply with increasingly stringent regulatory requirements, and to begin a phased approach to replenishing reserves to targeted levels. In fact, 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. 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 87 of the Statistical Section.) Overall, the Districts' rates remain very competitive 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 \$600 million (in 2014 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 2016. Construction of the tunnel will take 6-7 years.

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. Although the rapid population growth in the Antelope Valley service area has abated, this growth is expected to resume when the local economy recovers from the current downturn. Based on the expected increase in wastewater flows, the treatment capacity at the Lancaster and Palmdale WRPs, after the expansions and upgrades described below, is projected to be adequate until 2024 and 2028, respectively. Management of the recycled water produced at both WRPs is an ongoing issue, since the Antelope Valley is an enclosed watershed basin with no natural outlets. Requirements imposed by the Lahontan Regional Water Quality Control Board necessitated the construction of major capital facilities.

The major capital requirements in the Antelope Valley resulted in the need for significant increases in service charge rates. The Boards of Directors for District Nos. 14 and 20 originally approved four years of rate increases of \$50 and \$55 per single-family home per year, respectively, beginning with fiscal year 2007-2008, acknowledging that subsequent rate increases would be needed. In early 2011, Districts' staff recommended four years of additional rate increases for both Districts to support the increased operation and maintenance expense of the new facilities, along with the increased debt service payments associated with the state revolving fund (SRF) loans and bonds that were used to finance the facility upgrades. 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. 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, beginning with fiscal year 2012-2013.

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 final version of the State 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 project will also include a brine disposal component by deep well injection. Design has begun on the project and will continue through 2017.

In approving the Project, the SCVSD Board directed staff to request a deadline extension from the California Regional Water Quality Control Board – Los Angeles Region (Regional Water Board) to allow time for construction of the Project without additional fines being incurred. In order to grant this request, the Regional Water Board would have to adopt an Amended Water Quality Control Plan for the Los Angeles Region by May 2015, the existing deadline. With the multiple levels of State and Federal reviews that are required, the draft amendments would have to be released for public comments during August 2014. However, the Regional Water Board indicated that they would not release the draft amendments unless the SCVSD had adopted service charge rates that would allow for full funding of the Project. Thus the SCVSD began the Proposition 218 process of adopting new rates. Following an extensive public outreach program and a formal public hearing, the SCVSD Board adopted rates for six years, beginning with fiscal year 2014-2015. The rates will increase an average of \$20.50 per year per single-family home, going from \$247 in fiscal year 2013-2014 to \$370 in fiscal year 2019-2020.

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 Westlake Farms Composting Facility, located near Kettleman City, is underway and scheduled to be 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. 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.

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 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 make more effluent available for reuse. The project will cost approximately \$55 million. The Districts will seek funding through SRF loans and have already secured approximately \$3 million in Proposition 84 grant funding.

In the area of solid waste management, the Districts are continuing efforts to recycle materials and to secure remote out-of-County disposal capacity through the development of a waste-by-rail system to be utilized as 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 acquisition of the Mesquite Regional Landfill provides 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 2015.

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. It is anticipated that, within the next few years, the facility production will be too low to cost-effectively operate and will have to be shut down. 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 2 MW, is sold to the California grid at prices in the 3-5-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 2013-2014, the Districts received approximately \$9.66 million from SRF loans.

In addition to utilizing SRF loans, the Districts have issued ad valorem/revenue bonds to fund specific capital improvements. In 2011, the Districts undertook an "advanced" refunding of a portion of its 2003 Bonds, which resulted in a net present value savings of \$10.6 million. Because interest rates continued to drop to historic lows in early 2013, the Districts were able to refinance the remaining 2003 Bonds in July 2013 by issuing \$107.6 million of refunding bonds, with a net present value savings of \$28.8 million.

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 2013-2014, the Districts supplied an average of 90 million gallons per day of recycled water to more than 750 reuse sites.

Furthermore, scientific studies are underway to evaluate the feasibility of expanding 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 additional water for replenishment of the Central Coast groundwater basins. The Districts have also begun discussions with the Upper San Gabriel Valley Municipal Water District on plans to supply recycled water for replenishment of the Main San Gabriel groundwater basin.

On October 31, 2013, the Puente Hills Landfill closed after more than 50 years of operation. Prior to its closing, the Districts undertook a number of activities to ensure a smooth and reliable transition for the customers who utilized the facility. These efforts focused on preparing three other Districts facilities also serving the southern and eastern areas of Los Angeles County for a significant increase in tonnage after landfill closure. The Puente Hills Materials Recovery Facility (PHMRF), the Downey Area Recycling and Transfer Facility, and the South Gate Transfer Station were projected to receive half the tonnage previously received at the landfill from non-District sources (approximately 3,000 tons per day). These preparation efforts included increasing staff and equipment and implementing new agreements for contract labor, transfer trucking, waste disposal, and incoming tonnage. The Districts entered into 20 waste disposal and processing agreements with hauling companies for guaranteed quantities of waste and recyclables at negotiated rates. These "put or pay" contracts provide a reliable and consistent stream of material and collectively account for more than half the tonnage currently received at

the three facilities. Overall, the increase in tonnage materialized as projected, although most of the increase occurred at PHMRF.

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 2013, the Districts received Platinum Awards for the JWPCP, Long Beach WRP, San Jose Creek West WRP, Whittier Narrows WRP, and Valencia WRP; Gold Awards for the Los Coyotes WRP, San Jose Creek East WRP, and Saugus WRP; and a Silver Award for the Pomona WRP.

The Clearwater Program, the Master Plan and EIR for the Joint Outfall System through the year 2050, was awarded the Grand Prize in the Planning category of the 2013 Excellence in Environmental Engineering and Science by the American Academy of Environmental Engineers and Scientists.

Certificate of Achievement

The Districts' CAFR for the fiscal year ended June 30, 2014, 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 30 consecutive years and have submitted this year's CAFR for consideration as well.

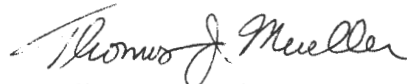
Acknowledgments

In submitting this 2013-2014 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, 2014

<u>City</u>	<u>District(s)</u>	<u>Director/Mayor ^{1/}(2ND Director/Councilmembers)</u>	<u>Alternate Director ^{2/}(Councilmember/Supervisor)</u>
Alhambra	2-16	Stephen Sham	Gary Yamauchi
Arcadia	15-22	John Wuo	Roger Chandler
Artesia	2-18-19	Tony Lima	Miguel Canales
Azusa	22	Joseph R. Rocha	Edward J. Alvarez
Baldwin Park	15-22	Manuel Lozano	Cruz Baca
Bell	1-2	Nestor Enrique Valencia	Violeta Alvarez
Bell Gardens	2	Daniel Crespo	Pedro Aceituno
Bellflower	2-3-18	Sonny R. Santa Ines	Scott A. Larsen
Beverly Hills	4	Lili Bosse	Nancy Krasne
Bradbury	15-22	Richard G. Barakat	Richard T. Hale
Carson	8	James L. Dear	Mike A. Gipson
Cerritos	2-3-18-19	Mark E. Pulido	Carol Chen (19) Joseph Cho (2,3,18)
Claremont	21	Joe Lyons	Opanyi Nasiali
Commerce (City of)	2	Tina Baca Del Rio	Lilia Leon
Compton	1-2-8	Aja Brown	Janna Zurita
Covina	22	Peggy Delach	John King
Cudahy	1	Christopher Garcia	Cristian Markovich
Culver City	5	Meghan Sahli-Wells	Jeffrey Cooper
Diamond Bar	21	Carol A Herrera	Steve Tye
Downey	2-18	Fernando Vasquez	Mario Guerra
Duarte	15-22	Liz Reilly	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	Judy Nelson	Karen Davis
Hawaiian Gardens	19	Reynaldo O. Rodriguez	Michael Gomez
Hawthorne	5	Chris Brown	---vacant---

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Boards of Directors Membership

As of June 30, 2014

<u>City</u>	<u>District(s)</u>	<u>Director/Mayor ^{1/}(2ND Director/Councilmembers)</u>	<u>Alternate Director ^{2/}(Councilmember/Supervisor)</u>
Hermosa Beach	SBC	Michael DiVirgilio	Peter C. Tucker
Huntington Park	1	Rosa E. Perez	Mario Gomez
Industry (City of)	15-18-21	Tim Spohn	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	Laura Olhasso	—”—
La Cañada Flintridge*	28-34	David A. Spence	—”—
La Cañada Flintridge*	28-34	Donald R. Voss	—”—
La Habra Heights	18	Brian Bergman	Michael Higgins
La Mirada	18	Lawrence P. Mowles	Steve De Ruse
La Puente	15-21	Violeta Lewis	Dan Holloway
La Verne	21-22	Don A. Kendrick	Donna Redman
Lakewood	3-19	Todd Rogers	Jeff Wood
Lancaster	14	R. Rex Parris	Ken Mann
Lawndale	5	Robert Pullen-Miles	Pat Kearney
Lomita	5	Michael G. Savidan	James Gazeley
Long Beach	1-2-3-8-19	Bob Foster	Dee Andrews
Los Angeles City	1-2-3-4-5-8-9-16	Herb Wesson, Jr.	Joe Buscaino
Lynwood	1	Aide Castro	Jose Luis Solache
Manhattan Beach	SBC-5	Amy Howorth	Wayne Powell
Maywood	1	Oscar Magana	Thomas Martin
Monrovia	15-22	Mary Ann Lutz	Becky A. Shevlin
Montebello	2-15	William M. Molinari	Jack Hadjinian
Monterey Park	2-15	Anthony Wong	Hans Liang
Norwalk	2-18	Marcel Rodarte	Michael Mendez

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Boards of Directors Membership

As of June 30, 2014

<u>City</u>	<u>District(s)</u>		<u>Director/Mayor ^{1/}(2ND Director/Councilmembers)</u>	<u>Alternate Director ^{2/}(Councilmember/Supervisor)</u>
Palmdale	14-20		James C. Ledford	Steven Hofbauer
Palmdale	20	2 nd Dir	Tom Lackey	Steven Hofbauer
Palos Verdes Estates	SBC-5		Ellen Perkins	Rosemary Humphrey
Paramount	1-2		Diane J. Martinez	Peggy Lemons
Pasadena	15-16-17		William J. Bogaard	- - - vacant - - -
Pico Rivera	2-18		Brent A. Tercero	David Armenta
Pomona	21		Elliott Rothman	Paula Lantz
Rancho Palos Verdes	SBC-5		Jerry Duhovic (Resigned)	Susan Brooks
Redondo Beach	SBC-5		Steve Aspel	Bill Brand
Rolling Hills	5		B. Allen Lay	Frank E. Hill
Rolling Hills Estates	SBC-5		Judy Mitchell	John Addleman
Rosemead	15		William "Bill" Alarcon	Sandra Armenta
San Dimas	21-22		Curtis W. Morris	Denis Bertone
San Gabriel	2-15		John R. Harrington	Juli Costanzo
San Marino	15-16		Eugene Sun	- - - vacant - - -
Santa Clarita	SCV		Laurene Weste	Marsha McLean
Santa Clarita	SCV	2 nd Dir	Robert Kellar	—"—
Santa Fe Springs	18		Juanita Trujillo	Richard J. Moore
Sierra Madre	15		John Harabedian	John Capoccia
Signal Hill*	3-29		Edward H.J. Wilson	Larry Forester
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		Henry Gonzalez	William "Bill" De Witt
South Pasadena	16		Marina Khubesrian, M.D	Robert S. Joe

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Boards of Directors Membership

As of June 30, 2014

<u>City</u>	<u>District(s)</u>	<u>Director/Mayor</u> ^{1/} (^{2ND} <u>Director/Councilmembers</u>)	<u>Alternate Director</u> ^{2/} <u>(Councilmember/Supervisor)</u>
Temple City	15	Carl Blum	Cynthia Sternquist
Torrance	SBC-5	Patrick J. Furey	Heidi Ann Ashcraft
Vernon*	1-2-23	William M. McCormick	Michael A. Ybarra D1 Alternate William J. Davis D2 Alternate
Vernon*	23	Luz A. Martinez	not applicable
Vernon*	23	Michael A. Ybarra	—”—
Vernon*	23	William J. Davis	—”—
Vernon*	23	Richard J. Maisano	—”—
Walnut	21-22	Antonio “Tony” Cartagena	Eric Ching
West Covina	15-21-22	Steve Herfert	Fredrick Sykes
West Hollywood	4	John D’Amico	Jeffrey Prang
Whittier	2-15-18	Cathy Warner	Fernando Dutra
Los Angeles County	15, 18, 21	Don Knabe	Gloria Molina
27**	5	“	Mark Ridley-Thomas
	1, 2, 3, 8, 9, 14, 16, 19, 20, 22 & SCV	“	Michael D. Antonovich

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

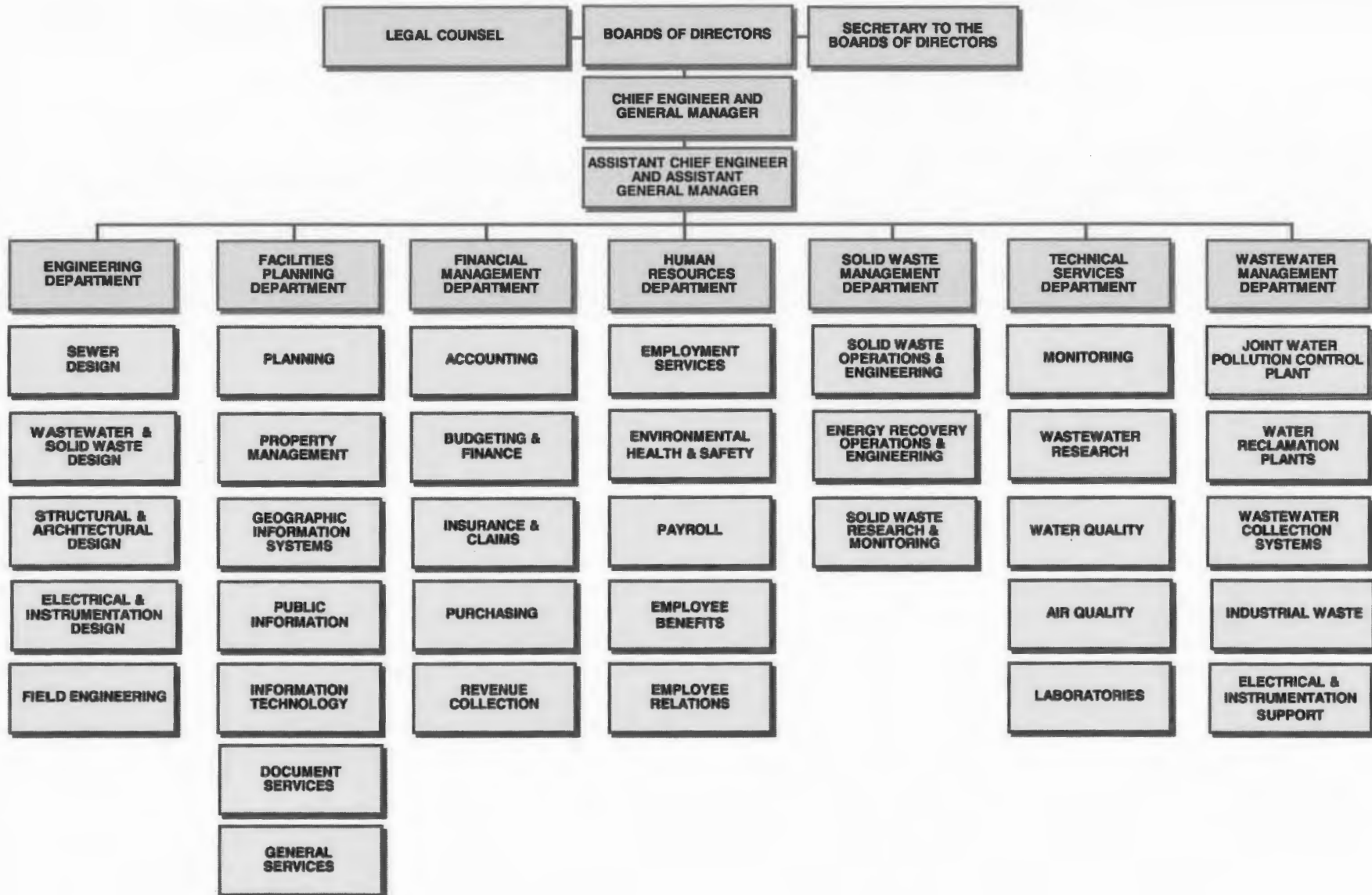
^{2/} ALTERNATE is a member of and appointed by city council or is a member of and appointed by the Board of Supervisors to act in the absence, refusal, or inability of presiding officer to so act. (§4730 Health & Safety Code) (exception-CLA Alternate appointed by Council Pres.)

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.

** District whose boundaries are composed of only unincorporated area: 27 (Board of Supervisors is Board of Directors)

Sanitation Districts of Los Angeles County Organization Chart



XVII



Government Finance Officers Association

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

Presented to

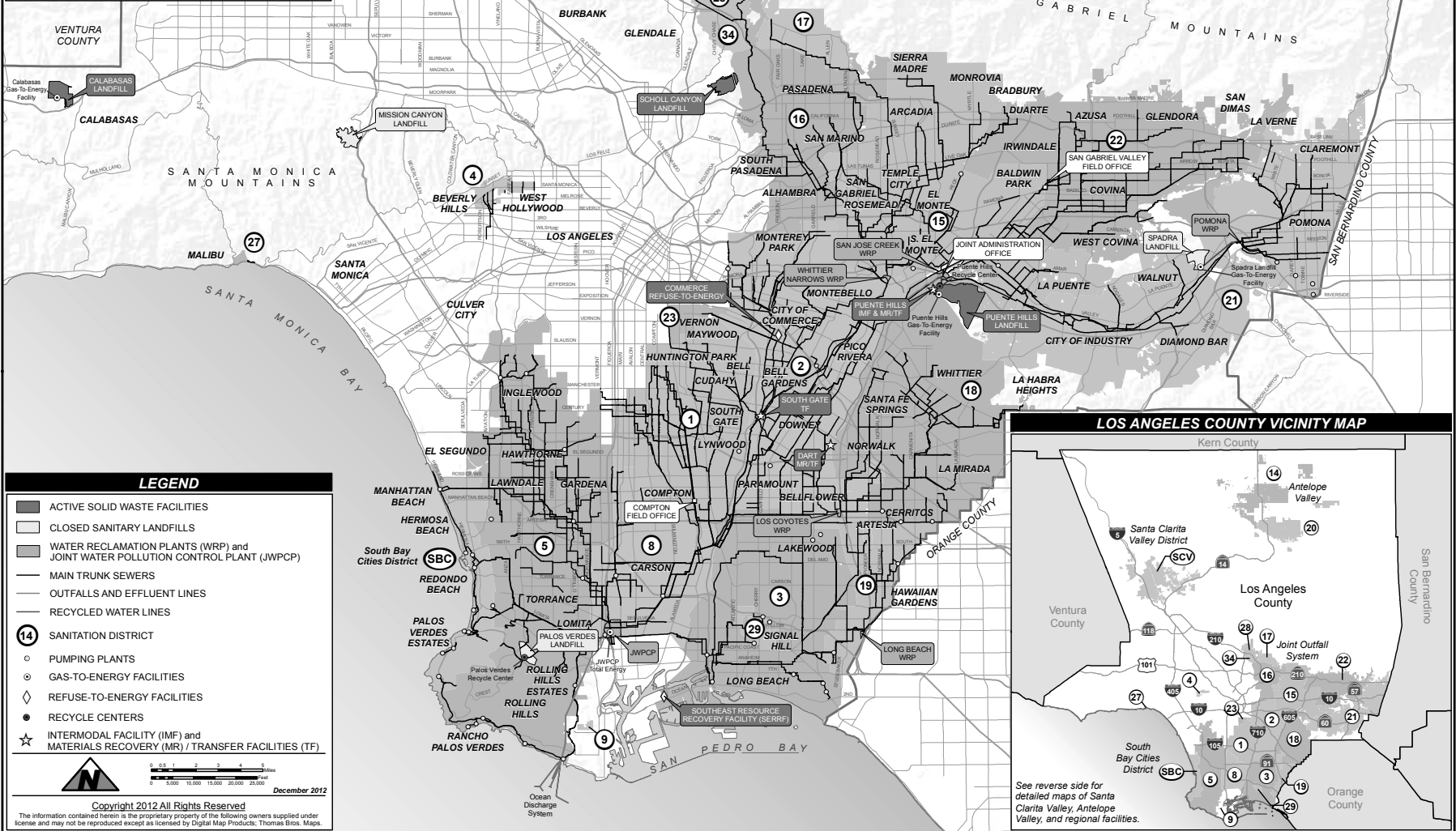
**County Sanitation Districts
of Los Angeles County, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

SANITATION DISTRICTS OF LOS ANGELES COUNTY



LEGEND

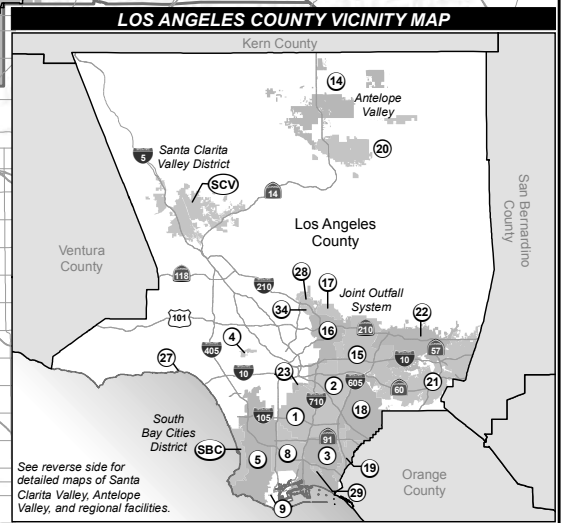
- ACTIVE SOLID WASTE FACILITIES
- CLOSED SANITARY LANDFILLS
- WATER RECLAMATION PLANTS (WRP) and JOINT WATER POLLUTION CONTROL PLANT (JWPCP)
- MAIN TRUNK SEWERS
- OUTFALLS AND EFFLUENT LINES
- - - RECYCLED WATER LINES
- SANITATION DISTRICT
- PUMPING PLANTS
- GAS-TO-ENERGY FACILITIES
- ◇ REFUSE-TO-ENERGY FACILITIES
- ▲ RECYCLE CENTERS
- ★ INTERMODAL FACILITY (IMF) and MATERIALS RECOVERY (MR) / TRANSFER FACILITIES (TF)

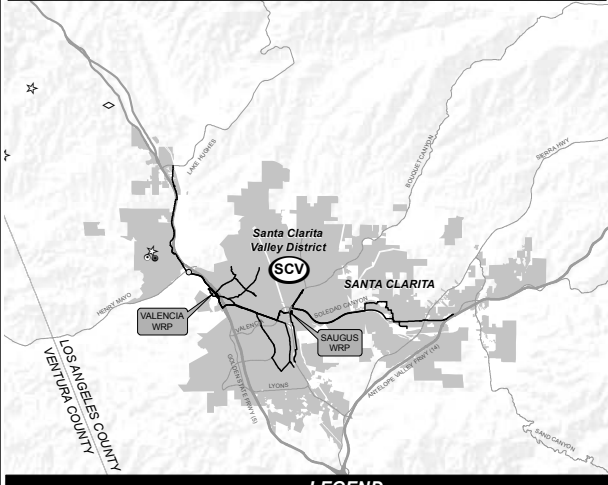
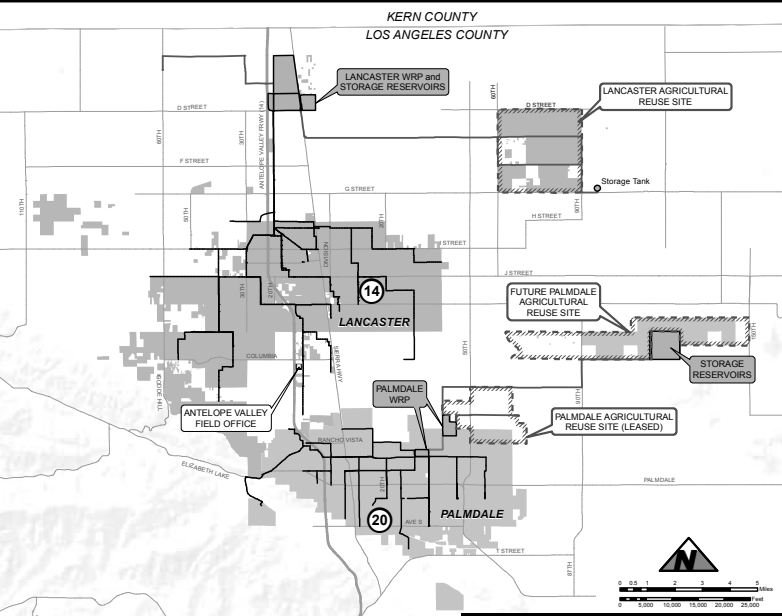
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December 2012

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SANITATION DISTRICTS OF LOS ANGELES COUNTY

SOLID WASTE FACILITIES			
Sanitary Landfills			
Sanitary Landfills	Placed in Operation	Area in Acres	Status
Palos Verdes	5-15-57	288	Closed 12-31-80
Spadra	7-15-57	338	Closed 4-8-00
Mission Canyon	6-1-60	373	Closed 1-9-82
Scholl Canyon	3-22-61	431	Operating
Calabasas	2-14-61	500	Operating
Puente Hills	5-19-58	1368	Operating
Mesquite	Operational 2009		
Energy Facilities			
Energy Facilities	Operational	Net Electricity Production	
Puente Hills Gas Turbine	1-1-83	1.4 MW	
Commerce Refuse-To-Energy	1-1-87	10 MW	
Puente Hills Gas-To-Energy	1-1-87	46 MW	
SERRF Refuse-To-Energy	12-1-88	30 MW	
Spadra Gas-To-Energy	4-5-91	6 MW	
Calabasas Gas-To-Energy	7-12-10	5.6 MW	
Puente Hills Engines	5-1-05	5.4 MW	
Other Solid Waste Facilities		Operational	
South Gate TF	1-2-58		
Palos Verdes Recycle Center	11-1-76		
Puente Hills Recycle Center	10-25-82		
DART MR/TF	3-2-98		
Puente Hills MR/TF	7-11-05		
Puente Hills IMF	Under Construction		

COMPOSTING FACILITIES	
Composting Facility	Placed in Operation
Inland Empire	4/16/2007
Westlake Farms	Under Construction

WASTEWATER FACILITIES				
Facility	Placed in Operation	Permitted Capacity	Miles of Outfalls / Effluent Lines	Area in Acres
JWPCP	2-4-28	400 mgd	18.9	381.1
Long Beach WRP	5-22-73	25 mgd	0	17.2
Los Coyotes WRP	10-14-70	37.5 mgd	0	35.8
Whittier Narrows WRP	7-27-62	15 mgd	1.5	26.7
San Jose Creek WRP	6-29-71	100 mgd	9.9	50.8
Pomona WRP	4-15-54	15 mgd	0	12.4
La Canada WRP	11-2-62	0.2 mgd	0	0.3
Valencia WRP	3-25-66	21.6 mgd	0.3	26.0
Saugus WRP	7-1-62	7 mgd	0.6	4.1
Palmdale WRP	11-28-52	12 mgd	3.8	278.4
Lancaster WRP	10-1-59	18 mgd	0	1391.8

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

DISTRICTS DATA										
District	Date of Formation	Placed in Operation	Area (Sq. Miles)	Population 2010	Cities/Partial Cities	Miles of District Sewers 2010	Pump Stations	Wastewater Management		
SBC	12-24-23	9-12-26	14.6	116,370	8	25.3	11	Joint Outfall System		
1	11-17-24	2-13-28	41.6	566,108	11	104.6	1	Joint Outfall System		
2	2-25-24	2-13-28	75.9	686,409	19	220.7	3	Joint Outfall System		
3	5-19-24	5-20-48	52.1	503,422	4	74.4	6	Joint Outfall System		
4	3-17-24	12-9-26	1.9	35,281	2	6.3	0	LA City Sewerage System		
5	3-31-24	2-13-28	87.8	736,189	15	184.2	11	Joint Outfall System		
8	9-21-25	2-13-28	31.3	139,524	4	85.2	3	Joint Outfall System		
9	8-16-26	5-10-27	0.2	2,428	1	0.0	0	LA City Sewerage System		
14	8-31-38	12-2-41	59.0	194,066	2	71.9	0	Lancaster Sewerage System		
15	1-2-45	2-27-48	77.6	580,064	20	142.9	2	Joint Outfall System		
16	1-2-46	2-27-48	37.4	264,392	5	40.6	0	Joint Outfall System		
17	1-2-46	11-23-49	7.7	56,415	1	5.4	0	Joint Outfall System		
18	11-23-48	7-1-50	60.1	337,157	11	84.7	3	Joint Outfall System		
19	3-28-50	5-19-51	14.2	90,667	5	34.5	2	Joint Outfall System		
20	8-7-51	9-8-52	40.9	125,155	1	41.8	0	Palmdale Sewerage System		
21	11-13-51	8-21-54	83.0	405,673	9	85.6	4	Joint Outfall System		
22	9-22-53	12-6-54	64.1	327,555	12	106.6	0	Joint Outfall System		
23	7-10-56	7-14-59	2.5	112	1	2.1	0	Joint Outfall System		
SCV	1-2-61	5-10-62	61.0	245,968	1	41.7	1	Santa Clarita Valley Sewerage System		
27	4-20-61	4-2-62	0.2	2,269	0	0.4	0	LA City Sewerage System		
28	9-14-61	11-2-62	4.1	11,299	1	4.1	0	Joint Outfall System		
29	9-20-62	11-12-64	2.2	11,072	1	37.4	3	Joint Outfall System		
34	10-31-67	Inactive	4.0	7,620	1	0.0	0	Inactive		
Total			823.7	5,445,214	78	1394.3	50			

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

BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

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MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES

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BEVERLY HILLS, CA 90210
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FAX: 310.670.1689
www.mlhcpas.com

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CULVER CITY, CA 90230
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FAX: 310.670.1689
www.mlhcpas.com

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, 2014, 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, 2014, 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(m) to the basic financial statements effective July 1, 2013, the District adopted Governmental Accounting Standards Board (GASB) Statement No 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Correct-2012*, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. 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 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 6, 2014, 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 6, 2014

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Management's Discussion and Analysis

June 30, 2014

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 2013-2014 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. The smallest increase was \$1 per single-family home per year and the largest increase was \$48 per single-family home per year. As part of the rate-setting process, consideration is given to the economic environment and spikes in 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 87.
- In July 2013, the Districts' Financing Authority issued \$107.6 million in Senior Ad Valorem Revenue Bonds. The purpose of these bonds was 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.
- On October 31, 2013, the Districts' Puente Hills Landfill permanently closed. This had a significant financial and operational impact on the Districts' solid waste management system. Though total solid waste disposal revenue from all sites decreased by more than \$24 million, the tonnage disposed of at Puente Hills Materials Recovery Facility increased from less than 100,000 tons per year to over 1,200,000 tons per year. This necessitated increases in staff, operational hours, and equipment, as well as, processing and material recovery changes.
- On November 1, 2013, the solid waste disposal rate for municipal solid waste increased for the Puente Hills Material Recovery Facility by 7.8% per ton and decreased by 13.4% per ton at the Downey Area Recycling and Transfer Station. All other sites remained unchanged.
- The Districts' net position increased by \$65 million, or 1.6%.

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:

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Management's Discussion and Analysis, Continued

- **Statement of Net Position** — Reports the Districts' assets, deferred outflows of resources, and liabilities, 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.
- **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 48-75 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. The Districts' net position increased by 1.6% during fiscal year 2013-2014.

Condensed Statement of Net Position (In millions of dollars)

	FY 2014	FY 2013	Dollar Change	Total Percent Change
Current and Other Assets	\$ 2,153.2	\$ 2,179.1	\$ (25.9)	(1.2) %
Capital Assets, net	<u>3,278.7</u>	<u>3,259.7</u>	<u>19.0</u>	0.6
Total Assets	<u>5,431.9</u>	<u>5,438.8</u>	<u>(6.9)</u>	<u>(0.1)</u>
 Deferred Outflow of Resources	 <u>17.3</u>	 <u>20.3</u>	 <u>(3.0)</u>	 <u>(14.8)</u>
 Current Liabilities	 134.7	 120.6	 14.1	 11.7
Other Liabilities	339.8	332.7	7.1	2.1
Long-Term Debt	<u>884.6</u>	<u>980.7</u>	<u>(96.1)</u>	<u>(9.8)</u>
Total Liabilities	<u>1,359.1</u>	<u>1,434.0</u>	<u>(74.9)</u>	<u>(5.2)</u>
 Invested in Capital Assets	 2,324.7	 2,163.9	 160.8	 7.4
Restricted	882.2	1,489.9	(607.7)	(40.8)
Unrestricted	<u>883.2</u>	<u>371.3</u>	<u>511.9</u>	<u>137.9</u>
Total Net Position	<u>\$ 4,090.1</u>	<u>\$ 4,025.1</u>	<u>\$ 65.0</u>	<u>1.6 %</u>

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Management's Discussion and Analysis, Continued

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.

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 2014	FY 2013	Dollar Change	Total Percent Change	
Operating Revenues:					
Industrial Waste Surcharge	\$ 58.1	\$ 57.0	\$ 1.1	1.9	%
Refuse Tipping Fees	87.8	112.2	(24.4)	(21.7)	
Sale of Energy	35.3	30.4	4.9	16.1	
Service Charges	312.9	318.0	(5.1)	(1.6)	
Other	51.5	53.5	(2.0)	(3.7)	
Total Operating Revenues	545.6	571.1	(25.5)	(4.5)	
Operating Expenses:					
Depreciation	110.8	84.7	26.1	30.8	
Operations & Maintenance	164.5	141.5	23.0	16.3	
Salaries & Benefits	198.3	195.8	2.5	1.3	
Other	80.5	71.8	8.7	12.1	
Total Operating Expenses	554.1	493.8	60.3	12.2	
Nonoperating Revenues:					
Interest Revenue	15.7	16.1	(0.4)	(2.5)	
Taxes	55.2	68.4	(13.2)	(19.3)	
Other	19.8	6.9	12.9	187.0	
Total Nonoperating Revenues	90.7	91.4	(0.7)	(0.8)	
Nonoperating Expenses:					
Interest Expense	32.2	42.5	(10.3)	(24.2)	
Tax & Assessment Expense	14.0	20.9	(6.9)	(33.0)	
Other	5.0	23.8	(18.8)	(79.0)	
Total Nonoperating Expenses	51.2	87.2	(36.0)	(41.3)	
Income Before Capital					
Contribution Revenue	31.0	81.5	(50.5)	(62.0)	
Capital Contribution Revenue	38.8	26.1	12.7	48.7	
Beginning Net Position	4,025.1	3,917.5	107.6	2.7	
Prior-Period Adjustment	(4.8)	0.0	(4.8)	100.0	
Ending Net Position	\$ 4,090.1	\$ 4,025.1	\$ 65.0	1.6	%

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 84% of the Districts' operating revenue. The decrease in refuse tipping fees is the net result of the closure of the Puente Hills landfill in October 2013 and the increase at other sites for the remainder of the fiscal year. The 16.1% increase in sale of energy is due to the execution of new sales contracts.

Operation and maintenance expenses increased by \$23.0 million due to: (1) service contracts to dispose of residual solid waste from the Districts' material recovery and transfer stations that had previously been disposed of at the Puente Hills landfill, (2) contract labor costs for additional material processing, and (3) transfer trucking costs.

The increase of 187.6% in other nonoperating revenues/expenses is due to an unrealized gain on the market value of specific investments. Capital contribution revenue increased due to a donation of land and pumping plants from the City of Pomona.

Capital Assets and Debt Administration

As of June 30, 2014, the Districts had \$5 billion invested in a broad range of assets as shown below:

Capital Assets (In millions of dollars)				
	FY 2014	FY 2013	Dollar Change	Total Percent Change
Buildings and Equipment	\$ 69.5	\$ 68.6	\$ 0.9	1.3 %
Capital Improvements	536.3	534.3	2.0	0.4
Construction in Progress	374.4	348.5	25.9	7.4
Disposal Rights	77.8	76.0	1.8	2.4
Equipment Pool	63.9	77.0	(13.1)	(17.0)
Gas-to-Energy Facilities	221.6	217.3	4.3	2.0
Joint Outfall Facilities	2,105.1	2,047.8	57.3	2.8
Land	216.9	214.0	2.9	1.4
Other	20.5	15.9	4.6	28.9
Rail Facilities	54.1	54.0	0.1	
Recycling and Transfer Stations	62.5	61.5	1.0	1.6
Treatment Plants	804.3	777.2	27.1	3.5
Trunk Lines	341.5	339.6	1.9	0.6
Use Rights	69.0	69.0	0.0	0.0
Subtotal	5,017.4	4,900.7	116.7	2.4
Less Accumulated Depreciation & Amortization	1,738.7	1,641.0	97.7	6.0
Net Capital Assets	\$ 3,278.7	\$ 3,259.7	\$ 19.0	0.6 %

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Management's Discussion and Analysis, Continued

Major capital asset projects that were completed and placed in operation during fiscal year 2013-2014 included the following:

- \$17.8 million - JWPCP Dewatering Facility Modifications
- \$10.8 million - Western Avenue Pumping Plant Modifications
- \$9.3 million - Valencia Water Reclamation Plant Emergency Generator
- \$5.8 million - Valencia Water Reclamation Plant Steam Boiler System Upgrade

Expenditures to date of ongoing construction projects (construction in progress) of \$374.4 million as of June 30, 2014 included, in part, the following projects:

- \$152.2 million - Puente Hills Intermodal Facilities development
- \$89.4 million - Westlake Farms Composting Facility development
- \$41.4 million - planning for Clearwater Program and design of JWPCP Effluent Outfall Tunnel
- \$36.5 million - various water reclamation and pumping plant modifications
- \$22.1 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 30-31 of this report.

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

Capital Project	Amount Planned
Landfill Acquisitions & Development	\$ 1.1
Sewer Relief and Rehabilitation	49.7
Long-Term Biosolids Recycling	6.5
Pumping Plant and Water Reclamation Plant Improvements and Expansions	58.0
Landfill General Improvements, Drainage, and Landscaping	4.7
Intermodal Facility Development	18.9
Gas Control Measures	1.9
Administration and Field Operations Improvements	8.5
Sewage Disposal Contracts	2.3
Total	\$ 151.6

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 8.9%.

Outstanding Debt (In millions of dollars)				
	FY 2014	FY 2013	Dollar Change	Total Percent Change
Revenue Bonds	\$ 574.0	\$ 647.4	\$ (73.4)	(11.3) %
Notes Payable	1.4	1.7	(0.3)	(17.6)
State Water Resources Control Board Loans	369.7	388.2	(18.5)	(4.8)
Total Long-Term Debt	<u>\$ 945.1</u>	<u>\$ 1,037.3</u>	<u>\$ (92.2)</u>	<u>(8.9) %</u>

Revenue Bond obligations decreased due to scheduled principal payments and the refunding of the 2003 Series A Revenue Bonds. State Water Resources Control Board obligations decreased due to scheduled principal payments, net of new obligations.

Bond Debt Ratings As of June 30, 2014

	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 31-35 of this report.

Currently Known Significant Facts

- On September 10, 2014, the Newhall Ranch Sanitation District (NRSD) was approved to join 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 would pay a share of all joint administrative expenses.
- On January 1, 2015, the solid waste disposal rate for municipal solid waste and segregated green waste will increase for all solid waste sites.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Management's Discussion and Analysis, Continued

- Service charge rates will increase 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 will be \$2 per single-family home and the largest increase will be \$24 per single-family home.

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, 2014

Assets

Current assets:	
Cash in bank (note 3)	\$ 877,337
Cash on hand (note 3)	40,816
Cash and cash equivalents (note 3)	<u>138,164,634</u>
Total unrestricted cash and cash equivalents	<u>139,082,787</u>
Receivables:	
Accounts (note 6)	32,188,803
Interest	5,006,567
Service charges	19,475,795
Taxes	<u>3,341,964</u>
Total receivables	<u>60,013,129</u>
Inventory	<u>18,790,252</u>
Restricted cash and investments (note 3):	
Cash and cash equivalents	424,780,263
Specific investments	1,378,992,960
Bond proceeds with Trustee	
Cash and cash equivalents	255,030
Investments	<u>10,623,480</u>
Total restricted cash and investments	<u>1,814,651,733</u>
Other specific investments (note 3)	<u>66,416,003</u>
Total current assets	<u>2,098,953,904</u>
Noncurrent assets:	
Investment in joint ventures (note 17)	54,201,891
Capital assets (note 7):	
Buildings and equipment	69,563,837
Capital improvements	536,308,085
Construction in progress (note 16)	374,447,704
Disposal rights	77,806,593
Equipment pool	63,873,948
Gas-to-energy facilities	221,590,058
Joint outfall facilities	2,105,127,551
Land (note 19)	216,896,495
Other	20,458,488
Rail facilities	54,056,552
Recycling and transfer facility	62,458,267
Treatment plants	804,353,377
Trunk lines	341,468,250
Less accumulated depreciation	(1,713,787,075)
Use rights	69,009,056
Less accumulated amortization	<u>(24,878,569)</u>
Net capital assets	<u>3,278,752,617</u>
Total noncurrent assets	<u>3,332,954,508</u>
Total assets	<u>5,431,908,412</u>

Deferred Outflow of Resources

Deferred loss on refunding, net	\$ <u>17,284,576</u>
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(Continued on following page)

Exhibit A-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Statement of Net Position
June 30, 2014

Liabilities

Current liabilities:	
Accounts payable	\$ 16,504,026
Accrued employee absences (note 1J and 14)	9,954,118
Amounts held for others	7,162,331
Bonds payable (note 8)	29,264,397
Claims liabilities (note 9)	5,529,676
Construction contracts payable	8,990,059
Estimated liability for closure and postclosure costs (note 18)	14,786,454
Estimated liability for pollution remediation (note 19)	325,003
Interest payable	10,854,290
Loans payable to State of California (note 8)	31,171,086
Note payable	41,338
Other	168,144
	<hr/>
Total current liabilities	134,750,922
	<hr/>
Long-term liabilities:	
Accrued employee absences (note 1J and 14)	29,862,354
Bonds payable, net (note 8)	544,688,856
Claims liabilities (note 9)	5,529,676
Estimated liability for closure and postclosure costs (note 18)	303,340,538
Estimated liability for pollution remediation (note 19)	975,002
Loans payable to State of California (note 8)	338,541,202
Note payable	1,372,813
	<hr/>
Total noncurrent liabilities	1,224,310,441
	<hr/>
Total liabilities	1,359,061,363
	<hr/>

Net Position

Net position (note 20):	
Net investment in capital assets	2,324,682,866
Restricted for capital projects	593,033,741
Restricted for closure/postclosure maintenance	170,369,598
Restricted for debt service	8,934,511
Restricted for disposal fees	939,560
Restricted for equipment pool	25,013,387
Restricted for noncapital projects	48,943,093
Restricted for site development	34,972,167
Unrestricted	883,242,702
	<hr/>
Total net position	\$ 4,090,131,625
	<hr/> <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, 2014

Operating revenues:	
Commodities	\$ 7,893,873
Contract revenue	23,807,796
Equipment pool	15,359,240
Industrial waste surcharge	58,092,374
Refuse tipping fees	87,797,921
Sale of energy	35,284,630
Service charges (note 4)	312,890,163
Other	4,497,351
	<u>545,623,348</u>
Total operating revenues	
Operating expenses:	
Chemicals	33,912,082
Equipment and vehicle rentals	15,467,317
Hazardous waste siting study	469,230
Insurance and claims	1,657,007
Landfill closure and postclosure costs (note 18)	22,763,644
Materials and supplies	18,164,027
Operations, repairs and maintenance	34,950,590
Salaries and benefits (notes 11 and 12)	198,288,205
Services	81,166,350
Utilities	26,524,869
	<u>433,363,321</u>
Total operations and maintenance	
Charges for collections	459,634
Depreciation and amortization of use rights (note 7)	110,794,857
Research and development	6,099,614
Tonnage	3,393,097
	<u>554,110,523</u>
Total operating expenses	
Operating loss	<u>(8,487,175)</u>
Nonoperating revenues (expenses):	
Gain on investments	2,783,465
Interest revenue	15,726,585
Investment in joint ventures (note 17)	525,175
Taxes	55,210,784
Other nonoperating revenue	2,700,000
Amortization of bond premium	5,226,919
Amortization of deferred loss on refunding	(1,946,992)
Interest expense (note 8)	(32,193,907)
Loss on sale of equipment/assets	(2,180,409)
Tax and assessment expense	(14,013,622)
Other nonoperating expense	(984,466)
Unrealized gain on investments	8,647,094
	<u>39,500,626</u>
Net nonoperating revenues	
Income before capital contribution revenue	31,013,451
Capital contribution revenue:	
Connection fees	33,290,672
Donated property	5,551,971
	<u>69,856,094</u>
Change in net position	
Total net assets, July 1, 2013, as previously stated	4,025,075,230
Prior-period adjustments (note 21)	<u>(4,799,699)</u>
Total net position, July 1, 2013, as restated	<u>4,020,275,531</u>
Total net position, June 30, 2014	<u>\$ 4,090,131,625</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, 2014

Cash flows from operating activities:	
Receipts from customers and users	\$ 534,475,116
Receipts for equipment rental	15,359,240
Payments to suppliers	(205,140,160)
Payments to employees	(198,736,054)
Payments applied to closure/postclosure liability	(6,959,967)
Payment for equipment rental within the Districts	(15,074,698)
Other payments	(18,588)
	<hr/>
Net cash provided by operating activities	123,904,889
Cash flows from noncapital financing activities:	
Receipts from property taxes	57,526,593
Payments for tax and assessment	(14,827,012)
	<hr/>
Net cash provided by noncapital financing activities	42,699,581
Cash flows from capital and related financing activities:	
Borrowings on loan from state	9,663,925
Proceeds from bond sale	117,460,063
Contract proceeds from County of Los Angeles	2,700,000
Bond issuance costs	(457,556)
Purchases of capital assets	(129,075,795)
Connection fees proceeds	33,290,672
Bond defeasement	(154,293,250)
Interest paid on capital-related debt	(30,903,598)
Principal payments on bonds	(29,859,400)
Principal payments on note	(286,623)
Principal payments on loan from state	(30,580,373)
Proceeds from sale of assets/equipment	2,630,372
Receipts from joint venture	2,930,719
	<hr/>
Net cash used by capital and related financing activities	(206,780,844)
Cash flows from investing activities:	
Interest received	14,567,239
Purchases of investments	(466,367,383)
Proceeds from maturities of investments	397,566,372
	<hr/>
Net cash used by investing activities	(54,233,772)
Net decrease in cash and cash equivalents	
	(94,410,146)
Cash and cash equivalents at beginning of fiscal year	658,528,226
	<hr/>
Cash and cash equivalents at end of fiscal year	\$ 564,118,080
	<hr/> <hr/>
Reconciliation of cash and cash equivalents at end of fiscal year:	
Current assets:	
Cash in bank	\$ 877,337
Cash on hand	40,816
Cash in Los Angeles County treasury	138,164,634
Restricted cash and investments:	
Cash in Los Angeles County treasury and cash equivalents	424,780,263
Bond proceeds with Trustee	
Cash equivalents	255,030
	<hr/>
	\$ 564,118,080
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(Continued on following page)

Exhibit C-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Statement of Cash Flows
Fiscal year ended June 30, 2014

Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ <u>(8,487,175)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	110,794,857
Landfill closure and postclosure costs	22,763,644
Decrease in accounts receivable	3,443,812
Decrease in service charge receivable	767,202
Increase in inventory	(757,869)
Decrease in accounts payable	(169,842)
Decrease in accrued employee absences	(447,847)
Decrease in estimated liability for closure and postclosure costs	(6,959,967)
Decrease in claims liabilities related to self-insurance	(2,391,292)
Increase in amounts held for others	5,367,954
Decrease in other liabilities	<u>(18,588)</u>
Net cash provided by operating activities	<u>\$ 123,904,889</u>
Schedule of noncash investing activity-	
Unrealized gain on fair value of investments	\$ 8,647,094
Investment in joint ventures	525,175

See accompanying notes to basic financial statements.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements

June 30, 2014

(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:

<u>Classification</u>	<u>Basis of Accounting</u>	<u>Purpose</u>
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 replacements	50 years
Trunk sewer lines	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, 2014, accrued vacation and sick leave aggregated \$39,816,472 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) 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.

(M) New Accounting Pronouncements

For the fiscal year ended June 30, 2014, the Districts implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. See Note 21 for the impact GASB Statement No. 65 had on the Districts' financial statements for the fiscal year ended June 30, 2014.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2014, the Districts implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction - 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement 62 and Statements No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the Districts' financial statements for the fiscal year ended June 30, 2014.

For the fiscal year ended June 30, 2014, the Districts implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the Districts' financial statements for the fiscal year ended June 30, 2014.

For the fiscal year ended June 30, 2014, the Districts implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the Districts' financial statements for the fiscal year ended June 30, 2014.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(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 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.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

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.

(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, 2014, specific investments primarily consist of U.S. Treasury notes and U.S. Agency securities.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

As of June 30, 2014, 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. Treasury Securities	\$ 94,137,451	94,137,451	-	-
U.S. Agency Securities	1,361,894,996	-	-	1,361,894,996 (1)
Los Angeles County Pool	547,262,532	547,262,532	-	-
Dreyfus Institutional Reserves Money Market Fund	255,030	255,030	-	-
First American US Treasury Money Market Fund	2,949,967	2,949,967	-	-
U.S. Bank Commercial Paper	8,874,624	8,874,624	-	-
U.S. Bank Money Market Account	2,202,570	2,202,570	-	-
Wells Fargo Premium Rate Public Fund	1,655,200	1,655,200	-	-
	<u>\$ 2,019,232,370</u>	<u>657,337,374</u>	<u>-</u>	<u>1,361,894,996</u>

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

July 1, 2014 - September 30, 2014	\$ 525,036,601
October 1, 2014 - December 31, 2014	413,252,662
January 1, 2015 - March 31, 2015	212,113,250
April 1, 2015 - June 30, 2015	211,492,483
	<u>\$ 1,361,894,996</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, 2014, 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. 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 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, and 27 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 aggregated United States Agency securities to 75% of Districts' funds, and no more than 30% of the Districts' funds may be invested in any one designated agency security. These Districts' policies allow for investments in medium-term AAA rated corporate and depository institution debt securities with remaining maturities of three years or less. No individual medium-term AAA rated security may exceed 5% of Districts' funds and all medium and short-term investments in aggregate may not exceed 20% of Districts' funds.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

The Districts' cash, cash equivalents, and specific investments at June 30, 2014, are classified on the accompanying statement of net position as follows:

Unrestricted cash and cash equivalents (operating funds)	\$ 138,164,634
Restricted cash, cash equivalents, and specific investments	1,814,651,733
Other specific investments	<u>66,416,003</u>
	2,019,232,370
Cash in bank	877,337
Cash on hand	<u>40,816</u>
	<u>\$ 2,020,150,523</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, 2014:

	<u>Cash and Cash Equivalents</u>	<u>Specific Investments</u>	<u>Total</u>
Capital improvement fund	\$ 88,358,284	374,990,822	463,349,106
Closure/postclosure fund	46,613,865	408,594,316	455,208,181
Contingency reserve fund	8,357,837	3,061,163	11,419,000
Employee absences fund	39,816,472	-	39,816,472
Equipment pool fund	11,093,257	14,054,335	25,147,592
Rate stabilization fund	117,283,764	266,693,954	383,977,718
Pension prepayment liability	24,285,923	-	24,285,923
Waste-by-rail cost transition fund	22,713,422	234,964,517	257,677,939
Site development fund	8,817,756	25,974,936	34,792,692
Stabilization fund for contracted benefit costs	10,095,300	-	10,095,300
State loan fund	17,889,251	19,167,643	37,056,894
Surcharge fund	5,198,677	12,377,008	17,575,685
Other restricted funds	24,256,455	19,114,266	43,370,721
	<u>424,780,263</u>	<u>1,378,992,960</u>	<u>1,803,773,223</u>
Bond proceeds	<u>255,030</u>	<u>10,623,480</u>	<u>10,878,510</u>
Total Restricted Cash, Cash Equivalents, and Specific Investments	<u>\$ 425,035,293</u>	<u>1,389,616,440</u>	<u>1,814,651,733</u>

Cash in Bank

At June 30, 2014, the carrying amount of the Districts' cash in bank deposits was \$877,337, while the bank balance was \$15,996,838. 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, 2014, the Districts had imprest cash funds in the amount of \$40,816.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

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 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. Treasury securities and U.S. Agency securities.

Bond Proceeds 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 \$10,878,510.

At June 30, 2014, 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, 2014, the following Districts recorded service charge revenues:

District	Amount
1	\$ 22,374,925
2	31,058,171
3	26,412,611
4	3,712,331
5	34,961,972
8	8,035,520
9	66,393
14	31,096,978
15	24,582,073
16	14,866,153
17	2,077,314
18	17,540,399
19	5,043,001
20	20,975,025
21	21,400,329
22	17,821,623
23	346,857
28	969,326
29	1,809,920
Santa Clarita Valley	21,579,313
South Bay Cities	6,159,929
	\$ 312,890,163

(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.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

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.

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 2013 tax levy is for the fiscal year 2013-2014.

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>2014</u>	<u>2013</u>
Sale of commodities	\$ 281	855
Sale of energy	480	796
Surcharge	18,510	17,724
Tipping fees	8,789	12,303
Other	4,129	3,955
Total accounts receivable	<u>\$ 32,189</u>	<u>35,633</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, 2014, was as follows (in thousands):

	<u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
Capital assets, not being depreciated:				
Construction in progress (see note 16)	\$ 348,536	86,372	(60,460)	374,448
Land	213,967	2,929	-	216,896
Total capital assets, not being depreciated	<u>562,503</u>	<u>89,301</u>	<u>(60,460)</u>	<u>591,344</u>
Capital assets, being depreciated or amortized:				
Buildings and equipment	68,609	955	-	69,564
Capital improvements	534,325	1,983	-	536,308
Disposal rights	76,025	1,782	-	77,807
Equipment pool	76,932	4,965	(18,023)	63,874
Gas-to-energy facilities	217,298	4,292	-	221,590
Joint outfall facilities	2,047,786	57,342	-	2,105,128
Other	15,851	4,607	-	20,458
Rail Facilities	54,045	12	-	54,057
Recycling and transfer facility	61,503	955	-	62,458
Treatment plants	777,226	27,127	-	804,353
Trunk lines	339,636	1,832	-	341,468
Use rights	69,009	-	-	69,009
Total capital assets, being depreciated or amortized	<u>4,338,245</u>	<u>105,852</u>	<u>(18,023)</u>	<u>4,426,074</u>
Accumulated depreciation and amortization:				
Buildings and equipment	(34,260)	(1,922)	-	(36,182)
Capital improvements	(414,852)	(24,708)	-	(439,560)
Disposal rights	(29,768)	(1,733)	-	(31,501)
Equipment pool	(40,348)	(4,809)	13,213	(31,944)
Gas-to-energy facilities	(108,304)	(6,065)	-	(114,369)
Joint outfall facilities	(742,862)	(41,689)	-	(784,551)
Other	(7,038)	(446)	-	(7,484)
Recycling and transfer facility	(13,522)	(1,759)	-	(15,281)
Treatment plants	(132,538)	(22,099)	-	(154,637)
Trunk lines	(93,569)	(4,709)	-	(98,278)
Use rights	(24,022)	(856)	-	(24,878)
Total accumulated depreciation and amortization	<u>(1,641,083)</u>	<u>(110,795)</u>	<u>13,213</u>	<u>(1,738,665)</u>
Total capital assets, being depreciated, net	<u>2,697,162</u>	<u>(4,943)</u>	<u>(4,810)</u>	<u>2,687,409</u>
Total capital assets, net	<u>\$ 3,259,665</u>	<u>84,358</u>	<u>(65,270)</u>	<u>3,278,753</u>

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	\$	72,598
Solid Waste Facilities Operations		30,053
Trustee Solid Waste Facilities Operations		2,436
Service Operations		<u>5,708</u>
Total depreciation and amortization expense	\$	<u>110,795</u>

(8) Long-Term Debt

Revenue Bonds

On June 25, 2003, the Financing Authority issued \$444,830,000 of 2003 Series A Senior Ad Valorem Obligation Bonds. The purpose of the 2003 Series A bonds was to refund and defease the Authority's outstanding Capital Projects Revenue Bonds, 1993 Series A (Senior Ad Valorem Obligation Bonds); to finance the costs of acquisition, construction, and installation of certain additional improvements to the sewage treatment and disposal facilities of each district; to fund the Reserve Fund; and to pay costs of issuance. These serial bonds mature in varying amounts on October 1 in the years 2003 through 2023 at coupon rates ranging from 4.00% to 6.00%. Interest is paid semiannually each year on October 1 and April 1. The bonds maturing on or after October 1, 2014, are subject to optional redemption after October 1, 2013. These serial bonds were defeased in 2013-14.

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%.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

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%.

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:

	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Redemptions</u>	<u>Balance at June 30, 2014</u>	<u>Due Within One Year</u>
Revenue Bonds:					
2003 Series A	\$ 150,530,000	-	(150,530,000)	-	-
2005 Series A	21,980,000	-	(735,000)	21,245,000	760,000
2005 Series B	173,255,000	-	(2,760,000)	170,495,000	2,870,000
2007 Series A	132,635,000	-	(715,000)	131,920,000	750,000
2008 Series A	12,639,590	-	(1,404,400)	11,235,190	1,404,397
2011 Series A	130,615,000	-	-	130,615,000	1,965,000
2013 Series A	-	107,620,000	(24,245,000)	83,375,000	21,515,000
	<u>\$ 621,654,590</u>	<u>107,620,000</u>	<u>(180,389,400)</u>	<u>548,885,190</u>	<u>29,264,397</u>
Plus unamortized premium	25,757,947	9,840,063	(10,529,947)	25,068,063	-
Less deferred amount on refunding	(20,313,800)	1,946,992	18,366,808	-	-
Bonds payable, net	<u>\$ 627,098,737</u>	<u>119,407,055</u>	<u>(172,552,539)</u>	<u>573,953,253</u>	<u>29,264,397</u>

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, 2014, are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
Fiscal year ending June 30:			
2015	\$ 24,806,620	29,264,397	54,071,017
2016	23,498,465	30,534,399	54,032,864
2017	22,124,622	31,869,399	53,994,021
2018	20,700,817	33,309,399	54,010,216
2019	19,206,112	34,719,399	53,925,511
2020-2024	74,771,753	119,198,197	193,969,950
2025-2029	58,775,694	46,405,000	105,180,694
2030-2034	42,101,875	96,465,000	138,566,875
2035-2039	17,060,238	82,590,000	99,650,238
2040-2044	4,120,200	44,530,000	48,650,200
	<u>\$ 307,166,396</u>	<u>548,885,190</u>	<u>856,051,586</u>
Plus unamortized premium	-	25,068,063	25,068,063
Less deferred amount on refunding	-	-	-
Bonds payable, net	<u>\$ 307,166,396</u>	<u>573,953,253</u>	<u>881,119,649</u>

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%. In addition, the Districts contract with Century Link, to provide and install fiber optic cables for use at Mesquite Landfill. The final payment for Century Link was made in fiscal year 2013-14.

Notes payable are summarized as follows:

	<u>Maximum Principal Balance</u>	<u>Balance at July 1, 2013</u>	<u>Current-Year Draw Downs</u>	<u>Redemptions</u>	<u>Balance at June 30, 2014</u>	<u>Due Within One Year</u>
Geosano	\$ 1,586,020	1,452,607	-	38,456	1,414,151	41,338
Century Link	489,779	209,711	-	209,711	-	-
Total Notes Payable	<u>\$ 2,075,799</u>	<u>1,662,318</u>	<u>-</u>	<u>248,167</u>	<u>1,414,151</u>	<u>41,338</u>

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	Interest Rate	Maximum Principal Balance	Balance at July 1, 2013	Current-Year Draw Downs	Redemptions	Balance at June 30, 2014
Lancaster - Outfall & Trunk Sewer	2.3000 %	\$ 31,319,657	22,963,253	-	1,408,934	21,554,319
Lancaster WRP Stage V Expansion	2.6000	142,090,956	73,011,108	-	3,020,130	69,990,978
Palmdale WRP Stage V Expansion	2.5000	70,000,000	58,440,757	-	2,287,788	56,152,969
La Canada Trunk Sewer	3.4000	2,550,000	498,594	-	160,673	337,921
La Canada Foothill Main Trunk Sewer	3.1000	3,785,566	757,115	-	189,278	567,837
Saugus Equipment Purchases	2.4000	1,766,705	1,069,559	-	89,130	980,429
Valencia	2.8000	10,699,908	3,763,142	-	537,591	3,225,551
Valencia Stage V	2.4000	45,909,746	25,605,097	-	2,327,736	23,277,361
Valencia Stage V Exp	2.4000	1,400,546	705,141	-	70,514	634,627
Valencia WRP Boiler Upgrade	1.7000	4,335,543	2,351,230	1,700,625	-	4,051,855
Puente Hills	2.8000	5,000,000	905,025	-	329,608	575,417
Alamitos Pumping Plant Force Main	1.7000	1,069,500	-	968,563	46,192	922,371
Biological Reactors	2.4000	109,095,000	57,193,118	-	5,128,458	52,064,660
Central Odor Control	2.4000	11,444,141	6,889,193	-	574,099	6,315,094
Cryogenic Oxygen Generation	2.4000	23,869,940	12,012,889	-	1,201,289	10,811,600
Environmental Lab Bldg	2.4000	9,591,013	5,300,540	-	481,867	4,818,673
Fuel Gas Compressor Upgrade	2.4000	722,927	368,135	-	36,813	331,322
Heat Recovery Steam Gen. Equip.	2.4000	3,983,711	3,037,400	-	216,957	2,820,443
High-Speed Centrifuge	2.4000	4,500,995	2,787,543	-	232,295	2,555,248
Install Secondary Infl. Pump Station	2.4000	4,719,816	2,379,350	-	237,935	2,141,415
Install Secondary Infl Pump Station II	2.4000	1,541,429	973,539	-	81,128	892,411
Long Beach Main PP Facility Upgrades	1.9000	34,482,000	-	6,994,737	-	6,994,737
Long Beach WRP Aeration	2.4000	368,511	230,325	-	23,032	207,293
Long Beach WRP Ammonia	2.4000	834,196	573,511	-	52,137	521,374
Long Beach WRP NDN Fac	2.4000	4,735,275	3,563,754	-	237,584	3,326,170
Long Beach WRP NDN Fac Equip.	2.4000	504,474	336,314	-	33,632	302,682
Los Coyotes WRP Ammonia	2.4000	1,208,597	830,912	-	75,537	755,375
Los Coyotes WRP Interceptor	2.7000	12,381,145	11,487,285	-	504,029	10,983,256
Los Coyotes WRP NDN Fac	2.4000	17,538,820	13,154,115	-	876,941	12,277,174
Mod. of Electrical Power Services	2.4000	4,153,307	2,036,899	-	203,690	1,833,209
Pomona WRP NDN Fac	2.4000	4,931,545	3,390,435	-	308,222	3,082,213
Pomona WRP NDN Fac. Equip.	2.4000	182,616	125,546	-	11,414	114,132
Power Generation Equipment	2.4000	12,298,084	6,522,440	-	652,244	5,870,196
Power Generation Steam Turbine Gen.	2.4000	2,978,767	2,263,275	-	161,662	2,101,613
Primary Screenings & Grit Dewatering	2.4000	11,730,892	5,861,716	-	586,172	5,275,544
Purch. Secondary Infl Pump Station Equip	2.4000	11,012,050	6,572,869	-	547,739	6,025,130
Reloc. & Install High-Speed Centrifuge	2.4000	2,109,325	1,054,516	-	105,453	949,063
San Jose Creek WRP NDN Fac.	2.4000	9,401,328	6,267,552	-	522,296	5,745,256
San Jose Creek WRP NDN Fac. Equip.	2.4000	1,349,480	921,815	-	76,818	844,997
Secondary Effluent Pumps	2.6000	1,176,608	686,837	-	61,025	625,812
Silo Odor Control Fac. Phase I	2.4000	5,330,364	3,821,158	-	347,378	3,473,780
Silo Odor Control Fac. Phase II	2.4000	2,947,840	2,128,995	-	163,769	1,965,226
W. A. S. Thickening Expansion	2.4000	4,173,801	2,095,523	-	209,553	1,885,970
Whittier Narrows WRP NDN Fac.	2.4000	4,309,558	3,672,426	-	216,025	3,456,401
Wright Road Trunk Sewer Repair	2.6000	672,500	587,624	-	26,015	561,609
Digestion Tanks 17-23	2.4000	53,930,932	29,244,777	-	2,658,616	26,586,161
Primary Tank Covers	2.4000	3,608,121	1,877,890	-	189,415	1,688,475
Mod. of Biological Reactors	2.4000	34,354,567	21,998,576	-	1,771,256	20,227,320
Digestion Tanks	3.1000	19,325,958	2,639,904	-	1,300,304	1,339,600
		\$ 751,427,760	414,958,717	9,663,925	30,580,373	394,042,269
Less unamortized discount		-	(26,721,286)	-	(2,391,305)	(24,329,981)
Loans payable to State, net		\$ 751,427,760	388,237,431	9,663,925	28,189,068	369,712,288

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

The annual debt service requirements as of June 30, 2014, for the Districts' indebtedness to the State are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
Fiscal year ending June 30:			
2015	\$ 8,368,480	31,171,086	39,539,566
2016	7,946,517	30,097,998	38,044,515
2017	7,560,534	30,065,331	37,625,865
2018	7,276,962	30,551,736	37,828,698
2019	6,877,056	30,951,641	37,828,697
2020-2024	27,121,845	148,542,870	175,664,715
2025-2029	9,359,479	58,402,299	67,761,778
2030-2034	2,028,400	33,035,144	35,063,544
2035-2039	46,810	1,224,164	1,270,974
	<u>\$ 76,586,083</u>	<u>394,042,269</u>	<u>470,628,352</u>
Less unamortized discount	-	(24,329,981)	(24,329,981)
Loans payable to State, net	<u>\$ 76,586,083</u>	<u>369,712,288</u>	<u>446,298,371</u>

(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, 2014, the liability for workers' compensation claims was estimated at \$11,059,352. Accordingly, this amount has been accrued in the accompanying basic financial statements.

At June 30, 2014, there were no reportable claims other than workers' compensation benefits as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Unpaid claims, beginning of fiscal year	\$ 13,451	14,445
Incurred claims	4	1,456
Claim payments	<u>(2,396)</u>	<u>(2,450)</u>
Unpaid claims, end of fiscal year	<u>\$ 11,059</u>	<u>13,451</u>
Due within one year	\$ 5,529	7,018

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

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, 2014:

<u>Coverage</u>	<u>Facility</u>	<u>Limits</u>
General Liability (excess coverage)	All Districts' Facilities (includes excess auto liability coverage) Annual Earth Day Event	\$ 25,000,000 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	395,259,493
Crime Policy - employee theft	All Districts' Employees	750,000
Marine:		
Vessel value plus instrumentation	1989 66-foot Ocean Sentinel 1988 25-foot Farallon Vessel 1976 19-foot Boston Whaler	450,000 54,000 5,000
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		24,254,000
Extra Expense	Puente Hills Energy Recovery from Gas Calabasas Landfill Gas-to-Energy JWPCP Total Energy Facilities	18,100,000
Pollution Legal Liability	Wastewater System	5,000,000
Fiduciary Liability Deferred Compensation Program		1,000,000
Rental Property Insurance	3 Single-Family Homes - Carson	579,485

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(10) Litigation

The Districts are defendants in various other 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

Plan Description

The Districts' defined benefit pension plan, Public Employees' Retirement System (PERS), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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.

Funding Policy

The contribution rate for Districts' CalPERS participants is 7% of their annual covered salary. In accordance with Board approved labor agreements, the Districts make the contributions required of Districts' employees on their behalf and for their account, which, for fiscal year 2013-14, amounted to \$12,358,521. The Districts are required to contribute the actuarially determined remaining amounts necessary to fund the benefits. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required Districts' contribution rate for fiscal year 2013-2014 was 10.757% of annual covered salary, which, for fiscal year 2013-14, amounted to \$18,991,517. The contribution requirements of plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2013-2014, the Districts' annual pension cost of \$18,991,517 for CalPERS was equal to the Districts' required and actual contributions. The required contribution for fiscal year 2013-2014 was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 7.50% discount rate (net of administrative expenses); (b) projected salary increases that vary by duration of service; and (c) an inflation component of 2.75%. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

On April 17, 2013, CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS no longer uses an actuarial value of assets and has employed an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

Three-Year Trend Information for CalPERS Managed Districts' Plan (\$ Amount in Thousands)

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension Cost</u> <u>(APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/12	\$ 16,704	100%	\$ 0
6/30/13	16,373	100	0
6/30/14	18,992	100	0

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

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Entry Age</u> <u>Actuarial</u> <u>Accrued</u> <u>Liability</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> ⁽¹⁾	<u>Unfunded</u> <u>Liability/</u> <u>(Excess</u> <u>Assets)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>Unfunded</u> <u>Liability as a</u> <u>% of Covered</u> <u>Payroll</u>
6/30/11	\$ 1,232,768	\$ 1,113,591	\$ 119,177	90.3 %	\$ 164,502	72.447 %
6/30/12	1,299,922	1,159,223	140,699	89.2	163,406	86.104
6/30/13	1,372,528	1,070,389	302,139	⁽¹⁾ 78.0	162,437	186.004

⁽¹⁾ Beginning with the 6/30/2013 valuation, Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

(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).

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

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).

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of</u> <u>OPEB Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
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

Funded Status and Funding Progress

As of June 30, 2013 the plan was 27.8% funded. The actuarial accrued liability for benefits was \$318 million, and the actuarial value of assets was \$88 million, resulting in an UAAL of \$229 million. The covered payroll (annual payroll of active employees covered by the plan) was \$163 million, and the ratio of the UAAL to the covered payroll was 141.3%.

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.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

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

<u>Actuarial Valuation Date</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as % of Covered Payroll</u>
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

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

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, 2013, was twenty-three 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 to designated beneficiaries at the time of death. The annual IRS plan contribution limit for 2014 was \$17,500 and will increase to \$18,000 in 2015.

At June 30, 2014, assets with a fair value of \$243,325,200 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.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(14) Compensated Absences

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

	<u>Balance at July 1, 2013</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance at June 30, 2014</u>	<u>Due Within One Year</u>
\$	40,264,320	15,603,316	16,051,164	39,816,472	9,954,118

(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, 2014:

	<u>Due From Other Districts</u>	<u>Due To Other Districts</u>
Sewerage Operations:		
District No. 1	\$ -	2,718,835
District No. 2	-	4,187,519
District No. 3	-	3,065,947
District No. 4	-	10,870
District No. 5	-	4,802,335
District No. 8	-	1,817,008
District No. 9	-	750
District No. 14	-	972,670
District No. 15	-	3,318,216
District No. 16	-	1,692,967
District No. 17	-	227,596
District No. 18	-	2,256,051
District No. 19	-	604,291
District No. 20	-	814,868
District No. 21	-	2,674,737
District No. 22	-	2,262,542
District No. 23	-	388,953
District No. 27	-	750
District No. 28	-	69,454
District No. 29	-	124,725
Santa Clarita Valley	-	1,638,233
South Bay Cities	-	863,772
Total Sewerage Operations	<u>-</u>	<u>34,513,089</u>

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

	Due From Other Districts	Due To Other Districts
Solid Waste Facilities Operations:		
Palos Verdes Landfill	-	331,345
Spadra Landfill	-	418,054
South Gate Transfer Station	-	144,307
Puente Hills Landfill	-	1,896,987
Puente Hills Materials Recovery Facility	-	937,436
Downey Area Recycling & Transfer Station	-	314,478
Mesquite Landfill	-	37,607
Total Solid Waste Facilities Operations	<u>-</u>	<u>4,080,214</u>
Trustee Solid Waste Facilities Operations:		
Scholl Canyon Landfill	-	488,396
Calabasas Landfill	-	575,356
Los Angeles County Refuse Disposal	-	89,958
Total Trustee Solid Waste Facilities Operations	<u>-</u>	<u>1,153,710</u>
Service Operations:		
Sewerage	34,513,089	-
Landfill	4,080,214	-
Trustee Landfill	1,153,710	-
Total Service Operations	<u>39,747,013</u>	<u>-</u>
	<u>\$ 39,747,013</u>	<u>39,747,013</u>

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(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, 2014:

	Transfers In	Transfers Out
Sewerage Operations:		
District No. 14	\$ -	250,000
District No. 20	-	250,000
Total Sewerage Operations	-	500,000
Solid Waste Facilities Operations:		
Palos Verdes Landfill	25,000	-
South Gate Transfer Station	214,781	-
Puente Hills Landfill	-	11,596,616
Puente Hills Materials Recovery Facility	7,235,026	-
Downey Area Recycling & Transfer Station	2,133,266	-
Total Solid Waste Facilities Operations	9,608,073	11,596,616
Trustee Solid Waste Facilities Operations:		
Calabasas Landfill	520,000	-
Los Angeles County Refuse Disposal	-	520,000
Total Trustee Solid Waste Facilities Operations	520,000	520,000
Service Operations:	2,488,543	-
Total Service Operations	2,488,543	-
	\$ 12,616,616	12,616,616

(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.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(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.

(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, 2014, is as follows (see note 7):

Joint Outfall projects	\$ 193,323,697
District-owned trunk sewer projects	3,731,118
District-owned water reclamation plant projects	9,888,958
Solid waste projects	161,379,212
Joint Administration projects	<u>6,124,719</u>
Total Construction in Progress	<u>\$ 374,447,704</u>

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(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 2013-2014) is provided by the sponsoring agencies paying equal shares. Additional funding (\$400,000 in 2013-2014) 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.

- 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, 2014, management fees charged by the Districts were \$3,756,450 less than the actual costs incurred by the Districts to operate the facility.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

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. The Districts are not obligated to pay any future debt service relating to CREA's bonds payable, which are considered to be long-term and are secured and payable by revenues generated from the operation of the facility. 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.

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.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

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

	CREA June 30 (Audited)	IERCA June 30 (Unaudited)	SCCWRPA June 30 (Audited)	SERRF September 30 (Unaudited)
Total assets	\$ 29,447	94,916	6,877	62,054
Other liabilities	1,164	1,926	2,884	2,570
Bonds payable	5,230	-	-	49,200
Total liabilities	\$ 6,394	1,926	2,884	51,770
Districts' investment	10,651	43,550	-	-
Other	12,402	49,440	3,993	10,284
Total net position	\$ 23,053	92,990	3,993	10,284
Operating revenues	14,017	8,302	9,321	2,619
Operating expenses	(12,469)	(8,356)	(9,412)	(80)
Nonoperating revenues (expenses)	(391)	(53)	8	(2,161)
Capital contribution revenue	(292)	-	-	-
Change in net position	\$ 865	(107)	(83)	378

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Notes to Basic Financial Statements, Continued

(18) Landfill Closure and Postclosure Care Cost

At June 30, 2014, 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, 2013	Change in Estimated Closure/ Postclosure Cost	Closure/ Postclosure Costs Applied to Liability	Closure/ Postclosure Liability Balance at June 30, 2014
Trustee Landfills							
Calabasas	\$ 97,252,125	30.90	79.06	77,116,835	(227,857)	-	76,888,978
Scholl Canyon	12,102,572	33.28	86.90	12,421,113	(1,904,094)	-	10,517,019
Total Trustee Landfills	109,354,697			89,537,948	(2,131,951)	-	87,405,997
Districts' Landfills							
Puente Hills	219,098,743	142.05	100.00	198,174,274	3,109,682	-	201,283,956
Palos Verdes	88,796,000	23.57	100.00	4,863,737	-	(3,997,283)	866,454
Spadra	66,155,448	17.19	100.00	9,747,357	21,785,913	(2,962,685)	28,570,585
Total Districts' Landfills	374,050,191			212,785,368	24,895,595	(6,959,968)	230,720,995
Total Landfills	\$ 483,404,888			302,323,316	22,763,644	(6,959,968)	318,126,992

The \$318,126,992 reported on the statement of net position for the landfill closure and postclosure care liability at June 30, 2014, 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 Palos Verdes, 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 2013-14. Actual costs may be higher due to inflation, changes in technology, or changes in regulation. The current liability due within one year is \$866,454 for Palos Verdes, \$3,050,000 for Spadra, and \$10,870,000 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, 2014, contributions of approximately \$455 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. On October 31, 2013, the Districts' Puente Hills Landfill permanently closed. The estimated remaining landfill life for the open landfills is as follows: Scholl Canyon, 19 years; and, Calabasas, 27 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.

	Balance at June 30, 2013	Additions or Adjustments	Payments Current Year	Balance at June 30, 2014	Due Within One Year
FORCO Property	\$ 500,000	1,109,748	(309,743)	1,300,005	325,003
Net Pollution Remediation Liability	\$ 500,000	1,109,748	(309,743)	1,300,005	325,003

(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 Adjustments

GASB Statement 65 requires that certain items that were previously reported as assets and liabilities be reclassified as deferred outflows of resources or deferred inflows of resources. Under this Statement, bond issuance costs are required to be recognized as an expense in the period incurred. Accounting changes adopted to conform to the provisions of this Statement are to be applied retroactively by restating financial statements, if practical, for all periods presented. If restatement is not practical, the cumulative effect of applying this Statement, if any, is to be reported as a restatement of beginning net position or fund balance, as appropriate, for the earliest period restated.

Upon implementation of this Statement, the Districts have restated its financial statements for the fiscal year ended June 30, 2013, from the amounts previously reported. The restatement includes an adjustment to (a) expense prior-period bond issuance costs of \$4,799,699 related to the 2003A, 2005A, 2005B, 2007A, 2008A, and 2011A Revenue Bonds, and (b) to decrease total net position by \$4,799,699.

(22) Subsequent Event

On September 10, 2014, the Newhall Ranch Sanitation District (NRSD) was approved to join 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 would pay a share of all joint administrative expenses.

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

COMBINING AND INDIVIDUAL
SUPPLEMENTAL SCHEDULES

JUNE 30, 2014

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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, 2014

Assets	Sewerage Operations	Solid Waste Facilities Operations	Trustee Solid Waste Facilities Operations	Service Operations	Total
Current assets:					
Cash in bank	\$ -	501,154	206,283	169,900	877,337
Cash on hand	-	16,840	10,976	13,000	40,816
Cash and cash equivalents	<u>96,389,091</u>	<u>22,198,089</u>	<u>6,673,730</u>	<u>12,903,724</u>	<u>138,164,634</u>
Total unrestricted cash and cash equivalents	<u>96,389,091</u>	<u>22,716,083</u>	<u>6,890,989</u>	<u>13,086,624</u>	<u>139,082,787</u>
Receivables:					
Accounts	21,771,436	6,361,948	3,187,958	867,461	32,188,803
Due from other funds (1)	-	-	-	39,747,013	39,747,013
Interest	2,459,185	1,399,526	233,992	913,864	5,006,567
Service charges	19,475,795	-	-	-	19,475,795
Taxes	<u>3,341,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,341,964</u>
Total receivables	<u>47,048,380</u>	<u>7,761,474</u>	<u>3,421,950</u>	<u>41,528,338</u>	<u>99,760,142</u>
Inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,790,252</u>	<u>18,790,252</u>
Restricted cash and investments:					
Cash and cash equivalents	295,959,839	70,872,832	9,343,521	48,604,071	424,780,263
Specific investments	674,985,780	387,134,706	54,357,648	262,514,826	1,378,992,960
Bond proceeds with Trustee:					
Cash and cash equivalents	255,030	-	-	-	255,030
Investments	<u>10,623,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,623,480</u>
Total restricted cash and investments	<u>981,824,129</u>	<u>458,007,538</u>	<u>63,701,169</u>	<u>311,118,897</u>	<u>1,814,651,733</u>
Other specific investments	<u>44,281,214</u>	<u>21,732,492</u>	<u>402,297</u>	<u>-</u>	<u>66,416,003</u>
Total current assets	<u>1,169,542,814</u>	<u>510,217,587</u>	<u>74,416,405</u>	<u>384,524,111</u>	<u>2,138,700,917</u>
Investment in joint ventures	43,550,495	-	-	10,651,396	54,201,891
Capital assets:					
Buildings and equipment	51,848,865	7,333,412	-	10,381,560	69,563,837
Capital improvements	-	386,007,019	148,194,132	2,106,934	536,308,085
Construction in progress	213,068,492	-	-	161,379,212	374,447,704
Disposal rights	77,806,593	-	-	-	77,806,593
Equipment pool	-	-	8,596,342	55,277,606	63,873,948
Gas-to-energy facilities	-	181,087,091	-	40,502,967	221,590,058
Joint outfall facilities	2,105,127,551	-	-	-	2,105,127,551
Land	156,537,683	26,511,518	5,482,200	28,365,094	216,896,495
Other	20,458,488	-	-	-	20,458,488
Rail facilities	-	54,056,552	-	-	54,056,552
Recycling and transfer facility	-	62,458,267	-	-	62,458,267
Treatment plants	804,353,377	-	-	-	804,353,377
Trunk lines	341,468,250	-	-	-	341,468,250
Less accumulated depreciation	(1,112,632,950)	(437,030,306)	(123,444,569)	(40,679,250)	(1,713,787,075)
Use rights	-	67,761,710	1,247,346	-	69,009,056
Less accumulated amortization	<u>-</u>	<u>(23,868,876)</u>	<u>(1,009,693)</u>	<u>-</u>	<u>(24,878,569)</u>
Net capital assets	<u>2,658,036,349</u>	<u>324,316,387</u>	<u>39,065,758</u>	<u>257,334,123</u>	<u>3,278,752,617</u>
Total assets	<u>3,871,129,658</u>	<u>834,533,974</u>	<u>113,482,163</u>	<u>652,509,630</u>	<u>5,471,655,425</u>
Deferred Outflow of Resources					
Deferred loss on refunding, net	\$ 17,284,576	-	-	-	17,284,576

(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, 2014

Liabilities	Sewerage Operations	Solid Waste Facilities Operations	Trustee Solid Waste Facilities Operations	Service Operations	Total
Current liabilities:					
Accounts payable	\$ 9,173,348	5,040,286	1,585,991	704,401	16,504,026
Accrued employee absences	-	-	-	9,954,118	9,954,118
Amounts held for others	-	-	-	7,162,331	7,162,331
Bonds payable	27,859,999	-	-	1,404,398	29,264,397
Claims liabilities	3,234,353	1,725,396	462,337	107,590	5,529,676
Construction contracts payable	6,880,196	26,875	197,815	1,885,173	8,990,059
Due to other funds (1)	34,513,089	4,080,214	1,153,710	-	39,747,013
Estimated liability for closure and postclosure costs	-	14,786,454	-	-	14,786,454
Estimated liability for pollution remediation	325,003	-	-	-	325,003
Interest payable	10,847,160	1,343	-	5,787	10,854,290
Loans payable to State of California	30,832,249	338,837	-	-	31,171,086
Note payable	-	-	-	41,338	41,338
Other	167,294	-	-	850	168,144
Total current liabilities	123,832,691	25,999,405	3,399,853	21,265,986	174,497,935
Long-term liabilities:					
Accrued employee absences	-	-	-	29,862,354	29,862,354
Bonds payable, net	534,858,064	-	-	9,830,792	544,688,856
Claims liabilities	3,234,353	1,725,396	462,337	107,590	5,529,676
Estimated liability for closure and postclosure costs	-	215,934,541	87,405,997	-	303,340,538
Estimated liability for pollution remediation	975,002	-	-	-	975,002
Loans payable to State of California	338,304,622	236,580	-	-	338,541,202
Note payable	-	-	-	1,372,813	1,372,813
Total liabilities	1,001,204,732	243,895,922	91,268,187	62,439,535	1,398,808,376
Net Position					
Net position:					
Net investment in capital assets	1,719,301,219	323,714,095	38,867,943	242,799,609	2,324,682,866
Restricted for capital projects	563,063,741	8,360,000	450,000	21,160,000	593,033,741
Restricted for closure/postclosure maintenance	-	168,286,220	2,083,378	-	170,369,598
Restricted for debt service	8,934,511	-	-	-	8,934,511
Restricted for disposal fees	-	266,593	672,967	-	939,560
Restricted for equipment pool	-	-	1,070,249	23,943,138	25,013,387
Restricted for noncapital projects	-	35,599,169	7,103,924	6,240,000	48,943,093
Restricted for site development	-	34,972,167	-	-	34,972,167
Unrestricted	595,910,031	19,439,808	(28,034,485)	295,927,348	883,242,702
Total net position	\$ 2,887,209,502	590,638,052	22,213,976	590,070,095	4,090,131,625

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

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, 2014

	Sewerage Operations	Solid Waste Facilities Operations	Trustee Solid Waste Facilities Operations	Service Operations	Total
Operating revenues:					
Commodities	\$ -	7,736,429	157,444	-	7,893,873
Contract revenue	23,368,841	438,955	-	-	23,807,796
Equipment pool	-	-	1,505,154	13,854,086	15,359,240
Industrial waste surcharge	58,092,374	-	-	-	58,092,374
Refuse tipping fees	-	60,922,619	26,875,302	-	87,797,921
Sale of energy	214,787	31,936,706	-	3,133,137	35,284,630
Service charges	312,890,163	-	-	-	312,890,163
Other	4,133,687	271,180	77,403	15,081	4,497,351
Total operating revenues	398,699,852	101,305,889	28,615,303	17,002,304	545,623,348
Operating expenses:					
Chemicals	33,700,433	209,677	1,972	-	33,912,082
Equipment and vehicle rentals	6,003,062	6,762,279	2,542,965	159,011	15,467,317
Hazardous waste siting study	-	-	(29,480)	498,710	469,230
Insurance and claims	2,637,218	(2,353,407)	672,512	700,684	1,657,007
Landfill closure and postclosure costs	-	24,895,595	(2,131,951)	-	22,763,644
Materials and supplies	13,006,674	2,677,881	423,738	2,055,734	18,164,027
Operations, repairs and maintenance	11,449,603	12,288,236	1,950,899	9,261,852	34,950,590
Salaries and benefits	162,949,685	23,199,549	7,525,065	4,613,906	198,288,205
Services	44,703,641	34,654,200	995,832	812,677	81,166,350
Utilities	22,855,626	2,624,899	876,864	167,480	26,524,869
Total operations and maintenance	297,305,942	104,958,909	12,828,416	18,270,054	433,363,321
Charges for collections	459,634	-	-	-	459,634
Depreciation and amortization of use rights	72,598,098	30,053,190	2,435,676	5,707,893	110,794,857
Research and development	5,744,741	-	-	354,873	6,099,614
Tonnage	-	-	3,393,097	-	3,393,097
Total operating expenses	376,108,415	135,012,099	18,657,189	24,332,820	554,110,523
Operating income (loss)	22,591,437	(33,706,210)	9,958,114	(7,330,516)	(8,487,175)
Nonoperating revenues (expenses):					
Gain on investments	-	-	-	2,783,465	2,783,465
Interest revenue	7,515,966	4,328,370	495,112	3,387,137	15,726,585
Investment in joint ventures	(53,697)	-	-	578,872	525,175
Taxes	55,210,784	-	-	-	55,210,784
Other nonoperating revenue	-	-	2,700,000	-	2,700,000
Amortization of bond premium	5,226,919	-	-	-	5,226,919
Amortization of deferred loss on refunding	(1,946,992)	-	-	-	(1,946,992)
Interest expense	(31,916,752)	(24,572)	-	(252,583)	(32,193,907)
Loss on sale of equipment	-	-	(101,101)	(2,079,308)	(2,180,409)
Tax and assessment expense	(73,107)	(9,491,667)	(4,451,434)	2,586	(14,013,622)
Other nonoperating expense	(171,084)	(813,382)	-	-	(984,466)
Unrealized gain on investments	6,125,562	1,714,268	648,772	158,492	8,647,094
Net nonoperating revenues (expenses)	39,917,599	(4,286,983)	(708,651)	4,578,661	39,500,626
Income (loss) before capital contribution revenue	62,509,036	(37,993,193)	9,249,463	(2,751,855)	31,013,451
Capital contribution revenue:					
Connection fees	33,290,672	-	-	-	33,290,672
Donated property	5,551,971	-	-	-	5,551,971
Transfers in	-	9,608,073	520,000	2,488,543	12,616,616
Transfers out	(500,000)	(11,596,616)	(520,000)	-	(12,616,616)
Change in net position	100,851,679	(39,981,736)	9,249,463	(263,312)	69,856,094
Total net assets, July 1, 2013, as previously stated	2,791,043,742	630,619,788	12,964,513	590,447,187	4,025,075,230
Prior-period adjustments	(4,685,919)	-	-	(113,780)	(4,799,699)
Total net position, July 1, 2013, as restated	2,786,357,823	630,619,788	12,964,513	590,333,407	4,020,275,531
Total net position, June 30, 2014	\$ 2,887,209,502	590,638,052	22,213,976	590,070,095	4,090,131,625

Exhibit D-3
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Combining Schedule of Cash Flows
Fiscal year ended June 30, 2014

	Sewerage Operations	Solid Waste Facilities Operations	Trustee Solid Waste Facilities Operations	Service Operations	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 398,439,724	106,851,446	25,968,843	3,215,103	534,475,116
Receipts for equipment rental	-	-	1,505,154	13,854,086	15,359,240
Payments to suppliers	(134,396,829)	(54,288,829)	(7,325,728)	(9,128,774)	(205,140,160)
Payments to employees	(161,987,756)	(25,096,086)	(7,585,114)	(4,067,098)	(198,736,054)
Payments applied to closure/postclosure liability	-	(6,959,967)	-	-	(6,959,967)
Payment for equipment rental within the Districts	(5,806,817)	(6,730,548)	(2,537,333)	-	(15,074,698)
Other payments	(18,588)	-	-	-	(18,588)
Net cash provided by operating activities	<u>96,229,734</u>	<u>13,776,016</u>	<u>10,025,822</u>	<u>3,873,317</u>	<u>123,904,889</u>
Cash flows from noncapital financing activities :					
Receipts from property taxes	57,526,593	-	-	-	57,526,593
Payments for tax and assessment	(73,107)	(10,305,057)	(4,451,434)	2,586	(14,827,012)
Transfers from other funds	-	9,608,073	520,000	2,488,543	12,616,616
Transfers to other funds	(500,000)	(11,596,616)	(520,000)	-	(12,616,616)
Net cash provided (used) by noncapital financing activities	<u>56,953,486</u>	<u>(12,293,600)</u>	<u>(4,451,434)</u>	<u>2,491,129</u>	<u>42,699,581</u>
Cash flows from capital and related financing activities:					
Borrowings on loan from state	9,663,925	-	-	-	9,663,925
Contract proceeds from County of Los Angeles	-	-	2,700,000	-	2,700,000
Proceeds from bond sale	117,460,063	-	-	-	117,460,063
Bond issuance costs	(457,556)	-	-	-	(457,556)
Purchases of capital assets	(99,828,408)	(8,421,722)	(1,981,900)	(18,843,765)	(129,075,795)
Connection fees proceeds	33,290,672	-	-	-	33,290,672
Bond defeasement	(154,293,250)	-	-	-	(154,293,250)
Interest paid on capital-related debt	(30,624,986)	(25,341)	-	(253,271)	(30,903,598)
Principal payments on bonds	(28,455,000)	-	-	(1,404,400)	(29,859,400)
Principal payments on note	-	(248,167)	-	(38,456)	(286,623)
Principal payments on loan from state	(30,250,765)	(329,608)	-	-	(30,580,373)
Proceeds from sale of assets/equipment	-	-	212,798	2,417,574	2,630,372
Receipts from (payment to) joint venture	(2,746)	-	-	2,933,465	2,930,719
Net cash provided (used) by capital and related financing activities	<u>(183,498,051)</u>	<u>(9,024,838)</u>	<u>930,898</u>	<u>(15,188,853)</u>	<u>(206,780,844)</u>
Cash flows from investing activities:					
Interest received	7,280,959	3,838,887	345,963	3,101,430	14,567,239
Purchases of investments	(187,974,114)	(190,960,291)	(23,521,148)	(63,911,830)	(466,367,383)
Proceeds from maturities of investments	124,075,994	186,725,448	23,828,618	62,936,312	397,566,372
Net cash provided (used) by investing activities	<u>(56,617,161)</u>	<u>(395,956)</u>	<u>653,433</u>	<u>2,125,912</u>	<u>(54,233,772)</u>
Net increase (decrease) in cash and cash equivalents	(86,931,992)	(7,938,378)	7,158,719	(6,698,495)	(94,410,146)
Cash and cash equivalents at beginning of fiscal year	479,535,952	101,527,293	9,075,791	68,389,190	658,528,226
Cash and cash equivalents at end of fiscal year	<u>\$ 392,603,960</u>	<u>93,588,915</u>	<u>16,234,510</u>	<u>61,690,695</u>	<u>564,118,080</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 22,591,437	(33,706,210)	9,958,114	(7,330,516)	(8,487,175)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	72,598,098	30,053,190	2,435,676	5,707,893	110,794,857
Landfill closure and postclosure costs	-	24,895,595	(2,131,951)	-	22,763,644
Decrease (increase) in accounts receivable	(1,027,329)	5,545,557	(1,141,301)	66,885	3,443,812
Decrease in service charge receivable	767,202	-	-	-	767,202
Increase in inventory	-	-	-	(757,869)	(757,869)
Decrease in due from other funds	-	-	-	994,657	994,657
Increase (decrease) in accounts payable	251,125	(903,996)	426,049	56,980	(169,842)
Decrease in accrued employee absences	-	-	-	(447,847)	(447,847)
Decrease in estimated liability for closure and postclosure costs	-	(6,959,967)	-	-	(6,959,967)
Increase (decrease) in claims liabilities related to self-insurance	105,860	(3,251,616)	539,284	215,180	(2,391,292)
Increase in amounts held for others	-	-	-	5,367,954	5,367,954
Decrease in other liabilities	(18,588)	-	-	-	(18,588)
Increase (decrease) in due to other funds	961,929	(1,896,537)	(60,049)	-	(994,657)
Net cash provided by operating activities	<u>\$ 96,229,734</u>	<u>13,776,016</u>	<u>10,025,822</u>	<u>3,873,317</u>	<u>123,904,889</u>
Schedule of noncash investing activity-					
Unrealized gain on fair value of investments	\$ 6,125,562	1,714,268	648,772	158,492	8,647,094
Investment in joint ventures	(53,697)	-	-	578,872	525,175

Exhibit E-1
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Net Position
June 30, 2014

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	\$ 9,736,770	9,822,421	7,498,186	2,867,088	11,085,891	4,370,914	152,826	8,158,685	7,740,180
Receivables:									
Accounts	2,305,927	2,599,712	1,660,266	7,419	2,129,779	3,034,090	39	2,968,377	2,253,458
Interest	146,309	259,392	163,705	91,799	284,995	111,996	9,301	96,096	219,908
Service charges	2,453,525	1,835,200	1,417,579	163,274	2,757,383	561,629	3,568	2,468,224	1,131,750
Taxes	113,737	365,151	261,263	31,594	634,123	124,588	6,086	25,164	397,926
Total receivables	5,019,498	5,059,455	3,502,813	294,086	5,806,280	3,832,303	18,994	5,557,861	4,003,042
Restricted cash and investments:									
Cash and cash equivalents	12,112,570	25,473,234	17,992,355	8,915,932	28,078,439	17,480,604	1,153,186	27,892,349	22,747,717
Specific investments	48,659,933	73,374,910	47,897,315	28,171,390	72,137,859	20,994,958	3,733,327	12,031,293	67,629,308
Bond proceeds with Trustee:									
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-
Total restricted cash and investments	60,772,503	98,848,144	65,889,670	37,087,322	100,216,298	38,475,562	4,886,513	39,923,642	90,377,025
Other specific investments	798,891	6,623,493	5,558,362	647,594	8,068,737	-	-	-	4,360,354
Total current assets	76,327,662	120,353,513	82,449,031	40,896,090	125,177,206	46,678,779	5,058,333	53,640,188	106,480,601
Investment in joint venture	3,856,979	5,733,910	4,255,555	-	6,332,899	2,613,474	-	-	4,568,833
Capital assets:									
Buildings and equipment	4,178,904	6,371,850	4,726,044	5,185	7,030,228	2,876,112	5,184	1,400,369	4,987,778
Construction in progress	17,453,668	30,080,336	19,080,108	6,783	28,044,263	12,179,102	637	411,543	20,400,898
Disposal rights	-	60,119	-	60,523,285	7,063,000	-	1,790,814	-	-
Joint outfall facilities	187,036,918	275,833,679	204,463,337	-	311,136,042	120,406,220	-	-	215,708,790
Land	6,636,844	10,273,406	7,379,959	59	10,975,883	4,506,656	59	64,015,873	7,879,243
Other	1,557,056	2,387,950	1,753,463	3,100	2,611,582	1,167,410	266	639,012	1,858,870
Treatment plants	62,978	2,299,734	7,406,594	-	14,219,113	4,259,253	-	307,795,406	1,609,560
Trunk lines	25,057,514	28,823,812	21,050,307	1,296,889	55,986,324	15,093,068	-	56,188,423	12,254,083
Less accumulated depreciation	(80,876,083)	(118,378,977)	(89,197,018)	(25,622,559)	(146,820,860)	(52,173,432)	(765,374)	(41,777,483)	(88,214,775)
Net capital assets	161,107,799	237,751,909	176,662,794	36,212,742	290,245,575	108,314,389	1,031,586	388,673,143	176,484,447
Total assets	241,292,440	363,839,332	263,367,380	77,108,832	421,755,680	157,606,642	6,089,919	442,313,331	287,533,881
Deferred Outflow of Resources									
Deferred loss on refunding, net	\$ 1,137,671	1,756,458	1,334,196	169,735	2,871,141	693,803	23,853	240,774	1,796,732

(Continued on following page)

Exhibit E-1-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Net Position
June 30, 2014

Assets	Districts							
	No. 16	No. 17	No. 18	No. 19	No. 20	No. 21	No. 22	No. 23
Current assets:								
Cash and cash equivalents	\$ 5,115,917	615,504	4,909,875	1,476,223	2,803,526	6,259,945	5,193,181	117,902
Receivables:								
Accounts	519,058	46,924	1,143,651	185,100	188,392	1,137,339	646,326	505,382
Interest	145,915	21,856	123,229	46,264	39,439	189,292	153,927	44,166
Service charges	840,595	114,212	985,841	179,377	1,365,991	1,028,730	840,962	26,766
Taxes	286,811	33,663	129,996	79,304	32,708	(115,570)	197,909	17,440
Total receivables	1,792,379	216,655	2,382,717	490,045	1,626,530	2,239,791	1,839,124	593,754
Restricted cash and investments:								
Cash and cash equivalents	13,836,522	2,603,145	12,128,602	4,726,859	10,091,850	18,351,652	15,566,650	5,817,790
Specific investments	41,497,625	6,612,820	37,479,461	13,260,910	6,737,785	55,767,618	47,423,835	12,557,775
Bond proceeds with Trustee:								
Cash and cash equivalents	-	-	-	-	255,030	-	-	-
Investments	-	-	-	-	10,623,480	-	-	-
Total restricted cash and investments	55,334,147	9,215,965	49,608,063	17,987,769	27,708,145	74,119,270	62,990,485	18,375,565
Other specific investments	1,929,129	448,052	3,235,926	1,068,989	-	3,377,349	2,913,552	-
Total current assets	64,171,572	10,496,176	60,136,581	21,023,026	32,138,201	85,996,355	72,936,342	19,087,221
Investment in joint venture	2,388,350	332,493	3,117,346	799,642	-	4,057,646	3,401,240	818,887
Capital assets:								
Buildings and equipment	2,715,565	370,349	3,365,340	890,424	871,831	4,533,894	3,504,512	852,992
Construction in progress	10,690,159	1,507,994	14,054,995	3,625,676	561,408	20,202,350	14,190,366	4,283,734
Disposal rights	6,452,205	-	-	-	-	-	-	-
Joint outfall facilities	120,030,392	16,702,601	149,218,725	41,305,329	-	205,302,060	149,606,296	47,100,931
Land	4,174,608	579,676	5,334,595	1,397,903	16,264,558	7,190,527	5,658,207	1,428,573
Other	968,125	132,787	1,257,760	326,127	526,392	1,700,913	1,286,363	356,159
Treatment plants	-	-	-	377,530	243,555,621	12,583,907	-	-
Trunk lines	13,347,409	633,107	16,575,106	2,450,714	15,979,730	12,684,375	15,701,313	-
Less accumulated depreciation	(52,787,433)	(6,890,585)	(63,415,852)	(18,520,519)	(34,538,655)	(92,468,471)	(64,121,281)	(18,352,671)
Net capital assets	105,591,030	13,035,929	126,390,669	31,853,184	243,220,885	171,729,555	125,825,776	35,669,718
Total assets	172,150,952	23,864,598	189,644,596	53,675,852	275,359,086	261,783,556	202,163,358	55,575,826
Deferred Outflow of Resources								
Deferred loss on refunding, net	\$ 1,119,695	143,289	982,110	316,653	200,674	1,059,199	916,601	193,587

(Continued on following page)

Exhibit E-1-3
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Net Position
June 30, 2014

Assets	Districts						Total
	No. 27	No. 28	No. 29	Santa Clarita Valley	No. 34	South Bay Cities	
Current assets:							
Cash and cash equivalents	\$ 6,585	534,778	574,311	5,452,269	-	1,896,114	96,389,091
Receivables:							
Accounts	39	15,219	24,361	221,935	37	178,606	21,771,436
Interest	743	13,700	8,308	212,120	4	76,721	2,459,185
Service charges	-	20,472	92,697	888,688	-	299,332	19,475,795
Taxes	20,413	39,423	7,747	398,231	-	254,257	3,341,964
Total receivables	21,195	88,814	133,113	1,720,974	41	808,916	47,048,380
Restricted cash and investments:							
Cash and cash equivalents	230,280	1,010,087	1,040,200	40,057,387	2,347	8,650,082	295,959,839
Specific investments	163,241	4,376,099	3,045,752	47,080,639	-	24,351,927	674,985,780
Bond proceeds with Trustee:							
Cash and cash equivalents	-	-	-	-	-	-	255,030
Investments	-	-	-	-	-	-	10,623,480
Total restricted cash and investments	393,521	5,386,186	4,085,952	87,138,026	2,347	33,002,009	981,824,129
Other specific investments	41,784	-	-	3,558,270	-	1,650,732	44,281,214
Total current assets	463,085	6,009,778	4,793,376	97,869,539	2,388	37,357,771	1,169,542,814
Investment in joint venture	-	59,313	116,111	-	-	1,097,817	43,550,495
Capital assets:							
Buildings and equipment	5,183	52,752	129,565	1,760,594	4,522	1,209,688	51,848,865
Construction in progress	640	249,567	516,895	10,627,588	644	4,899,138	213,068,492
Disposal rights	1,917,170	-	-	-	-	-	77,806,593
Joint outfall facilities	-	1,969,291	6,116,159	-	-	53,190,781	2,105,127,551
Land	59	99,961	225,289	613,552	59	1,902,134	156,537,683
Other	40	18,193	48,116	1,407,077	-	451,727	20,458,488
Treatment plants	2,327,175	377,364	2,412,308	192,388,033	525	12,678,276	804,353,377
Trunk lines	16,900	6,889,636	8,950,370	29,295,552	-	3,193,618	341,468,250
Less accumulated depreciation	(1,560,442)	(2,836,573)	(3,988,987)	(81,083,249)	(3,141)	(28,238,530)	(1,112,632,950)
Net capital assets	2,706,725	6,820,191	14,409,715	155,009,147	2,609	49,286,832	2,658,036,349
Total assets	\$ 3,169,810	12,889,282	19,319,202	252,878,686	4,997	87,742,420	3,871,129,658
Deferred Outflow of Resources							
Deferred loss on refunding, net	\$ 33,359	50,644	15,902	1,738,828	-	489,672	17,284,576

(Continued on following page)

Exhibit E-1-4
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Net Position
June 30, 2014

Liabilities	Districts								
	<u>No. 1</u>	<u>No. 2</u>	<u>No. 3</u>	<u>No. 4</u>	<u>No. 5</u>	<u>No. 8</u>	<u>No. 9</u>	<u>No. 14</u>	<u>No. 15</u>
Current liabilities:									
Accounts payable	\$ 651,616	950,412	729,240	6,252	1,102,956	407,750	73	645,897	784,824
Bonds payable	1,545,454	2,386,038	1,812,421	230,574	3,900,263	942,487	32,402	3,197,076	2,440,746
Claims liabilities	246,175	365,787	283,658	23	425,004	149,305	23	120,641	305,304
Construction contracts payable	533,090	792,107	614,273	65	920,601	323,314	65	21,666	683,286
Due to other funds	2,718,835	4,187,519	3,065,947	10,870	4,802,335	1,817,008	750	972,670	3,318,216
Estimated liability for pollution remediation	28,827	42,835	33,215	-	49,725	17,485	-	-	35,750
Interest payable	316,602	472,511	362,348	24,701	669,612	189,504	3,471	4,096,887	442,495
Loans payable to State of California	1,828,314	2,677,045	2,075,827	-	3,107,647	1,092,754	-	4,539,993	2,234,256
Other	-	-	167,294	-	-	-	-	-	-
Total current liabilities	7,868,913	11,874,254	9,144,223	272,485	14,978,143	4,939,607	36,784	13,594,830	10,244,877
Long-term liabilities:									
Bonds payable, net	13,850,682	21,384,173	16,243,301	2,066,449	34,954,979	8,446,770	290,397	174,531,423	21,874,482
Claims liabilities	246,175	365,787	283,658	23	425,004	149,305	23	120,641	305,304
Estimated liability for pollution remediation	86,483	128,505	99,645	-	149,175	52,455	-	-	107,250
Loans payable to State of California	15,893,580	22,758,331	16,153,459	-	23,841,483	10,918,679	-	87,005,302	16,970,193
Total liabilities	37,945,833	56,511,050	41,924,286	2,338,957	74,348,784	24,506,816	327,204	275,252,196	49,502,106
Net Position									
Net position:									
Net investment in capital assets	127,456,679	187,754,215	139,763,513	33,915,654	223,520,602	86,590,385	708,722	119,377,683	132,281,484
Restricted for capital projects	45,354,519	64,179,640	40,190,007	7,279,196	58,806,062	34,411,328	489,199	17,666,330	49,295,881
Restricted for debt service	-	-	-	-	-	-	-	-	-
Unrestricted	31,673,080	57,150,885	42,823,770	33,744,760	67,951,373	12,791,916	4,588,647	30,257,896	58,251,142
Total net position	\$ 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

(Continued on following page)

Exhibit E-1-5
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Net Position
June 30, 2014

Liabilities	Districts							
	No. 16	No. 17	No. 18	No. 19	No. 20	No. 21	No. 22	No. 23
Current liabilities:								
Accounts payable	\$ 414,886	53,855	579,168	143,575	652,426	645,804	510,969	72,723
Bonds payable	1,521,034	194,649	1,334,134	430,154	1,782,603	1,438,854	1,245,144	262,976
Claims liabilities	164,230	21,366	200,667	55,771	41,689	239,807	201,204	27,477
Construction contracts payable	355,781	46,265	434,550	120,762	13,288	519,312	435,700	59,502
Due to other funds	1,692,967	227,596	2,256,051	604,291	814,868	2,674,737	2,262,542	388,953
Estimated liability for pollution remediation	19,208	2,503	23,498	6,533	-	28,080	23,563	3,218
Interest payable	260,203	33,524	261,905	79,160	2,352,073	296,328	252,701	44,464
Loans payable to State of California	1,200,405	156,398	1,468,515	408,259	2,344,983	1,754,906	1,472,578	201,083
Other	-	-	-	-	-	-	-	-
Total current liabilities	5,628,714	736,156	6,558,488	1,848,505	8,001,930	7,597,828	6,404,401	1,060,396
Long-term liabilities:								
Bonds payable, net	13,631,832	1,744,487	11,956,788	3,855,127	155,268,371	12,895,318	11,159,247	2,356,846
Claims liabilities	164,230	21,366	200,667	55,771	41,689	239,807	201,204	27,477
Estimated liability for pollution remediation	57,623	7,508	70,492	19,597	-	84,240	70,688	9,653
Loans payable to State of California	8,737,382	1,262,010	11,885,841	2,878,726	53,807,987	18,642,221	12,688,432	4,823,192
Total liabilities	28,219,781	3,771,527	30,672,276	8,657,726	217,119,977	39,459,414	30,523,972	8,277,564
Net Position								
Net position:								
Net investment in capital assets	80,144,596	9,632,120	99,310,841	24,160,156	30,003,652	136,478,944	98,824,676	27,966,119
Restricted for capital projects	24,812,690	3,634,364	35,039,411	10,617,293	1,896,410	46,622,286	31,367,037	5,884,729
Restricted for debt service	-	-	-	-	8,934,511	-	-	-
Unrestricted	40,093,580	6,969,876	25,604,178	10,557,330	17,605,210	40,282,111	42,364,274	13,641,001
Total net position	\$ 145,050,866	20,236,360	159,954,430	45,334,779	58,439,783	223,383,341	172,555,987	47,491,849

(Continued on following page)

Exhibit E-1-6
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Net Position
June 30, 2014

Liabilities	Districts						Total
	No. 27	No. 28	No. 29	Santa Clarita Valley	No. 34	South Bay Cities	
Current liabilities:							
Accounts payable	\$ 78	17,560	30,939	570,614	73	201,658	9,173,348
Bonds payable	45,316	68,796	21,602	2,362,088	-	665,188	27,859,999
Claims liabilities	23	6,928	8,327	295,977	23	74,944	3,234,353
Construction contracts payable	65	14,995	18,033	811,114	65	162,297	6,880,196
Due to other funds	750	69,454	124,725	1,638,233	-	863,772	34,513,089
Estimated liability for pollution remediation	-	813	975	-	-	8,775	325,003
Interest payable	4,854	31,969	11,128	525,027	-	115,693	10,847,160
Loans payable to State of California	-	406,192	102,469	3,212,217	-	548,408	30,832,249
Other	-	-	-	-	-	-	167,294
Total current liabilities	51,086	616,707	318,198	9,415,270	161	2,640,735	123,832,691
Long-term liabilities:							
Bonds payable, net	406,135	616,568	193,598	21,169,532	-	5,961,559	534,858,064
Claims liabilities	23	6,928	8,327	295,977	23	74,944	3,234,353
Estimated liability for pollution remediation	-	2,438	2,925	-	-	26,325	975,002
Loans payable to State of California	-	477,440	1,283,175	24,270,178	-	4,007,011	338,304,622
Total liabilities	457,244	1,720,081	1,806,223	55,150,957	184	12,710,574	1,001,204,732
Net Position							
Net position:							
Net investment in capital assets	2,255,209	5,236,200	12,790,838	103,184,018	2,544	37,942,369	1,719,301,219
Restricted for capital projects	68,083	481,959	1,810,768	71,311,626	500	11,844,423	563,063,741
Restricted for debt service	-	-	-	-	-	-	8,934,511
Unrestricted	422,633	5,501,686	2,927,275	24,970,913	1,769	25,734,726	595,910,031
Total net position	\$ 2,745,925	11,219,845	17,528,881	199,466,557	4,813	75,521,518	2,887,209,502

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, 2014

	Districts								
	No. 1	No. 2	No. 3	No. 4	No. 5	No. 8	No. 9	No. 14	No. 15
Operating revenues:									
Contract revenue	\$ 1,635,738	2,466,782	1,892,840	1,056	2,891,793	989,302	1,056	1,520,412	2,021,212
Industrial waste surcharge	5,532,527	7,788,563	4,354,301	21,248	6,533,292	10,240,247	-	2,379,032	5,809,454
Sale of energy	18,880	28,481	21,844	-	33,184	11,405	-	-	23,326
Service charges	22,374,925	31,058,171	26,412,611	3,712,331	34,961,972	8,035,520	66,393	31,096,978	24,582,073
Other	274,907	413,386	321,222	-	481,277	236,027	-	58,176	341,426
Total operating revenues	29,836,977	41,755,383	33,002,818	3,734,635	44,901,518	19,512,501	67,449	35,054,598	32,777,491
Operations and maintenance:									
Chemicals	2,660,558	3,982,579	2,995,590	-	4,572,346	1,593,834	-	1,246,587	3,195,517
Equipment and vehicle rentals	435,092	695,131	424,430	9,261	785,425	283,755	64	396,554	496,492
Insurance and claims	223,530	327,148	256,401	1,673	381,824	136,196	161	50,361	278,504
Materials and supplies	934,700	1,393,809	1,083,586	1,643	1,651,075	581,660	67	589,238	1,131,512
Operations, repairs and maintenance	827,128	1,201,389	929,711	10,602	1,438,161	526,421	5,719	590,052	905,258
Salaries and benefits	12,440,798	18,837,869	13,824,052	73,854	22,184,739	8,963,731	5,572	6,079,842	14,985,615
Services	3,164,826	4,893,687	4,004,383	1,405,696	5,976,164	1,971,544	74,656	1,358,286	4,006,088
Utilities	1,365,423	2,068,748	1,665,184	327	2,563,435	917,747	130	1,950,494	1,687,181
Total operations and maintenance	22,052,055	33,400,360	25,183,337	1,503,056	39,553,169	14,974,888	86,369	12,261,414	26,686,167
Charges for collections	29,552	45,281	37,683	3,585	65,309	13,644	363	17,569	46,470
Depreciation	4,340,552	6,346,035	5,023,890	1,353,022	8,472,780	2,850,606	40,851	9,017,932	5,116,439
Research and development	504,963	761,753	584,240	-	887,562	305,046	-	-	623,879
Total operating expenses	26,927,122	40,553,429	30,829,150	2,859,663	48,978,820	18,144,184	127,583	21,296,915	32,472,955
Operating income (loss)	2,909,855	1,201,954	2,173,668	874,972	(4,077,302)	1,368,317	(60,134)	13,757,683	304,536
Nonoperating revenues (expenses):									
Interest revenue	488,024	784,479	541,430	277,177	849,190	284,149	38,780	261,130	700,090
Investment in joint venture	(4,720)	(7,120)	(5,461)	-	(8,296)	(2,851)	-	-	(5,832)
Taxes	2,630,557	5,248,058	4,278,355	409,051	8,661,100	1,681,366	72,726	812,372	5,547,685
Amortization of bond premium	317,030	489,465	371,795	47,299	800,089	193,339	6,647	378,544	500,688
Amortization of deferred loss on refunding	(128,151)	(197,853)	(150,288)	(19,119)	(323,415)	(78,152)	(2,687)	(27,122)	(202,390)
Interest expense	(918,264)	(1,378,309)	(1,052,814)	(80,447)	(1,995,833)	(549,088)	(11,305)	(10,771,262)	(1,301,988)
Other nonoperating expense	-	(171,084)	-	-	-	-	-	-	-
Tax and assessment expense	(6,357)	(9,579)	(7,353)	(1)	(11,171)	(3,841)	(1)	(518)	(7,856)
Unrealized gain on investments	359,986	696,717	416,512	209,696	672,683	223,902	25,419	15,938	622,025
Net nonoperating revenues (expenses)	2,738,105	5,454,774	4,392,176	843,656	8,644,347	1,748,824	129,579	(9,330,918)	5,852,422
Income (loss) before capital contribution revenue	5,647,960	6,656,728	6,565,844	1,718,628	4,567,045	3,117,141	69,445	4,426,765	6,156,958
Capital contribution revenue:									
Connection fees	2,737,024	3,548,367	2,477,893	301,222	4,018,492	1,544,683	5,557	995,679	2,889,730
Donated property	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(250,000)	-
Change in net position	8,384,984	10,205,095	9,043,737	2,019,850	8,585,537	4,661,824	75,002	5,172,444	9,046,688
Total net assets, July 1, 2013, as previously reported	196,189,108	299,018,311	213,838,882	72,933,160	341,919,166	129,186,578	5,713,449	163,898,381	230,923,663
Prior-period adjustments	(89,814)	(138,666)	(105,329)	(13,400)	(226,666)	(54,773)	(1,883)	(1,768,916)	(141,844)
Total net position, July 1, 2013, as restated	196,099,294	298,879,645	213,733,553	72,919,760	341,692,500	129,131,805	5,711,566	162,129,465	230,781,819
Total net position, June 30, 2014	\$ 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

(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, 2014

	Districts							
	No. 16	No. 17	No. 18	No. 19	No. 20	No. 21	No. 22	No. 23
Operating revenues:								
Contract revenue	\$ 1,089,256	143,134	1,339,536	375,986	583,754	1,688,137	1,412,385	195,032
Industrial waste surcharge	719,618	44,339	3,492,348	300,402	369,348	3,891,652	2,891,261	2,924,038
Sale of energy	12,458	1,654	15,465	4,339	-	18,686	15,851	2,255
Service charges	14,866,153	2,077,314	17,540,399	5,043,001	20,975,025	21,400,329	17,821,623	346,857
Other	182,004	24,034	224,946	62,988	(5)	280,710	538,762	32,383
Total operating revenues	16,869,489	2,290,475	22,612,694	5,786,716	21,928,122	27,279,514	22,679,882	3,500,565
Operations and maintenance:								
Chemicals	1,703,137	227,668	2,153,892	607,775	871,180	2,547,045	2,159,956	307,003
Equipment and vehicle rentals	238,275	34,191	362,428	96,096	322,080	401,308	367,315	52,079
Insurance and claims	152,235	19,156	181,119	49,806	26,716	213,518	176,724	22,775
Materials and supplies	594,437	78,691	746,331	210,239	654,710	947,659	763,967	117,807
Operations, repairs and maintenance	492,235	69,552	704,171	181,111	426,109	863,799	985,299	132,861
Salaries and benefits	7,329,579	982,026	10,034,332	2,697,693	4,771,216	12,037,208	10,106,576	2,067,801
Services	2,291,621	288,602	2,840,169	721,459	1,359,837	3,235,224	2,842,225	394,724
Utilities	894,329	118,220	1,109,354	331,206	1,769,666	1,413,901	1,133,443	162,555
Total operations and maintenance	13,695,848	1,818,106	18,131,796	4,895,385	10,201,514	21,659,662	18,535,505	3,257,605
Charges for collections	26,806	4,388	28,730	9,503	9,888	34,946	28,244	957
Depreciation	3,083,872	379,337	3,438,128	964,738	6,968,846	4,193,291	3,544,467	579,097
Research and development	333,195	44,235	413,621	116,044	-	499,792	423,962	60,320
Total operating expenses	17,139,721	2,246,066	22,012,275	5,985,670	17,180,248	26,387,691	22,532,178	3,897,979
Operating income (loss)	(270,232)	44,409	600,419	(198,954)	4,747,874	891,823	147,704	(397,414)
Nonoperating revenues (expenses):								
Interest revenue	405,949	71,906	397,329	140,373	168,008	563,387	500,964	107,094
Investment in joint venture	(3,114)	(413)	(3,866)	(1,085)	-	(4,672)	(3,963)	(564)
Taxes	3,640,520	429,158	3,357,527	1,043,097	846,234	3,312,802	2,986,215	306,441
Amortization of bond premium	312,021	39,930	273,680	88,241	154,770	295,162	255,426	53,946
Amortization of deferred loss on refunding	(126,126)	(16,141)	(110,628)	(35,669)	(22,605)	(119,312)	(103,249)	(21,806)
Interest expense	(771,820)	(99,685)	(763,061)	(233,266)	(8,457,036)	(860,011)	(736,807)	(134,090)
Tax and assessment expense	(4,204)	(556)	(5,205)	(1,460)	672	(6,285)	(5,327)	(756)
Other nonoperating expense	-	-	-	-	-	-	-	-
Unrealized gain on investments	368,708	50,976	317,696	118,018	364,535	501,013	437,029	104,943
Net nonoperating revenues (expenses)	3,821,934	475,175	3,463,472	1,118,249	(6,945,422)	3,682,084	3,330,288	415,208
Income (loss) before capital contribution revenue	3,551,702	519,584	4,063,891	919,295	(2,197,548)	4,573,907	3,477,992	17,794
Capital contribution revenue:								
Connection fees	1,637,221	194,953	2,113,331	621,200	184,729	2,526,746	2,726,539	260,253
Donated property	-	-	-	-	-	5,551,971	-	-
Transfers out	-	-	-	-	(250,000)	-	-	-
Change in net position	5,188,923	714,537	6,177,222	1,540,495	(2,262,819)	12,652,624	6,204,531	278,047
Total net position, July 1, 2013	139,950,339	19,533,135	153,854,742	43,819,283	62,289,906	210,814,337	166,423,818	47,229,085
Prior-period adjustments	(88,396)	(11,312)	(77,534)	(24,999)	(1,587,304)	(83,620)	(72,362)	(15,283)
Total net assets, July 1, 2013, as restated	139,861,943	19,521,823	153,777,208	43,794,284	60,702,602	210,730,717	166,351,456	47,213,802
Total net position, June 30, 2014	\$ 145,050,866	20,236,360	159,954,430	45,334,779	58,439,783	223,383,341	172,555,987	47,491,849

(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, 2014

	Districts						Total
	No. 27	No. 28	No. 29	Santa Clarita Valley	No. 34	South Bay Cities	
Operating revenues:							
Contract revenue	1,056	44,188	53,945	2,517,832	1,056	503,353	23,368,841
Industrial waste surcharge	-	14,356	71,182	447,661	-	267,505	58,092,374
Sale of energy	-	515	623	-	-	5,821	214,787
Service charges	-	969,326	1,809,920	21,579,313	-	6,159,929	312,890,163
Other	-	7,807	9,117	558,092	1,900	84,528	4,133,687
Total operating revenues	1,056	1,036,192	1,944,787	25,102,898	2,956	7,021,136	398,699,852
Operations and maintenance:							
Chemicals	-	70,357	89,735	1,901,416	-	814,258	33,700,433
Equipment and vehicle rentals	64	12,981	68,924	378,411	64	142,642	6,003,062
Insurance and claims	197	6,448	26,792	38,841	161	66,932	2,637,218
Materials and supplies	77	24,309	34,688	1,157,499	67	308,903	13,006,674
Operations, repairs and maintenance	24,570	27,346	82,293	783,296	410	242,110	11,449,603
Salaries and benefits	(2,220)	306,124	651,731	10,460,825	1,273	4,109,449	162,949,685
Services	50,034	89,787	112,545	2,578,715	412	1,042,957	44,703,641
Utilities	201	37,028	72,140	3,017,655	130	577,129	22,855,626
Total operations and maintenance	72,923	574,380	1,138,848	20,316,658	2,517	7,304,380	297,305,942
Charges for collections	692	2,311	1,170	32,030	-	20,513	459,634
Depreciation	75,233	195,825	326,710	4,749,513	190	1,536,744	72,598,098
Research and development	-	13,787	16,660	-	-	155,682	5,744,741
Total operating expenses	148,848	786,303	1,483,388	25,098,201	2,707	9,017,319	376,108,415
Operating income (loss)	(147,792)	249,889	461,399	4,697	249	(1,996,183)	22,591,437
Nonoperating revenues (expenses):							
Interest revenue	2,235	40,487	31,745	610,853	17	251,170	7,515,966
Investment in joint venture	-	(129)	(156)	-	-	(1,455)	(53,697)
Taxes	254,873	498,160	83,119	5,208,043	-	3,903,325	55,210,784
Amortization of bond premium	9,296	14,113	4,431	484,552	-	136,455	5,226,919
Amortization of deferred loss on refunding	(3,758)	(5,705)	(1,791)	(195,867)	-	(55,158)	(1,946,992)
Interest expense	(15,811)	(79,080)	(34,567)	(1,328,468)	-	(343,740)	(31,916,752)
Other nonoperating expense	-	-	-	-	-	-	(171,084)
Tax and assessment expense	(1)	(174)	(210)	(965)	(1)	(1,958)	(73,107)
Unrealized gain on investments	1,720	28,900	15,934	356,752	-	216,460	6,125,562
Net nonoperating revenues (expenses)	248,554	496,572	98,505	5,134,900	16	4,105,099	39,917,599
Income (loss) before capital contribution revenue	100,762	746,461	559,904	5,139,597	265	2,108,916	62,509,036
Capital contribution revenue:							
Connection fees	-	64,297	67,626	3,737,032	-	638,098	33,290,672
Donated property	-	-	-	-	-	-	5,551,971
Transfers out	-	-	-	-	-	-	(500,000)
Change in net position	100,762	810,758	627,530	8,876,629	265	2,747,014	100,851,679
Total net position, July 1, 2013	2,647,796	10,413,085	16,902,606	190,727,202	4,548	72,813,162	2,791,043,742
Prior-period adjustments	(2,633)	(3,998)	(1,255)	(137,274)	-	(38,658)	(4,685,919)
Total net assets, July 1, 2013, as restated	2,645,163	10,409,087	16,901,351	190,589,928	4,548	72,774,504	2,786,357,823
Total net position, June 30, 2014	\$ 2,745,925	11,219,845	17,528,881	199,466,557	4,813	75,521,518	2,887,209,502

Exhibit E-3
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Sewerage Operations
Combining Schedule of Cash Flows
Fiscal year ended June 30, 2014

	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	\$ 30,033,338	41,965,970	33,173,139	3,771,870	43,227,626	19,203,733	66,505	34,757,165	32,603,293
Payments to suppliers	(9,664,204)	(14,650,239)	(11,556,468)	(1,423,594)	(17,526,568)	(6,018,474)	(81,092)	(5,736,229)	(11,836,674)
Payments to employees	(12,296,956)	(18,618,999)	(13,709,012)	(75,426)	(21,872,852)	(9,063,880)	(5,721)	(6,513,256)	(14,793,822)
Payment for equipment rental within the Districts	(420,248)	(673,381)	(408,705)	(9,179)	(761,980)	(274,693)	(56)	(381,510)	(478,529)
Other payments	-	-	(18,588)	-	-	-	-	-	-
Net cash provided (used) by operating activities	7,651,930	8,023,351	7,480,366	2,263,671	3,066,226	3,846,686	(20,364)	22,126,170	5,494,268
Cash flows from noncapital financing activities:									
Receipts from property taxes	2,705,802	5,435,826	4,422,193	428,889	9,145,837	1,742,987	76,942	894,141	5,715,018
Transfers to other funds	-	-	-	-	-	-	-	(250,000)	-
Payments for tax and assessment	(6,357)	(9,579)	(7,353)	(1)	(11,171)	(3,841)	(1)	(518)	(7,856)
Net cash provided (used) by noncapital financing activities	2,699,445	5,426,247	4,414,840	428,888	9,134,666	1,739,146	76,941	643,623	5,707,162
Cash flows from capital and related financing activities:									
Borrowings on loan from state	614,837	927,502	711,365	-	1,080,687	371,421	-	-	759,628
Proceeds from bond sale	7,731,222	11,936,291	9,066,742	1,153,457	19,511,291	4,714,847	162,095	1,636,219	12,209,974
Bond issuance costs	(30,119)	(46,495)	(35,317)	(4,494)	(76,004)	(18,367)	(631)	(6,375)	(47,563)
Purchases of capital assets	(7,229,779)	(13,672,817)	(8,410,478)	(1,340,325)	(12,796,444)	(4,347,365)	(35,360)	(2,130,120)	(9,185,716)
Connection fees proceeds	2,737,024	3,548,367	2,477,893	301,222	4,018,492	1,544,683	5,557	995,679	2,889,730
Bond defeasment	(10,142,758)	(15,658,897)	(11,893,147)	(1,516,928)	(25,630,380)	(6,159,327)	(212,829)	(2,144,275)	(16,103,589)
Interest paid on capital-related debt	(817,957)	(1,231,938)	(938,078)	(88,865)	(1,867,119)	(488,319)	(12,488)	(10,902,521)	(1,196,491)
Payment to joint venture	(241)	(364)	(279)	-	(424)	(146)	-	-	(298)
Principal payments on bonds	(1,595,806)	(2,463,777)	(1,871,472)	(238,086)	(4,027,337)	(973,194)	(33,458)	(3,097,733)	(2,520,268)
Principal payments on loan from state	(1,791,646)	(2,663,507)	(2,042,826)	-	(3,103,408)	(1,066,608)	-	(4,429,065)	(2,181,425)
Net cash provided (used) by capital and related financing activities	(10,525,223)	(19,325,635)	(12,935,597)	(1,734,019)	(22,890,646)	(6,422,375)	(127,114)	(20,078,191)	(15,376,018)
Cash flows from investing activities:									
Interest received	475,283	767,028	527,240	266,837	830,585	257,330	38,558	235,050	682,391
Purchase of investments	(14,634,201)	(11,441,725)	(12,707,591)	(11,665,956)	(21,131,058)	(1,098,975)	(1,585,760)	(14,200,000)	(11,169,355)
Proceeds from maturities of investments	8,175,320	10,262,631	7,528,990	5,830,860	12,770,003	1,709,320	798,260	7,037,655	7,158,392
Net cash provided (used) by investing activities	(5,983,598)	(412,066)	(4,651,361)	(5,568,259)	(7,530,470)	867,675	(748,942)	(6,927,295)	(3,328,572)
Net increase (decrease) in cash and cash equivalents	(6,157,446)	(6,288,103)	(5,691,752)	(4,609,719)	(18,220,224)	31,132	(819,479)	(4,235,693)	(7,503,160)
Cash and cash equivalents at beginning of fiscal year	28,006,786	41,583,758	31,182,293	16,392,739	57,384,554	21,820,386	2,125,491	40,286,727	37,991,057
Cash and cash equivalents at end 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
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
Operating income (loss)	\$ 2,909,855	1,201,954	2,173,668	874,972	(4,077,302)	1,368,317	(60,134)	13,757,683	304,536
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation and amortization	4,340,552	6,346,035	5,023,890	1,353,022	8,472,780	2,850,606	40,851	9,017,932	5,116,439
Decrease (increase) in accounts receivable	(263,311)	(9,183)	(11,869)	(4,753)	(1,013,645)	(285,144)	(39)	44,980	(491,721)
Decrease (increase) in service charge receivable	459,672	219,770	182,190	41,988	(660,247)	(23,624)	(905)	(342,413)	317,523
Increase (decrease) in accounts payable	29,138	8,525	(18,811)	28	(7,453)	16,040	26	104,258	13,622
Increase (decrease) in claims liabilities related to self insurance	32,182	37,380	34,846	(14)	40,206	20,640	(14)	(22,856)	42,076
Decrease in other liabilities	-	-	(18,588)	-	-	-	-	-	-
Increase (decrease) in due to other funds	143,842	218,870	115,040	(1,572)	311,887	(100,149)	(149)	(433,414)	191,793
Net cash provided (used) by operating activities	\$ 7,651,930	8,023,351	7,480,366	2,263,671	3,066,226	3,846,686	(20,364)	22,126,170	5,494,268
Schedule of noncash investing activity-									
Unrealized gain on fair value of investments	\$ 359,986	696,717	416,512	209,696	672,683	223,902	25,419	15,938	622,025
Investment in joint venture	(4,720)	(7,120)	(5,461)	-	(8,296)	(2,851)	-	-	(5,832)

(Continued on following page)

Sewerage Operations
Combining Schedule of Cash Flows
Fiscal year ended June 30, 2014

	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	\$ 16,725,313	2,295,148	23,167,953	5,862,474	21,916,870	27,806,884	22,945,574	3,765,503
Payments to suppliers	(6,467,600)	(849,450)	(8,118,387)	(2,224,724)	(5,165,131)	(9,713,818)	(8,518,828)	(1,204,909)
Payments to employees	(7,316,723)	(968,004)	(9,880,595)	(2,657,305)	(4,970,138)	(11,865,323)	(9,941,914)	(2,102,898)
Payment for equipment rental within the Districts	(228,545)	(33,039)	(350,587)	(92,768)	(318,454)	(387,709)	(355,572)	(49,697)
Other payments	-	-	-	-	-	-	-	-
Net cash provided (used) by operating activities	<u>2,712,445</u>	<u>444,655</u>	<u>4,818,384</u>	<u>887,677</u>	<u>11,463,147</u>	<u>5,840,034</u>	<u>4,129,260</u>	<u>407,999</u>
Cash flows from noncapital financing activities:								
Receipts from property taxes	3,797,847	438,194	3,452,014	1,105,630	918,344	3,535,482	3,086,964	329,842
Transfers to other funds	-	-	-	-	(250,000)	-	-	-
Payments for tax and assessment	(4,204)	(556)	(5,205)	(1,460)	672	(6,285)	(5,327)	(756)
Net cash provided (used) by noncapital financing activities	<u>3,793,643</u>	<u>437,638</u>	<u>3,446,809</u>	<u>1,104,170</u>	<u>669,016</u>	<u>3,529,197</u>	<u>3,081,637</u>	<u>329,086</u>
Cash flows from capital and related financing activities:								
Borrowings on loan from state	405,695	53,859	503,621	141,294	-	608,542	516,212	73,445
Proceeds from bond sale	7,609,063	973,744	6,674,080	2,151,868	1,363,711	7,197,953	6,228,908	1,315,553
Bond issuance costs	(29,640)	(3,793)	(25,998)	(8,382)	(5,312)	(28,040)	(24,265)	(5,126)
Purchases of capital assets	(4,912,154)	(622,442)	(6,669,074)	(1,633,590)	(2,499,605)	(7,744,932)	(6,021,564)	(866,698)
Connection fees proceeds	1,637,221	194,953	2,113,331	621,200	184,729	2,526,746	2,726,539	260,253
Bond defeasement	(10,030,010)	(1,283,976)	(8,768,028)	(2,839,231)	(1,782,772)	(9,384,292)	(8,170,112)	(1,709,081)
Interest paid on capital-related debt	(722,840)	(93,157)	(683,783)	(213,366)	(8,505,442)	(759,475)	(653,726)	(126,086)
Payment to joint venture	(159)	(21)	(198)	(56)	-	(239)	(203)	(29)
Principal payments on bonds	(1,570,591)	(200,991)	(1,377,601)	(444,168)	(1,731,484)	(1,485,734)	(1,285,712)	(271,544)
Principal payments on loan from state	(1,165,033)	(154,668)	(1,446,248)	(405,753)	(2,287,788)	(1,747,550)	(1,482,404)	(210,911)
Net cash provided (used) by capital and related financing activities	<u>(8,778,448)</u>	<u>(1,136,492)</u>	<u>(9,679,898)</u>	<u>(2,630,184)</u>	<u>(15,263,963)</u>	<u>(10,817,021)</u>	<u>(8,166,327)</u>	<u>(1,540,224)</u>
Cash flows from investing activities:								
Interest received	391,189	69,572	389,581	136,918	161,444	544,782	487,081	99,642
Purchase of investments	(7,286,505)	(2,752,625)	(10,413,165)	(2,814,192)	0	(11,394,947)	(8,948,649)	(3,151,502)
Proceeds from maturities of investments	4,353,583	1,697,000	6,210,135	1,710,345	170,279	6,921,584	5,322,546	2,388,307
Net cash provided (used) by investing activities	<u>(2,541,733)</u>	<u>(986,053)</u>	<u>(3,813,449)</u>	<u>(966,929)</u>	<u>331,723</u>	<u>(3,928,581)</u>	<u>(3,139,022)</u>	<u>(663,553)</u>
Net increase (decrease) in cash and cash equivalents	(4,814,093)	(1,240,252)	(5,228,154)	(1,605,266)	(2,800,077)	(5,376,371)	(4,094,452)	(1,466,692)
Cash and cash equivalents at beginning of fiscal year	23,766,532	4,458,901	22,266,631	7,808,348	15,950,483	29,987,968	24,854,283	7,402,384
Cash and cash equivalents at end 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>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ (270,232)	44,409	600,419	(198,954)	4,747,874	891,823	147,704	(397,414)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation and amortization	3,083,872	379,337	3,438,128	964,738	6,968,846	4,193,291	3,544,467	579,097
Decrease (increase) in accounts receivable	(40,479)	(3,903)	402,600	16,944	(46,218)	351,580	145,520	267,741
Decrease (increase) in service charge receivable	(103,697)	8,576	152,659	58,814	34,966	175,790	120,172	(2,803)
Increase (decrease) in accounts payable	5,819	(220)	46,429	(19)	(20,239)	31,511	(9,279)	(3,533)
Increase (decrease) in claims liabilities related to self insurance	24,306	2,434	24,412	5,766	(23,160)	24,154	16,014	8
Decrease in other liabilities	-	-	-	-	-	-	-	-
Increase (decrease) in due to other funds	12,856	14,022	153,737	40,388	(198,922)	171,885	164,662	(35,097)
Net cash provided (used) by operating activities	<u>\$ 2,712,445</u>	<u>444,655</u>	<u>4,818,384</u>	<u>887,677</u>	<u>11,463,147</u>	<u>5,840,034</u>	<u>4,129,260</u>	<u>407,999</u>
Schedule of noncash investing activity-								
Unrealized gain on fair value of investments	\$ 368,708	50,976	317,696	118,018	364,535	501,013	437,029	104,943
Investment in joint venture	\$ (3,114)	(413)	(3,866)	(1,085)	-	(4,672)	(3,963)	(564)

(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, 2014

	Districts						Total
	No. 27	No. 28	No. 29	Santa Clarita Valley	No. 34	South Bay Cities	
Cash flows from operating activities:							
Receipts from customers and users	\$ 1,017	1,034,238	1,939,299	25,284,304	2,917	6,889,591	398,439,724
Payments to suppliers	(75,767)	(270,848)	(428,402)	(9,635,394)	(1,176)	(3,228,853)	(134,396,829)
Payments to employees	(7,223)	(297,778)	(656,589)	(10,304,377)	(1,273)	(4,067,692)	(161,987,756)
Payment for equipment rental within the Districts	(56)	(11,632)	(67,090)	(364,830)	(56)	(138,501)	(5,806,817)
Other payments	-	-	-	-	-	-	(18,588)
Net cash provided (used) by operating activities	<u>(82,029)</u>	<u>453,980</u>	<u>787,218</u>	<u>4,979,703</u>	<u>412</u>	<u>(545,455)</u>	<u>96,229,734</u>
Cash flows from noncapital financing activities:							
Receipts from property taxes	263,996	506,690	102,875	5,371,970	-	4,049,110	57,526,593
Transfers to other funds	-	-	-	-	-	-	(500,000)
Payments for tax and assessment	(1)	(174)	(210)	(965)	(1)	(1,958)	(73,107)
Net cash provided (used) by noncapital financing activities	<u>263,995</u>	<u>506,516</u>	<u>102,665</u>	<u>5,371,005</u>	<u>(1)</u>	<u>4,047,152</u>	<u>56,953,486</u>
Cash flows from capital and related financing activities:							
Borrowings on loan from state	-	16,787	988,848	1,700,625	-	189,557	9,663,925
Proceeds from bond sale	226,698	344,158	108,063	11,816,482	-	3,327,644	117,460,063
Bond issuance costs	(881)	(1,340)	(421)	(46,030)	-	(12,963)	(457,556)
Purchases of capital assets	(98,426)	(193,337)	(475,058)	(6,715,879)	(459)	(2,226,786)	(99,828,408)
Connection fees proceeds	-	64,297	67,626	3,737,032	-	638,098	33,290,672
Bond defeasement	(273,604)	(448,531)	(145,650)	(15,596,964)	-	(4,398,869)	(154,293,250)
Interest paid on capital-related debt	(17,466)	(49,120)	(26,179)	(910,367)	-	(320,203)	(30,624,986)
Payment to joint venture	-	(7)	(8)	-	-	(74)	(2,746)
Principal payments on bonds	(46,793)	(71,038)	(22,305)	(2,439,047)	-	(686,861)	(28,455,000)
Principal payments on loan from state	-	(398,159)	(104,444)	(3,024,970)	-	(544,352)	(30,250,765)
Net cash provided (used) by capital and related financing activities	<u>(210,472)</u>	<u>(736,290)</u>	<u>390,472</u>	<u>(11,479,118)</u>	<u>(459)</u>	<u>(4,034,809)</u>	<u>(183,498,051)</u>
Cash flows from investing activities:							
Interest received	2,006	38,771	30,110	607,841	18	241,702	7,280,959
Purchase of investments	0	(1,898,321)	(1,984,247)	(32,544,337)	-	(5,151,003)	(187,974,114)
Proceeds from maturities of investments	100	966,363	1,027,450	28,812,395	-	3,224,476	124,075,994
Net cash provided (used) by investing activities	<u>2,106</u>	<u>(893,187)</u>	<u>(926,687)</u>	<u>(3,124,101)</u>	<u>18</u>	<u>(1,684,825)</u>	<u>(56,617,161)</u>
Net increase (decrease) in cash and cash equivalents	(26,400)	(668,981)	353,668	(4,252,511)	(30)	(2,217,937)	(86,931,992)
Cash and cash equivalents at beginning of fiscal year	263,265	2,213,846	1,260,843	49,762,167	2,377	12,764,133	479,535,952
Cash and cash equivalents at end of fiscal year	<u>\$ 236,865</u>	<u>1,544,865</u>	<u>1,614,511</u>	<u>45,509,656</u>	<u>2,347</u>	<u>10,546,196</u>	<u>392,603,960</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (147,792)	249,889	461,399	4,697	249	(1,996,183)	22,591,437
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation and amortization	75,233	195,825	326,710	4,749,513	190	1,536,744	72,598,098
Decrease (increase) in accounts receivable	(39)	(1,922)	517	(42,827)	(39)	(42,119)	(1,027,329)
Decrease (increase) in service charge receivable	-	(31)	(6,005)	224,233	-	(89,426)	767,202
Increase (decrease) in accounts payable	26	548	7,979	50,982	26	(4,278)	251,125
Increase (decrease) in claims liabilities related to self insurance	(14)	1,325	1,476	(163,343)	(14)	8,050	105,860
Decrease in other liabilities	-	-	-	-	-	-	(18,588)
Increase (decrease) in due to other funds	(9,443)	8,346	(4,858)	156,448	-	41,757	961,929
Net cash provided (used) by operating activities	<u>\$ (82,029)</u>	<u>453,980</u>	<u>787,218</u>	<u>4,979,703</u>	<u>412</u>	<u>(545,455)</u>	<u>96,229,734</u>
Schedule of noncash investing activity-							
Unrealized gain on fair value of investments	\$ 1,720	28,900	15,934	356,752	-	216,460	6,125,562
Investment in joint venture	-	(129)	(156)	-	-	(1,455)	(53,697)

Exhibit F-1
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Solid Waste Facilities Operations
Combining Schedule of Net Position
June 30, 2014

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	\$ 117,306	-	98,642	78,719	164,627	41,860	-	501,154
Cash on hand	5,000	-	3,700	2,000	3,400	2,740	-	16,840
Cash and cash equivalents	<u>1,341,003</u>	<u>-</u>	<u>716,824</u>	<u>16,701,656</u>	<u>1,933,139</u>	<u>1,490,731</u>	<u>14,736</u>	<u>22,198,089</u>
Total unrestricted cash and cash equivalents	<u>1,463,309</u>	<u>-</u>	<u>819,166</u>	<u>16,782,375</u>	<u>2,101,166</u>	<u>1,535,331</u>	<u>14,736</u>	<u>22,716,083</u>
Accounts receivable	-	-	154,903	466,155	4,821,823	919,067	-	6,361,948
Interest receivable	195,526	247,040	3,434	924,034	10,186	5,348	13,958	1,399,526
Restricted cash and investments:								
Cash and cash equivalents	9,796,942	12,831,490	532,516	44,112,109	2,476,026	934,204	189,545	70,872,832
Specific investments	<u>50,324,907</u>	<u>70,772,663</u>	<u>110,941</u>	<u>265,625,628</u>	<u>-</u>	<u>-</u>	<u>300,567</u>	<u>387,134,706</u>
Total restricted cash and investments	<u>60,121,849</u>	<u>83,604,153</u>	<u>643,457</u>	<u>309,737,737</u>	<u>2,476,026</u>	<u>934,204</u>	<u>490,112</u>	<u>458,007,538</u>
Other specific investments	<u>395,432</u>	<u>-</u>	<u>-</u>	<u>19,348,053</u>	<u>-</u>	<u>-</u>	<u>1,989,007</u>	<u>21,732,492</u>
Total current assets	<u>62,176,116</u>	<u>83,851,193</u>	<u>1,620,960</u>	<u>347,258,354</u>	<u>9,409,201</u>	<u>3,393,950</u>	<u>2,507,813</u>	<u>510,217,587</u>
Capital assets:								
Buildings	-	-	-	-	-	-	7,333,412	7,333,412
Capital improvements	23,710,778	41,216,593	2,250,046	243,238,513	-	-	75,591,089	386,007,019
Less accumulated depreciation	<u>(23,710,778)</u>	<u>(41,216,593)</u>	<u>(2,250,046)</u>	<u>(243,238,513)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(310,415,930)</u>
Net capital improvements facilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,924,501</u>	<u>82,924,501</u>
Gas-to-energy facilities	15,187,706	25,964,480	-	139,934,905	-	-	-	181,087,091
Less accumulated depreciation	<u>(15,187,706)</u>	<u>(14,900,732)</u>	<u>-</u>	<u>(81,243,444)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(111,331,882)</u>
Net gas-to-energy facilities	<u>-</u>	<u>11,063,748</u>	<u>-</u>	<u>58,691,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,755,209</u>
Rail facilities	-	-	-	-	-	-	54,056,552	54,056,552
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>54,056,552</u>	<u>54,056,552</u>
Recycling and transfer facility	-	-	-	-	52,617,513	9,840,754	-	62,458,267
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,838,230)</u>	<u>(3,444,264)</u>	<u>-</u>	<u>(15,282,494)</u>
Net recycling and transfer facility	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,779,283</u>	<u>6,396,490</u>	<u>-</u>	<u>47,175,773</u>
Land	-	-	77,665	-	16,203,721	7,236,414	2,993,718	26,511,518
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>(8,269,724)</u>	<u>-</u>	<u>(11,205,967)</u>	<u>-</u>	<u>(23,868,876)</u>
Net use rights	<u>-</u>	<u>-</u>	<u>-</u>	<u>731,918</u>	<u>-</u>	<u>800,426</u>	<u>42,360,490</u>	<u>43,892,834</u>
Net capital assets	<u>-</u>	<u>11,063,748</u>	<u>77,665</u>	<u>59,423,379</u>	<u>56,983,004</u>	<u>14,433,330</u>	<u>182,335,261</u>	<u>324,316,387</u>
Total assets	<u>\$ 62,176,116</u>	<u>94,914,941</u>	<u>1,698,625</u>	<u>406,681,733</u>	<u>66,392,205</u>	<u>17,827,280</u>	<u>184,843,074</u>	<u>834,533,974</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, 2014

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	\$ 192,352	152,073	505,050	565,111	2,488,423	1,117,385	19,892	5,040,286
Claims liabilities	106,173	12,033	10,590	1,538,927	16,596	41,077	-	1,725,396
Construction contracts payable	-	-	-	26,875	-	-	-	26,875
Due to other funds	331,345	418,054	144,307	1,896,987	937,436	314,478	37,607	4,080,214
Estimated liability for closure and postclosure costs	866,454	3,050,000	-	10,870,000	-	-	-	14,786,454
Interest payable	-	-	-	1,343	-	-	-	1,343
Loans payable to State of California	-	-	-	338,837	-	-	-	338,837
Total current liabilities	1,496,324	3,632,160	659,947	15,238,080	3,442,455	1,472,940	57,499	25,999,405
Long-term liabilities:								
Claims liabilities	106,173	12,033	10,590	1,538,927	16,596	41,077	-	1,725,396
Estimated liability for closure and postclosure costs	-	25,520,585	-	190,413,956	-	-	-	215,934,541
Loans payable to State of California	-	-	-	236,580	-	-	-	236,580
Total liabilities	1,602,497	29,164,778	670,537	207,427,543	3,459,051	1,514,017	57,499	243,895,922
Net Position								
Net position:								
Net investment in capital assets	-	11,063,748	77,665	58,821,087	56,983,004	14,433,330	182,335,261	323,714,095
Restricted for capital projects	1,680,000	50,000	-	5,550,000	-	10,000	1,070,000	8,360,000
Restricted for closure / postclosure maintenance	57,133,014	53,680,261	-	57,472,945	-	-	-	168,286,220
Restricted for disposal fees	-	-	59,658	69,102	113,364	24,469	-	266,593
Restricted for noncapital projects	440,000	956,154	890,765	24,880,000	5,836,786	1,845,464	750,000	35,599,169
Restricted for site development	-	-	-	34,972,167	-	-	-	34,972,167
Unrestricted	1,320,605	-	-	17,488,889	-	-	630,314	19,439,808
Total net position	\$ 60,573,619	65,750,163	1,028,088	199,254,190	62,933,154	16,313,263	184,785,575	590,638,052

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, 2014

	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	\$ -	-	34,622	37,093	3,747,156	3,917,558	-	7,736,429
Contract revenue	-	-	-	48,921	278,551	111,483	-	438,955
Refuse tipping fees	-	-	5,942,605	25,038,361	23,976,634	5,965,019	-	60,922,619
Sale of energy	-	2,841,287	-	29,095,419	-	-	-	31,936,706
Other	51,780	-	24,555	5,022	161,404	28,419	-	271,180
Total operating revenues	51,780	2,841,287	6,001,782	54,224,816	28,163,745	10,022,479	-	101,305,889
Operating expenses:								
Chemicals	151	27,309	25	182,097	-	95	-	209,677
Depreciation and amortization of use rights	-	652,785	2,596	26,838,256	1,496,140	1,063,413	-	30,053,190
Equipment and vehicle rentals	8,663	37,715	537,948	2,661,087	2,820,632	670,020	26,214	6,762,279
Insurance and claims	(280,426)	(1,730,863)	9,656	(465,704)	60,781	50,734	2,415	(2,353,407)
Landfill closure and postclosure costs	-	21,785,913	-	3,109,682	-	-	-	24,895,595
Materials and supplies	39,985	84,965	19,859	2,004,307	337,211	182,024	9,530	2,677,881
Operations, repairs and maintenance	1,779,130	248,853	342,533	7,371,209	1,987,522	502,797	56,192	12,288,236
Salaries and benefits	131,541	1,936,151	998,606	11,715,877	5,881,995	2,297,256	238,123	23,199,549
Services	100,574	117,940	3,804,379	3,049,614	19,387,229	8,135,084	59,380	34,654,200
Utilities	153,999	446,038	49,810	1,684,876	50,136	113,862	126,178	2,624,899
Total operating expenses	1,933,617	23,606,806	5,765,412	58,151,301	32,021,646	13,015,285	518,032	135,012,099
Operating income (loss)	(1,881,837)	(20,765,519)	236,370	(3,926,485)	(3,857,901)	(2,992,806)	(518,032)	(33,706,210)
Nonoperating revenues (expenses):								
Interest revenue	625,178	736,040	6,704	2,878,193	19,142	9,796	53,317	4,328,370
Interest expense	-	-	-	(24,572)	-	-	-	(24,572)
Tax and assessment expense	-	343	(264,384)	(7,950,610)	(739,140)	(603,438)	65,562	(9,491,667)
Other nonoperating expense	-	-	-	(813,382)	-	-	-	(813,382)
Unrealized gain (loss) on investments	78,467	280,809	1,340	1,385,262	5,483	-	(37,093)	1,714,268
Net nonoperating revenues (expenses)	703,645	1,017,192	(256,340)	(4,525,109)	(714,515)	(593,642)	81,786	(4,286,983)
Loss before transfers	(1,178,192)	(19,748,327)	(19,970)	(8,451,594)	(4,572,416)	(3,586,448)	(436,246)	(37,993,193)
Transfers in	25,000	-	214,781	-	7,235,026	2,133,266	-	9,608,073
Transfers out	-	-	-	(11,596,616)	-	-	-	(11,596,616)
Change in net position	(1,153,192)	(19,748,327)	194,811	(20,048,210)	2,662,610	(1,453,182)	(436,246)	(39,981,736)
Total net position, July 1, 2013	61,726,811	85,498,490	833,277	219,302,400	60,270,544	17,766,445	185,221,821	630,619,788
Total net position, June 30, 2014	\$ 60,573,619	65,750,163	1,028,088	199,254,190	62,933,154	16,313,263	184,785,575	590,638,052

Exhibit F-3
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Solid Waste Facilities Operations
Combining Schedule of Cash Flows
Fiscal year ended June 30, 2014

	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	\$ 51,780	2,841,287	6,086,067	63,560,167	23,694,483	10,617,662	-	106,851,446
Payments to suppliers	(2,095,497)	(822,642)	(4,065,483)	(19,044,250)	(19,536,448)	(8,453,002)	(271,507)	(54,288,829)
Payments to employees	(333,099)	(2,044,254)	(1,131,319)	(13,720,543)	(5,157,720)	(2,321,707)	(387,444)	(25,096,086)
Payments applied to closure/postclosure liability	(3,997,282)	(2,962,685)	-	-	-	-	-	(6,959,967)
Payment for equipment rental within the Districts	(8,443)	(36,256)	(537,154)	(2,641,184)	(2,819,727)	(669,076)	(18,708)	(6,730,548)
Net cash provided (used) by operating activities	<u>(6,382,541)</u>	<u>(3,024,550)</u>	<u>352,111</u>	<u>28,154,190</u>	<u>(3,819,412)</u>	<u>(826,123)</u>	<u>(677,659)</u>	<u>13,776,016</u>
Cash flows from noncapital financing activities:								
Payments for tax and assessment	-	343	(264,384)	(8,764,000)	(739,140)	(603,438)	65,562	(10,305,057)
Transfers from other funds	25,000	-	214,781	-	7,235,026	2,133,266	-	9,608,073
Transfers to other funds	-	-	-	(11,596,616)	-	-	-	(11,596,616)
Net cash provided (used) by noncapital financing activities	<u>25,000</u>	<u>343</u>	<u>(49,603)</u>	<u>(20,360,616)</u>	<u>6,495,886</u>	<u>1,529,828</u>	<u>65,562</u>	<u>(12,293,600)</u>
Cash flows from capital and related financing activities:								
Purchases of capital assets	-	(53,896)	(2,596)	(6,960,255)	(902,152)	(52,209)	(450,614)	(8,421,722)
Interest paid on capital related debt	-	-	-	(25,341)	-	-	-	(25,341)
Principal payments on note	-	-	-	-	-	-	(248,167)	(248,167)
Principal payments on loan from state	-	-	-	(329,608)	-	-	-	(329,608)
Net cash used by capital and related financing activities	<u>-</u>	<u>(53,896)</u>	<u>(2,596)</u>	<u>(7,315,204)</u>	<u>(902,152)</u>	<u>(52,209)</u>	<u>(698,781)</u>	<u>(9,024,838)</u>
Cash flows from investing activities:								
Interest received	564,999	666,769	5,278	2,527,931	12,476	7,129	54,305	3,838,887
Purchase of investments	(22,290,865)	(32,268,455)	-	(136,350,971)	-	-	(50,000)	(190,960,291)
Proceeds from maturities of investments	22,401,578	32,288,483	-	131,437,017	548,370	-	50,000	186,725,448
Net cash provided (used) by investing activities	<u>675,712</u>	<u>686,797</u>	<u>5,278</u>	<u>(2,386,023)</u>	<u>560,846</u>	<u>7,129</u>	<u>54,305</u>	<u>(395,956)</u>
Net increase (decrease) in cash and cash equivalents	<u>(5,681,829)</u>	<u>(2,391,306)</u>	<u>305,190</u>	<u>(1,907,653)</u>	<u>2,335,168</u>	<u>658,625</u>	<u>(1,256,573)</u>	<u>(7,938,378)</u>
Cash and cash equivalents at beginning of fiscal year	16,942,080	15,222,796	1,046,492	62,802,137	2,242,024	1,810,910	1,460,854	101,527,293
Cash and cash equivalents at end of fiscal year	<u>\$ 11,260,251</u>	<u>12,831,490</u>	<u>1,351,682</u>	<u>60,894,484</u>	<u>4,577,192</u>	<u>2,469,535</u>	<u>204,281</u>	<u>93,588,915</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ (1,881,837)	(20,765,519)	236,370	(3,926,485)	(3,857,901)	(2,992,806)	(518,032)	(33,706,210)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation and amortization	-	652,785	2,596	26,838,256	1,496,140	1,063,413	-	30,053,190
Landfill closure and postclosure costs	-	21,785,913	-	3,109,682	-	-	-	24,895,595
Decrease (increase) in accounts receivable	-	-	84,285	9,335,351	(4,469,262)	595,183	-	5,545,557
Increase (decrease) in accounts payable	(20,412)	90,923	152,855	(3,888,092)	2,254,144	516,892	(10,306)	(903,996)
Decrease in estimated liability for closure and postclosure costs	(3,997,282)	(2,962,685)	-	-	-	-	-	(6,959,967)
Increase (decrease) in claims liabilities	(281,452)	(1,717,864)	8,718	(1,309,856)	33,192	15,646	-	(3,251,616)
Increase (decrease) in due to other funds	(201,558)	(108,103)	(132,713)	(2,004,666)	724,275	(24,451)	(149,321)	(1,896,537)
Net cash provided (used) by operating activities	<u>\$ (6,382,541)</u>	<u>(3,024,550)</u>	<u>352,111</u>	<u>28,154,190</u>	<u>(3,819,412)</u>	<u>(826,123)</u>	<u>(677,659)</u>	<u>13,776,016</u>
Schedule of noncash investing activity-								
Unrealized gain (loss) on fair value of investments	\$ 78,467	280,809	1,340	1,385,262	5,483	-	(37,093)	1,714,268

Exhibit G-1
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Trustee Solid Waste Facilities Operations
Combining Schedule of Net Position
June 30, 2014

Assets	Scholl Canyon Landfill	Calabasas Landfill	Los Angeles County Equipment Pool	Los Angeles County Refuse Disposal Fund	Total
Current assets:					
Cash in bank	\$ 113,690	92,593	-	-	206,283
Cash on hand	5,870	5,106	-	-	10,976
Cash and cash equivalents	<u>4,872,978</u>	<u>1,199,927</u>	<u>-</u>	<u>600,825</u>	<u>6,673,730</u>
Total unrestricted cash and cash equivalents	<u>4,992,538</u>	<u>1,297,626</u>	<u>-</u>	<u>600,825</u>	<u>6,890,989</u>
Accounts receivable	2,096,432	1,091,526	-	-	3,187,958
Interest receivable	56,714	139,129	5,778	32,371	233,992
Restricted cash and investments:					
Cash and cash equivalents	2,445,266	5,469,208	1,204,453	224,594	9,343,521
Specific investments	<u>12,616,614</u>	<u>41,741,034</u>	<u>-</u>	<u>-</u>	<u>54,357,648</u>
Total restricted cash and investments	<u>15,061,880</u>	<u>47,210,242</u>	<u>1,204,453</u>	<u>224,594</u>	<u>63,701,169</u>
Other specific investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>402,297</u>	<u>402,297</u>
Total current assets	<u>22,207,564</u>	<u>49,738,523</u>	<u>1,210,231</u>	<u>1,260,087</u>	<u>74,416,405</u>
Capital assets:					
Capital improvements	25,611,038	122,583,094	-	-	148,194,132
Equipment pool	-	-	8,596,342	-	8,596,342
Less accumulated depreciation	<u>(22,255,747)</u>	<u>(96,916,018)</u>	<u>(4,272,804)</u>	<u>-</u>	<u>(123,444,569)</u>
	<u>3,355,291</u>	<u>25,667,076</u>	<u>4,323,538</u>	<u>-</u>	<u>33,345,905</u>
Use rights	300,131	947,215	-	-	1,247,346
Less accumulated amortization	<u>(260,811)</u>	<u>(748,882)</u>	<u>-</u>	<u>-</u>	<u>(1,009,693)</u>
Net use rights	<u>39,320</u>	<u>198,333</u>	<u>-</u>	<u>-</u>	<u>237,653</u>
Land	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,482,200</u>	<u>5,482,200</u>
Net capital assets	<u>3,394,611</u>	<u>25,865,409</u>	<u>4,323,538</u>	<u>5,482,200</u>	<u>39,065,758</u>
Total assets	<u>\$ 25,602,175</u>	<u>75,603,932</u>	<u>5,533,769</u>	<u>6,742,287</u>	<u>113,482,163</u>

(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, 2014

Liabilities	<u>Scholl Canyon Landfill</u>	<u>Calabasas Landfill</u>	<u>Los Angeles County Equipment Pool</u>	<u>Los Angeles County Refuse Disposal Fund</u>	<u>Total</u>
Current liabilities:					
Accounts payable	\$ 731,396	799,566	40,218	14,811	1,585,991
Claims liabilities	80,242	348,538	-	33,557	462,337
Construction contracts payable	-	-	-	197,815	197,815
Due to other funds	488,396	575,356	-	89,958	1,153,710
Total current liabilities	1,300,034	1,723,460	40,218	336,141	3,399,853
Long-term liabilities:					
Claims liabilities	80,242	348,538	-	33,557	462,337
Estimated liability for closure and postclosure costs	10,517,019	76,888,978	-	-	87,405,997
Total liabilities	11,897,295	78,960,976	40,218	369,698	91,268,187
 Net Position					
Net position:					
Net investment in capital assets	3,394,611	25,865,409	4,323,538	5,284,385	38,867,943
Restricted for capital projects	450,000	-	-	-	450,000
Restricted for closure / postclosure maintenance	2,083,378	-	-	-	2,083,378
Restricted for disposal fees	672,967	-	-	-	672,967
Restricted for equipment pool	-	-	-	1,070,249	1,070,249
Restricted for noncapital projects	7,103,924	-	-	-	7,103,924
Unrestricted	-	(29,222,453)	1,170,013	17,955	(28,034,485)
Total net position	\$ 13,704,880	(3,357,044)	5,493,551	6,372,589	22,213,976

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, 2014

	Scholl Canyon Landfill	Calabasas Landfill	Los Angeles County Equipment Pool	Los Angeles County Refuse Disposal Fund	Total
Operating revenues:					
Commodities	\$ 88,259	69,185	-	-	157,444
Equipment pool	-	-	1,505,154	-	1,505,154
Refuse tipping fees	15,360,967	11,514,335	-	-	26,875,302
Other	52,653	24,750	-	-	77,403
Total operating revenues	15,501,879	11,608,270	1,505,154	-	28,615,303
Operating expenses:					
Chemicals	1,871	94	-	7	1,972
Depreciation and amortization of use rights	415,392	1,386,014	634,270	-	2,435,676
Equipment and vehicle rentals	1,123,956	1,392,031	10,736	16,242	2,542,965
Hazardous waste siting study	-	-	-	(29,480)	(29,480)
Insurance and claims	95,704	552,221	12,555	12,032	672,512
Landfill closure & postclosure costs	(1,904,094)	(227,857)	-	-	(2,131,951)
Materials and supplies	83,384	159,615	175,369	5,370	423,738
Operations, repairs and maintenance	497,752	959,782	444,335	49,030	1,950,899
Salaries and benefits	3,195,738	3,790,927	463,214	75,186	7,525,065
Services	420,208	496,261	25,943	53,420	995,832
Tonnage	3,393,097	-	-	-	3,393,097
Utilities	365,644	407,619	480	103,121	876,864
Total operating expenses	7,688,652	8,916,707	1,766,902	284,928	18,657,189
Operating income (loss)	7,813,227	2,691,563	(261,748)	(284,928)	9,958,114
Nonoperating revenues (expenses):					
Interest revenue	121,636	311,659	2,643	59,174	495,112
Other nonoperating revenue	-	2,700,000	-	-	2,700,000
Loss on sale of equipment	-	-	(101,101)	-	(101,101)
Tax and assessment expense	(2,727,224)	(1,658,093)	-	(66,117)	(4,451,434)
Unrealized gain (loss) on investments	152,826	527,032	-	(31,086)	648,772
Net nonoperating revenues (expenses)	(2,452,762)	1,880,598	(98,458)	(38,029)	(708,651)
Income (loss) before transfers	5,360,465	4,572,161	(360,206)	(322,957)	9,249,463
Transfers in	-	520,000	-	-	520,000
Transfers out	-	-	-	(520,000)	(520,000)
Change in net position	5,360,465	5,092,161	(360,206)	(842,957)	9,249,463
Total net position, July 1, 2013	8,344,415	(8,449,205)	5,853,757	7,215,546	12,964,513
Total net position, June 30, 2014	\$ 13,704,880	(3,357,044)	5,493,551	6,372,589	22,213,976

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, 2014

	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	\$ 14,633,170	11,335,673	-	-	25,968,843
Receipts for equipment rental	-	-	1,505,154	-	1,505,154
Payments to suppliers	(4,721,288)	(1,996,684)	(619,441)	11,685	(7,325,728)
Payments to employees	(3,257,933)	(3,822,676)	(463,214)	(41,291)	(7,585,114)
Payment for equipment rental within the Districts	(1,121,919)	(1,388,832)	(10,702)	(15,880)	(2,537,333)
Net cash provided (used) by operating activities	<u>5,532,030</u>	<u>4,127,481</u>	<u>411,797</u>	<u>(45,486)</u>	<u>10,025,822</u>
Cash flows from noncapital financing activities:					
Payments for tax and assessment	(2,727,224)	(1,658,093)	-	(66,117)	(4,451,434)
Transfers from other funds	-	520,000	-	-	520,000
Transfers to other funds	-	-	-	(520,000)	(520,000)
Net cash used by noncapital financing activities	<u>(2,727,224)</u>	<u>(1,138,093)</u>	<u>-</u>	<u>(586,117)</u>	<u>(4,451,434)</u>
Cash flows from capital and related financing activities:					
Contract proceeds from County of Los Angeles	-	2,700,000	-	-	2,700,000
Purchases of capital assets	(267,439)	(452,438)	(1,262,023)	-	(1,981,900)
Proceeds from sale of equipment	-	-	212,798	-	212,798
Net cash provided (used) by capital and related financing activities	<u>(267,439)</u>	<u>2,247,562</u>	<u>(1,049,225)</u>	<u>-</u>	<u>930,898</u>
Cash flows from investing activities:					
Interest received	86,961	220,400	-	38,602	345,963
Purchase of investments	(6,169,000)	(17,352,148)	-	-	(23,521,148)
Proceeds from maturities of investments	6,157,000	16,438,000	-	1,233,618	23,828,618
Net cash provided (used) by investing activities	<u>74,961</u>	<u>(693,748)</u>	<u>-</u>	<u>1,272,220</u>	<u>653,433</u>
Net increase (decrease) in cash and cash equivalents	2,612,328	4,543,202	(637,428)	640,617	7,158,719
Cash and cash equivalents at beginning of fiscal year	4,825,476	2,223,632	1,841,881	184,802	9,075,791
Cash and cash equivalents at end of fiscal year	<u>\$ 7,437,804</u>	<u>6,766,834</u>	<u>1,204,453</u>	<u>825,419</u>	<u>16,234,510</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 7,813,227	2,691,563	(261,748)	(284,928)	9,958,114
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	415,392	1,386,014	634,270	-	2,435,676
Landfill closure and postclosure costs	(1,904,094)	(227,857)	-	-	(2,131,951)
Increase in accounts receivable	(868,709)	(272,592)	-	-	(1,141,301)
Increase in accounts payable	92,543	100,634	39,275	193,597	426,049
Increase in claims liabilities	45,866	481,468	-	11,950	539,284
Increase (decrease) in due to other funds	(62,195)	(31,749)	-	33,895	(60,049)
Net cash provided (used) by operating activities	<u>\$ 5,532,030</u>	<u>4,127,481</u>	<u>411,797</u>	<u>(45,486)</u>	<u>10,025,822</u>
Schedule of noncash investing activity-					
Unrealized gain (loss) on fair value of investments	\$ 152,826	527,032	-	(31,086)	648,772

Exhibit H-1
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Service Operations
Schedule of Net Position
June 30, 2014

Assets

Current assets:	
Cash in bank	\$ 169,900
Cash on hand	13,000
Cash and cash equivalents	<u>12,903,724</u>
Total unrestricted cash	<u>13,086,624</u>
Receivables:	
Accounts receivable	867,461
Due from other funds	39,747,013
Interest receivable	913,864
Inventory	18,790,252
Restricted cash and investments:	
Cash and cash equivalents	48,604,071
Specific investments	<u>262,514,826</u>
Total restricted cash and investments	<u>311,118,897</u>
Total current assets	<u>384,524,111</u>
Investment in joint ventures	<u>10,651,396</u>
Capital assets:	
Buildings and equipment	10,381,560
Construction in progress	161,379,212
Capital improvements	2,106,934
Less accumulated depreciation	<u>(9,972,515)</u>
	<u>163,895,191</u>
Equipment pool	55,277,606
Less accumulated depreciation	<u>(27,669,012)</u>
Net equipment pool	<u>27,608,594</u>
Gas-to-energy facility	40,502,967
Less accumulated depreciation	<u>(3,037,723)</u>
Net gas-to-energy facility	<u>37,465,244</u>
Land	<u>28,365,094</u>
Net capital assets	<u>257,334,123</u>
Total assets	<u>\$ 652,509,630</u>

(Continued on following page)

Exhibit H-1-2
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Service Operations
Schedule of Net Position
June 30, 2014

Liabilities

Current liabilities:	
Accounts payable	\$ 704,401
Accrued employee absences	9,954,118
Amounts held for others	7,162,331
Bonds payable	1,404,398
Claims liabilities	107,590
Construction contracts payable	1,885,173
Interest payable	5,787
Note payable	41,338
Other	850
	<u>21,265,986</u>
Total current liabilities	<u>21,265,986</u>
Long-term liabilities:	
Accrued employee absences	29,862,354
Bonds payable, net	9,830,792
Claims liabilities	107,590
Note payable	1,372,813
	<u>41,173,549</u>
Total long-term liabilities	<u>41,173,549</u>
Total liabilities	<u>62,439,535</u>

Net Position

Net position:	
Net investment in capital assets	242,799,609
Restricted for capital projects	21,160,000
Restricted for equipment pool	23,943,138
Restricted for noncapital projects	6,240,000
Unrestricted	295,927,348
	<u>295,927,348</u>
Total net position	<u>\$ 590,070,095</u>

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, 2014

Operating revenues:	
Equipment pool	\$ 13,854,086
Sale of power	3,133,137
Other	15,081
	<hr/>
Total operating revenues	17,002,304
	<hr/>
Operating expenses:	
Depreciation	5,707,893
Equipment and vehicle rentals	159,011
Hazardous waste siting study	498,710
Insurance and claims	700,684
Materials and supplies	2,055,734
Operations, repairs and maintenance	9,261,852
Research and development	354,873
Salaries and benefits	4,613,906
Services	812,677
Utilities	167,480
	<hr/>
Total operating expenses	24,332,820
	<hr/>
Operating loss	(7,330,516)
	<hr/>
Nonoperating revenues (expenses):	
Gain on investments	2,783,465
Interest revenue	3,387,137
Investment in joint ventures	578,872
Interest expense	(252,583)
Loss on sale of equipment	(2,079,308)
Tax and assessment expense	2,586
Unrealized gain on investments	158,492
	<hr/>
Net nonoperating revenues	4,578,661
	<hr/>
Loss before transfers	(2,751,855)
	<hr/>
Transfers in	2,488,543
	<hr/>
Change in net position	(263,312)
	<hr/>
Total net assets, July 1, 2013, as previously reported	590,447,187
	<hr/>
Prior-period adjustments	(113,780)
	<hr/>
Total net position, July 1, 2013, as restated	590,333,407
	<hr/>
Total net position, June 30, 2014	\$ 590,070,095
	<hr/> <hr/>

Exhibit H-3
COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY
Service Operations
Schedule of Cash Flows
Fiscal year ended June 30, 2014

Cash flows from operating activities:	
Receipts from customers and users	\$ 3,215,103
Receipts for equipment rental	13,854,086
Payments to suppliers	(9,128,774)
Payments to employees	(4,067,098)
	<u>3,873,317</u>
Net cash provided by operating activities	<u>3,873,317</u>
Cash flows from noncapital financing activities:	
Payments for tax and assessment	2,586
Transfers from other funds	2,488,543
	<u>2,491,129</u>
Net cash provided by noncapital financing activities	<u>2,491,129</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(18,843,765)
Receipt from joint venture	2,933,465
Interest paid on capital related debt	(253,271)
Principal payments on bonds	(1,404,400)
Principal payments on note	(38,456)
Proceeds from sale of equipment	2,417,574
	<u>(15,188,853)</u>
Net cash used by capital and related financing activities	<u>(15,188,853)</u>
Cash flows from investing activities:	
Interest received	3,101,430
Purchase of investments	(63,911,830)
Proceeds from maturities/sale of investments	62,936,312
	<u>2,125,912</u>
Net cash provided by investing activities	<u>2,125,912</u>
Net decrease in cash and cash equivalents	(6,698,495)
Cash and cash equivalents at beginning of fiscal year	<u>68,389,190</u>
Cash and cash equivalents at end of fiscal year	<u><u>\$ 61,690,695</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ <u>(7,330,516)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	5,707,893
Decrease in accounts receivable	66,885
Increase in inventory	(757,869)
Increase in due from other funds	994,657
Increase in accounts payable	56,980
Decrease in accrued employee absences	(447,847)
Increase in claims liabilities	215,180
Increase in amounts held for others	5,367,954
	<u>3,873,317</u>
Net cash provided by operating activities	<u><u>\$ 3,873,317</u></u>
Schedule of noncash investing activity-	
Unrealized gain on fair value of investments	\$ 158,492
Investment from joint ventures	\$ 578,872

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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.	79-85
<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.	86-91
<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.	92-93
<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.	94-97
<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.	98-99

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

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Primary government										
Invested in capital assets, net of related debt	\$ 1,396,501	\$ 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
Restricted	1,662,312	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
Unrestricted	<u>181,197</u>	<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>
Total government net position	<u>\$ 3,240,010</u>	<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>

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sewerage Facilities Operations										
Operating Revenues	\$230,470	\$247,721	\$267,680	\$288,968	\$306,764	\$344,404	\$404,196	\$381,065	\$403,159	\$398,700
Operating Expenses	267,864	310,814	307,554	333,948	337,728	326,733	334,071	345,114	349,726	376,108
Operating Income/(Loss)	(37,394)	(63,093)	(39,874)	(44,980)	(30,964)	17,671	70,125	35,951	53,433	22,592
Total Net Nonoperating Revenues	30,920	19,690	81,106	87,307	64,511	42,901	24,884	24,129	24,531	39,918
Income/(Loss) Before Capital Contributions	(6,474)	(43,403)	41,232	42,327	33,547	60,572	95,009	60,080	77,964	62,510
Capital Contributions	35,380	48,629	28,780	29,694	21,966	25,163	18,144	19,453	26,113	38,842
Transfers	-	-	-	(2,733)	-	-	(280)	(364)	(3,604)	(500)
Change in Net Position	<u>28,906</u>	<u>5,226</u>	<u>70,012</u>	<u>69,288</u>	<u>55,513</u>	<u>85,735</u>	<u>112,873</u>	<u>79,169</u>	<u>100,473</u>	<u>100,852</u>
Solid Waste Facilities Operations										
Operating Revenues	196,024	211,645	216,579	225,061	202,312	197,481	171,763	169,919	167,915	146,923
Operating Expenses	165,664	182,404	212,379	198,350	199,431	128,413	166,905	160,637	144,135	178,002
Operating Income/(Loss)	30,360	29,241	4,200	26,711	2,881	69,068	4,858	9,282	23,780	(31,079)
Total Net Nonoperating Revenues/(Expenses)	4,949	6,793	17,536	18,612	15,981	(7,039)	(2,917)	(14,030)	(20,295)	(418)
Income Before Capital Contributions	35,309	36,034	21,736	45,323	18,862	62,029	1,941	(4,748)	3,485	(31,497)
Capital Contributions	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	2,733	-	-	280	364	3,604	500
Change in Net Position	<u>35,309</u>	<u>36,034</u>	<u>21,736</u>	<u>48,056</u>	<u>18,862</u>	<u>62,029</u>	<u>2,221</u>	<u>(4,384)</u>	<u>7,089</u>	<u>(30,997)</u>

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sewerage Facilities Operations										
Service Charges	\$162,772	\$177,177	\$194,902	\$217,996	\$237,218	\$268,269	\$297,494	\$295,831	\$318,035	\$312,890
Industrial Waste Surcharge	48,598	49,702	51,926	49,860	49,394	54,305	59,508	57,861	56,999	58,092
Contract Revenue	15,213	16,982	17,030	17,933	16,822	17,925	43,569	23,982	24,617	23,369
Sale of Energy	94	152	120	92	-	-	-	9	158	215
Other	3,793	3,708	3,702	3,087	3,330	3,905	3,625	3,382	3,350	4,134
Total Operating Revenue	<u>230,470</u>	<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>
Solid Waste Facilities Operations										
Refuse Tipping Fees	139,724	150,603	150,954	152,097	136,917	134,835	108,808	102,538	112,160	87,799
Sale of Energy	36,455	39,012	40,708	43,976	42,880	43,061	43,241	45,502	30,271	35,070
Equipment Pool	17,257	19,226	19,822	21,793	16,478	16,074	15,396	16,094	16,792	15,359
Commodities	2,083	2,351	3,483	4,717	3,247	2,898	4,025	5,343	7,275	7,894
Contract Revenue	175	229	298	337	27	27	44	75	925	439
Other	330	224	1,314	2,141	2,763	586	249	367	492	362
Total Operating Revenue	<u>196,024</u>	<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>

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sewerage Facilities Operations										
Salaries and Benefits	\$ 98,858	\$106,994	\$109,235	\$131,754	\$135,300	\$145,037	\$144,436	\$153,633	\$155,204	\$162,950
Services	42,048	62,400	55,492	54,662	49,836	43,466	45,139	41,156	41,800	44,704
Materials, Supplies, and Chemicals	32,040	33,429	33,902	41,263	44,778	37,731	41,868	43,909	45,574	46,706
Utilities	22,334	23,920	23,463	25,206	26,053	21,282	19,567	20,109	20,700	22,856
Operations, Repairs, and Maintenance	12,423	15,485	19,354	17,520	16,971	10,530	10,608	13,556	9,426	11,449
Research and Development	8,128	9,191	5,593	5,477	5,289	5,693	6,154	5,656	5,549	5,745
Miscellaneous (1)	6,932	10,368	7,852	7,028	8,290	6,995	7,896	6,941	9,165	9,100
Subtotal, Expenses before Depreciation	222,763	261,787	254,891	282,910	286,517	270,734	275,668	284,960	287,418	303,510
Depreciation and Amortization of Use Rights	45,101	49,027	52,663	51,038	51,211	55,999	58,403	60,184	62,308	72,598
Total Operating Expenses	267,864	310,814	307,554	333,948	337,728	326,733	334,071	345,144	349,726	376,108
Solid Waste Facilities Operations										
Salaries and Benefits	32,445	35,828	38,192	49,333	48,932	45,464	45,107	43,816	40,548	35,338
Services	26,583	30,109	34,685	35,347	27,493	21,524	19,972	17,344	20,668	36,462
Operations, Repairs, and Maintenance	28,901	29,567	29,284	21,752	20,950	18,385	44,609	23,960	21,844	23,501
Equipment and Vehicle Rentals	17,462	19,007	19,292	22,236	16,086	13,721	12,345	12,437	11,752	9,464
Landfill Closure and Postclosure Costs	15,306	13,483	41,376	11,655	34,350	(10,217)	4,193	23,894	8,842	22,763
Materials, Supplies, and Chemicals	5,910	5,922	5,794	6,801	5,283	5,183	5,074	5,258	5,813	5,367
Miscellaneous (2)	10,968	10,902	10,085	12,561	12,686	9,055	11,662	10,446	12,242	6,910
Subtotal, Expenses before Depreciation	137,575	144,818	178,708	159,685	165,780	103,115	142,962	137,155	121,709	139,805
Depreciation and Amortization of Use Rights	28,089	37,586	33,671	38,665	33,651	25,298	23,943	23,482	22,426	38,197
Total Operating Expenses	165,664	182,404	212,379	198,350	199,431	128,413	166,905	160,637	144,135	178,002

(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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sewerage Facilities Operations										
Interest Revenue	\$ 40,626	\$ 50,492	\$ 52,181	\$ 64,067	\$ 39,919	\$ 21,170	\$ 17,608	\$ 11,512	\$ 7,681	\$ 7,516
Tax Revenue	8,584	14,456	49,116	54,012	59,328	60,493	53,197	54,770	68,435	55,211
Other Nonoperating Revenue	15,268	6,057	4,329	4,129	3,799	3,523	3,132	4,610	4,340	5,227
Interest Expense	(29,180)	(33,674)	(36,768)	(40,888)	(40,455)	(39,200)	(38,129)	(39,719)	(42,236)	(31,917)
Unrealized Gain/(Loss) on Investments	(2,910)	(16,125)	21,601	12,997	2,695	(1,484)	(2,967)	(2,634)	(9,927)	6,126
Tax and Assessment Expense	(165)	(214)	(2,706)	(5,704)	527	(300)	(305)	(339)	(106)	(73)
Other Nonoperating Expense	<u>(1,303)</u>	<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>
Total Net Nonoperating Revenue	<u>30,920</u>	<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>
Solid Waste Facilities Operations										
Interest Revenue	34,319	40,443	46,998	43,431	33,487	24,462	17,661	12,429	8,458	8,211
Gain on Investments	3,077	1,258	717	2,306	3,617	3,078	1,995	513	3,039	3,361
Other Nonoperating Revenue	1,763	-18,582	-	-	585	1,259	442	-	-	2,700
Tax and Assessment Expense	(31,393)	(33,735)	(27,056)	(37,457)	(27,256)	(24,241)	(20,426)	(20,940)	(20,793)	(13,943)
Unrealized Gain/(Loss) on Investments	(2,430)	(16,789)	11,480	12,960	6,701	(2,654)	(1,131)	(3,912)	(9,563)	2,522
Interest Expense	(97)	(90)	(1,291)	(1,390)	(913)	(1,889)	(364)	(335)	(307)	(276)
Other Nonoperating Expense	<u>(290)</u>	<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>
Total Net Nonoperating Revenue/(Expense)	<u>4,949</u>	<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>

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Cash Flows from Operating Activities										
Receipts from customers and users	\$ 403,667	\$434,096	\$ 467,635	\$ 486,427	\$ 492,780	\$ 516,600	\$ 562,483	\$ 529,296	\$ 565,158	\$ 534,475
Receipts for equipment rental	17,257	19,226	19,822	21,793	16,478	16,074	15,396	16,094	16,792	15,359
Payments to suppliers	(200,749)	(221,621)	(232,593)	(220,584)	(216,214)	(188,534)	(209,396)	(187,623)	(191,064)	(205,140)
Payments to employees	(120,816)	(140,675)	(145,723)	(179,225)	(182,367)	(191,919)	(188,357)	(196,690)	(195,775)	(198,736)
Payments applied to closure/postclosure liability	(9,834)	(8,396)	(7,509)	(8,874)	(8,143)	(6,254)	(6,357)	(6,567)	(5,722)	(6,960)
Payment for equipment rental within the Districts	(17,026)	(19,023)	(19,687)	(21,571)	(16,268)	(15,733)	(14,973)	(16,912)	(16,412)	(15,075)
Other payments	(136)	(35)	(39)	(37)	(42)	(38)	(34)	(19)	(19)	(19)
Net cash provided (used) by operating activities	72,363	63,572	81,906	77,929	86,224	130,196	158,762	137,579	172,958	123,904
Cash Flows from Noncapital Financing Activities										
Receipts from property taxes	8,437	11,861	49,694	52,739	58,064	61,672	54,337	53,784	71,082	57,527
Payments for tax and assessment	(31,617)	(33,948)	(29,762)	(38,611)	(28,249)	(25,298)	(21,491)	(21,649)	(20,898)	(14,827)
Net cash provided (used) by noncapital financing activities	(23,180)	(22,087)	19,932	14,128	29,815	36,374	32,846	32,135	50,184	42,700
Cash Flows from Capital and Related Financing Activities										
Borrowings on loan from state	33,103	21,581	15,214	50,045	49,582	64,662	37,094	10,664	2,351	9,664
Proceeds on bond sales	25,582	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
Bond issuance costs	(528)	(2,366)	(1,437)	-	(162)	-	-	(717)	-	(457)
Purchases of capital assets	(175,552)	(215,422)	(203,455)	(242,914)	(351,829)	(305,465)	(261,729)	(168,072)	(134,346)	(129,324)
Principal payments on contracts/note	-	(1,100)	(1,265)	(1,365)	-	(1,643)	(743)	(713)	(316)	(39)
Connection fees proceeds	32,675	38,068	28,780	29,694	21,966	21,908	18,105	19,453	25,918	33,291
Grant proceeds	11	15,381	-	-	-	2,872	39	-	195	-
Interest paid on capital-related debt	(29,029)	(31,229)	(36,789)	(42,192)	(41,527)	(39,179)	(36,456)	(34,710)	(35,059)	(30,904)
Payment to joint venture	(17,992)	(9,370)	(4,916)	(2,957)	(1,586)	(1,363)	-	-	-	-
Principal payments on bonds	(13,395)	(14,190)	(15,130)	(15,870)	(18,684)	(19,364)	(22,559)	(174,229)	(24,744)	(184,152)
Principal payments on loan from state	(23,370)	(25,628)	(19,713)	(21,763)	(24,142)	(26,933)	(27,459)	(28,270)	(31,689)	(30,580)
Payment per joint powers agreement	-	-	(7,476)	-	-	(6,250)	-	-	-	-
Proceeds from sale of assets/equipment	154	196	325	459	144	758	329	4,080	3,823	2,630
Receipts from joint venture	3,352	1,458	867	2,456	3,767	3,229	2,170	165	2,306	2,930
Receipts from lease receivable	2,413	2,754	6,222	6,033	-	-	-	-	-	-
Receipts from settlement	-	-	-	-	-	-	1,508	-	-	-
Net cash provided (used) by capital and related financing activities	(162,576)	(13,051)	(100,542)	(227,861)	(340,197)	(304,059)	(289,340)	(221,069)	(191,561)	(206,781)
Cash Flows from Investing Activities										
Interest received	67,011	81,286	93,788	107,929	81,011	53,846	36,161	31,520	16,468	14,567
Purchases of investments	(592,805)	(223,111)	(344,260)	(284,659)	(468,733)	(1,630,212)	(990,755)	(1,363,978)	(1,490,217)	(466,367)
Proceeds from maturities of investments	621,411	251,214	473,881	1,076,949	352,952	1,471,080	918,392	1,160,068	1,298,975	397,566
Net cash provided (used) by investing activities	95,617	109,389	223,409	900,219	(34,770)	(105,286)	(36,202)	(172,390)	(174,774)	(54,234)
Net increase (decrease) in cash and cash equivalents	(17,776)	137,823	224,705	764,415	(258,928)	(242,775)	(133,934)	(223,745)	(143,193)	(94,411)
Cash and cash equivalents at beginning of fiscal year	551,936	534,160	671,983	896,688	1,661,103	1,402,175	1,159,400	1,025,466	801,721	658,528
Cash and cash equivalents at end 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

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

Fiscal Year	Connection Fees	Federal Capital Grants	Donated Property	Total
2005	\$ 34,588	\$ 395	\$ 397	\$ 35,380
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

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)
2005	1,772,874	5.44	76.90	\$ 93.78	\$ 26.58
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	194.26	41.81
2012	1,909,355	2.49	57.29	207.11	41.56
2013	1,905,839	2.82	57.25	236.53	40.90
2014	1,880,054	2.00	N/A	251.61	46.34

(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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1	\$ 94.25	\$101.50	\$108.75	\$116.00	\$126.00	\$138.00	\$152.00	\$154.00	\$156.00	\$158.00
2	91.50	98.00	104.50	111.00	121.00	133.00	147.00	148.00	149.00	150.00
3	91.00	98.00	105.00	112.00	122.00	134.00	148.00	150.00	152.00	154.00
4	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00
5	87.25	91.50	95.75	100.00	108.00	118.00	130.00	132.00	134.00	136.00
8	84.00	89.00	94.00	99.00	109.00	121.00	135.00	139.00	143.00	147.00
9	78.00	78.00	78.00	78.00	78.00	78.00	78.00	78.00	78.00	78.00
14	98.00	129.00	160.00	210.00	260.00	310.00	360.00	360.00	448.00	472.00
15	88.00	93.00	98.00	103.00	110.00	119.00	130.00	132.00	134.00	136.00
16	91.00	96.00	101.00	106.00	113.00	122.00	133.00	135.00	137.00	139.00
17	92.00	97.00	102.00	107.00	114.00	123.00	134.00	136.00	138.00	140.00
18	89.50	97.00	104.50	112.00	122.00	134.00	148.00	149.00	150.00	151.00
19	91.25	97.50	103.75	110.00	120.00	132.00	146.00	148.00	150.00	152.00
20	101.00	131.00	161.00	216.00	271.00	326.00	381.00	429.00	477.00	525.00
21	89.50	96.00	102.50	109.00	119.00	131.00	145.00	146.00	147.00	148.00
22	92.75	99.50	106.25	113.00	121.00	131.00	143.00	145.00	147.00	149.00
23	67.00	73.00	79.00	85.00	92.00	101.00	112.00	114.00	116.00	118.00
26 ²	118.00	-	-	-	-	-	-	-	-	-
28 ³	308.00	308.00	308.00	308.00	315.00	324.00	335.00	336.00	337.00	338.00
28 ³	100.00	100.00	100.00	100.00	107.00	116.00	127.00	128.00	129.00	130.00
29	115.25	128.50	141.75	201.75	261.75	321.75	327.75	333.75	339.75	339.75
30	86.00	88.00	90.00	92.00	99.00	108.00	119.00	120.00	121.00	122.00
32 ²	119.00	-	-	-	-	-	-	-	-	-
SCV ²	-	122.00	141.00	160.00	179.00	199.00	199.00	215.00	231.00	247.00

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- (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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1	135,705	135,738	136,159	137,336	142,916	143,577	142,747	142,853	143,258	143,429
2	202,704	202,748	202,938	204,343	215,916	215,348	214,597	214,923	215,551	215,730
3	166,135	166,680	167,181	172,709	179,758	179,295	178,736	180,446	179,597	176,037
4	21,200	21,306	21,298	21,677	22,692	22,643	22,675	22,767	23,778	23,830
5	254,242	253,735	250,885	253,285	267,927	266,577	267,358	267,878	268,676	262,048
8	57,206	57,331	57,207	57,762	60,556	61,652	60,059	60,029	59,831	58,296
9	899	908	911	917	917	909	911	1,254	1,273	1,216
14	55,148	55,975	57,654	62,753	66,216	66,803	67,362	67,880	66,680	65,615
15	178,324	180,107	177,422	180,866	188,796	187,478	186,848	187,229	186,714	183,592
16	104,065	105,106	105,071	105,766	113,412	113,124	113,225	114,751	113,741	109,897
17	14,574	14,605	14,533	14,701	15,634	15,485	14,958	14,926	15,064	14,511
18	119,287	119,911	119,358	119,949	125,216	123,601	123,578	123,789	121,399	121,021
19	34,410	34,754	35,102	35,406	37,658	37,140	37,103	37,335	37,761	37,247
20	35,792	36,329	38,232	40,099	42,156	42,079	42,082	42,658	42,854	42,094
21	143,311	143,954	143,027	144,323	151,966	150,530	150,858	151,244	149,715	148,776
22	119,489	119,568	118,182	121,671	125,271	124,263	124,500	125,206	125,193	123,768
23	3,121	3,124	3,043	3,071	3,127	3,298	3,220	3,308	3,270	3,271
26 ²	35,899	-	-	-	-	-	-	-	-	-
28 ³	1,459	1,477	1,489	1,503	1,560	1,562	1,566	1,584	1,611	1,596
28 ³	1,220	1,344	1,675	2,478	3,238	3,254	3,276	2,830	2,881	2,866
29	4,655	4,702	4,749	4,934	5,454	5,411	5,349	5,430	5,515	5,144
30	48,443	48,604	48,481	49,018	53,537	50,584	50,314	50,631	50,864	50,504
32 ²	36,806	-	-	-	-	-	-	-	-	-
SCV ²	-	74,886	77,133	83,179	91,232	89,207	91,265	93,234	93,494	92,432

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- (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 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)	Fiscal Year									
	2005	2006	2007 ⁴	2008 ⁵	2009 ⁶	2010 ⁷	2011	2012	2013	2014
Puente Hills Landfill (2013)	\$22.65 ¹	\$24.43 ³	\$26.21	\$29.42	\$33.86	\$38.26	\$38.26	\$38.41 ⁹	\$38.41	\$0.00
Puente Hills MRF	22.65 ¹	24.43 ³	26.21	29.42	33.86	38.26	42.14 ⁸	42.44 ⁹	42.44	45.75 ¹¹
South Gate Transfer Station	34.77 ¹	36.55 ³	38.33	41.54	45.98	50.38	50.38	50.68 ⁹	51.91 ¹⁰	51.91
DART Facility	38.54 ¹	40.32 ³	42.10	45.31	49.75	54.15	54.15	54.45 ⁹	54.45	47.14 ¹¹
Scholl Canyon Landfill (2033)	33.77 ¹	33.77	36.93	40.07	44.83	48.99	48.99	49.18 ⁹	49.18	49.18
Calabasas Landfill (2041)	28.57 ²	31.17 ³	33.38	36.42	38.88	40.82	40.82	40.82	40.82	40.82

(1) Rates effective January 1, 2005.

(2) Rate effective April 1, 2005.

(3) Rates effective January 1, 2006.

(4) Rates effective January 1, 2007.

(5) Rates effective January 1, 2008.

(6) Rates effective January 1, 2009 (Scholl Canyon Landfill January 9, 2009).

(7) Rates effective January 1, 2010 (Scholl Canyon Landfill February 12, 2010).

(8) Rate effective January 1, 2011.

(9) Rate effective January 1, 2012.

(10) Rate effective February 1, 2013.

(11) Rates effective November 1, 2013.

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

District	Unit Rate	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
JO ¹	(a) Dollars/Million Gallons (Volume)	\$ 478.00	\$ 509.00	\$ 540.00	\$ 571.00	\$ 619.00	\$ 619.00	\$ 746.00	\$ 755.00	\$ 764.00	\$ 773.00
	(b) Dollars/1,000 lbs. of Chemical Oxygen Demand (COD)	84.50	90.00	95.50	101.00	109.40	109.40	131.90	133.50	135.10	136.70
	(c) Dollars/1,000 lbs. of Suspended Solids (SS)	238.90	254.40	269.90	285.40	309.20	309.20	372.70	377.40	382.10	386.70
	(d) Dollars per Gallon per Minute of Peak Flow (P)	63.50	67.60	71.70	75.80	82.10	82.10	98.90	100.10	101.30	102.50
	Flat Rate Charge in Dollars/Million Gallons	2,026.00	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
	Sanitary Flow Charge per Employee	0.021	0.021	0.022	0.025	0.027	0.027	0.032	0.033	0.033	0.033
	Hospital (Acute) Dollars/Bed	159.80	170.17	180.55	190.92	206.90	206.90	249.30	252.40	255.40	258.40
	Hospital (Intermediate) Dollars/Bed	51.20	54.55	57.87	61.20	66.30	66.30	79.90	80.90	81.90	82.90
	4	(a) Dollars/Million Gallons (Volume)	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
(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
14		(a) Dollars/Million Gallons (Volume)	649.00	855.00	1,060.00	1,391.00	1,722.00	1,722.00	2,384.00	2,384.00	2,967.00
	(b) Dollars/1,000 lbs. of Chemical Oxygen Demand (COD)	73.00	96.10	119.20	156.50	193.80	193.80	268.40	268.40	334.00	351.90
	(c) Dollars/1,000 lbs. of Suspended Solids (SS)	176.40	232.20	288.00	378.00	468.00	468.00	648.00	648.00	806.40	849.60
	(d) Dollars per Gallon per Minute of Peak Flow (P)	124.80	164.40	203.80	267.50	331.20	331.20	458.60	458.60	570.70	601.30
	Flat Rate Charge in Dollars/Million Gallons	1,444.00	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
	Sanitary Flow Charge per Employee	0.020	0.027	0.033	0.044	0.054	0.054	0.075	0.075	0.093	0.098
	Hospital (Acute) Dollars/Bed	184.60	243.11	301.44	395.65	489.86	489.86	678.30	678.30	844.10	889.30
	Hospital (Intermediate) Dollars/Bed	56.35	74.21	92.02	120.77	149.53	149.53	207.00	207.00	257.70	271.50
	20	(a) Dollars/Million Gallons (Volume)	461.00	598.00	735.00	986.00	1,237.00	1,237.00	1,739.00	1,958.00	2,177.00
(b) Dollars/1,000 lbs. of Chemical Oxygen Demand (COD)		102.80	133.40	163.90	219.90	275.90	275.90	387.90	436.80	485.60	534.50
(c) Dollars/1,000 lbs. of Suspended Solids (SS)		206.60	267.90	329.30	441.80	554.30	554.30	779.30	877.50	975.70	1,073.80
(d) Dollars per Gallon per Minute of Peak Flow (P)		98.40	127.40	156.70	210.20	263.70	263.70	370.70	417.40	464.10	510.80
Flat Rate Charge in Dollars/Million Gallons		1,467.00	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
Sanitary Flow Charge per Employee		0.021	0.027	0.033	0.044	0.055	0.055	0.077	0.087	0.097	0.107
Hospital (Acute) Dollars/Bed		175.66	227.79	279.99	375.62	471.26	471.26	662.50	746.00	829.40	912.90
Hospital (Intermediate) Dollars/Bed		54.13	70.19	86.27	115.75	145.21	145.21	204.10	229.90	255.60	281.30
SCV ²		(a) Dollars/Million Gallons (Volume)	461.00	469.00	542.00	615.00	688.00	688.00	765.00	861.00	903.00
	(b) Dollars/1,000 lbs. of Chemical Oxygen Demand (COD)	102.80	106.80	123.40	140.10	156.70	156.70	174.20	196.10	205.70	215.30
	(c) Dollars/1,000 lbs. of Suspended Solids (SS)	256.20	264.10	305.20	346.40	385.50	385.50	428.60	482.40	506.10	529.80
	(d) Dollars per Gallon per Minute of Peak Flow (P)	64.10	66.30	76.60	87.00	97.30	97.30	108.20	121.80	127.80	133.80
	Flat Rate Charge in Dollars/Million Gallons	1,556.00	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
	Sanitary Flow Charge per Employee	0.022	0.023	0.026	0.030	0.033	0.033	0.037	0.042	0.044	0.046
	Hospital (Acute) Dollars/Bed	171.20	176.31	203.74	231.27	258.41	258.41	287.29	323.40	339.20	355.20
	Hospital (Intermediate) Dollars/Bed	54.58	56.21	64.94	73.71	82.31	82.31	91.50	103.00	108.00	113.10

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

Solid Waste Management Facilities Revenue			Wastewater Treatment Facilities Revenue - just need total		
Customer	Amount	%	Customer	Amount	%
Athens Disposal	\$ 14,499,042	16.51%	Exxon Mobil Oil Corp.	\$ 4,121,723	7.10%
County Sanitation Districts	5,164,890	5.88%	Tesoro Refining - Carson	3,676,002	6.33%
NASA Disposal Service, Inc.	4,777,873	5.44%	Demenno Kerdoon	2,226,975	3.83%
City of Glendale	3,938,720	4.49%	Tesoro Refining - Wilmington	2,005,691	3.45%
Metro Waste/Calmet Services	3,878,035	4.42%	Phillips 66 Company	1,574,740	2.71%
United Pacific Waste	3,533,193	4.02%	California State Prison	1,366,195	2.35%
Key Disposal	2,724,051	3.10%	MillerCoors LLC	1,235,160	2.13%
City of Pasadena	2,392,958	2.73%	Clougherty Packing	1,151,976	1.98%
Burrtec Waste Services	1,941,128	2.21%	Oil Operators	1,148,433	1.98%
Universal Waste Systems	1,794,077	2.04%	Alta-Dena Certified Dairy	1,037,391	1.79%
Subtotal (10 largest)	44,643,967	50.85%	Subtotal (10 largest)	19,544,286	33.64%
Balance from other customers	43,153,954	49.15%	Balance from other customers	38,548,088	66.36%
Grand total	\$ 87,797,921	100.00%	Grand total	\$ 58,092,374	100.00%

Fiscal Year 2005

Solid Waste Management Facilities Revenue			Wastewater Treatment Facilities Revenue		
Customer	Amount	%	Customer	Amount	%
United Waste Recycling	\$ 9,167,980	6.56%	Miller Brewing	\$ 2,761,784	5.68%
Calmet/Calsan	9,084,471	6.50%	Exxon Mobil Oil Corp.	2,360,980	4.86%
Waste Management	8,427,499	6.03%	BP West Coast Products	1,772,963	3.65%
Grand Central Recycling & Transfer	5,242,148	3.75%	Smurfit Newsprint Corporation of California	1,738,783	3.58%
Athens Disposal	4,481,321	3.21%	Shell Oil	1,659,687	3.42%
Allied Industries/BFI Waste Systems	2,932,585	2.10%	Conoco Phillips Co.	1,312,792	2.70%
City of Glendale	2,854,849	2.04%	Smurfit-Stone Container	1,265,703	2.60%
Metropolitan Waste Industries	2,715,322	1.94%	Clougherty Packing	1,169,440	2.41%
Key Disposal	2,660,585	1.90%	Yoplait/Colombo - A Division of General Mills	664,445	1.37%
Crown Disposal	2,310,732	1.65%	Baker Commodities	656,917	1.35%
Subtotal (10 largest)	49,877,492	35.70%	Subtotal (10 largest)	15,363,494	31.61%
Balance from other customers	89,846,736	64.30%	Balance from other customers	33,234,460	68.39%
Grand total	\$ 139,724,228	100.00%	Grand total	\$ 48,597,954	100.00%

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⁾		As a Share of Personal Income
							Amount	Per Capita	
2005	\$ 85	\$ 0.01	0.00%	\$ 445,070	\$ -	\$ 355,942	\$ 801,097	\$ 78.34	0.23%
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	91.95	0.20%

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUE SOURCES⁽¹⁾										
Ad Valorem Tax	\$ 8,584	\$ 14,456	\$ 49,116	\$ 54,012	\$ 59,328	\$ 60,493	\$ 53,197	\$ 54,770	\$ 68,435	\$ 55,210
CIF ⁽²⁾	18,841	8,380	7,428	11,101	13,483	14,889	15,734	15,667	14,996	12,664
Service Charge	162,772	177,177	194,902	217,996	237,218	268,268	297,494	295,831	318,034	312,889
Industrial Waste	48,598	49,702	51,926	49,860	49,394	54,305	59,508	57,861	56,998	58,091
Contract	15,211	16,982	17,030	17,933	16,822	17,925	43,569	23,982	24,615	23,367
Interest	40,626	50,492	52,181	64,064	39,919	21,170	17,608	11,512	7,679	7,513
Rate Stabilization Fund ⁽³⁾	8,818	27,597	1,665	9,995	7,742	8,822	-	-	1,488	14,161
Miscellaneous	3,887	3,708	3,795	3,176	3,305	3,906	3,642	3,390	3,486	4,345
Total	307,337	348,494	378,043	428,137	427,211	449,778	490,752	463,013	495,731	488,240
EXPENSES⁽⁴⁾										
Total O&M	222,762	261,788	254,501	282,903	286,517	270,723	275,663	284,926	287,411	303,506
Rate Stabilization Fund ⁽⁵⁾	14,160	6,359	36,388	33,901	19,947	36,735	68,630	31,839	56,593	12,921
Total	236,922	268,147	290,889	316,804	306,464	307,458	344,293	316,765	344,004	316,427
NET REVENUES	70,415	80,347	87,154	111,333	120,747	142,320	146,459	146,248	151,727	171,813
DEBT SERVICE										
State Loans	24,634	24,853	25,230	27,569	30,530	30,669	30,843	31,660	36,633	36,535
Installment Payments	34,307	39,144	44,531	50,583	51,226	51,212	53,557	53,075	52,826	52,793
Total Debt Service	58,941	63,997	69,761	78,152	81,756	81,881	84,400	84,735	89,459	89,328
COVERAGE	1.2	1.3	1.2	1.4	1.5	1.7	1.7	1.7	1.7	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

July 1	Districts' Population (millions)	L.A. County Population (millions)	Personal Income (millions of dollars)	Per Capita Personal Income (thousands of dollars)	Unemployment Rate	
					County	State
2005	5.617	10.226	\$ 349,868	\$ 34.21	5.3%	5.4%
2006	5.625	10.246	370,860	36.20	4.7%	4.9%
2007	5.660	10.332	379,824	36.76	4.9%	5.3%
2008	5.694	10.364	411,000	39.66	7.2%	7.0%
2009	5.716	10.393	392,000	37.72	11.7%	11.5%
2010	5.733	10.441	405,000	38.79	12.4%	12.3%
2011	5.445	9.858	420,900	42.70	12.5%	11.9%
2012	5.452	9.912	435,300	43.92	11.1%	10.6%
2013	5.490	10.019	451,100	45.02	10.3%	9.0%
2014	5.532	10.090	471,400	46.72	8.2%	7.4%

Source: Schedule 17; California Statistical Abstract - California Department of Finance; California Employment Development Department; Bureau of Economic Analysis; and Los Angeles Almanac.

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, 2014

CITY	POPULATION	CITY	POPULATION
Alhambra	84,697	Lomita	20,630
Arcadia	57,440	Long Beach	469,953
Artesia	16,769	Los Angeles	141,132
Azusa	48,259	Lynwood	70,980
Baldwin Park	76,715	Manhattan Beach	35,619
Bell	35,972	Maywood	27,758
Bell Gardens	42,667	Monrovia	37,155
Bellflower	77,741	Montebello	63,527
Beverly Hills	651	Monterey Park	61,777
Bradbury	475	Norwalk	106,260
Carson	92,636	Palmdale	152,798
Cerritos	49,741	Palos Verdes Estates	13,665
Claremont	35,624	Paramount	55,051
Commerce	13,003	Pasadena	140,861
Compton	98,082	Pico Rivera	63,873
Covina	48,387	Pomona	150,093
Cudahy	24,142	Rancho Palos Verdes	42,358
Culver City	0	Redondo Beach	67,717
Diamond Bar	55,963	Rolling Hills	1,895
Downey	113,363	Rolling Hills Estates	8,184
Duarte	21,334	Rosemead	54,762
El Monte	115,064	San Dimas	33,845
Gardena	60,082	San Gabriel	40,313
Glendora	50,531	San Marino	13,341
Hawaiian Gardens	14,456	Santa Clarita	203,944
Hawthorne	86,644	Santa Fe Springs	17,349
Hermosa Beach	19,750	Sierra Madre	11,088
Huntington Park	59,033	Signal Hill	11,411
Industry	438	South El Monte	20,426
Inglewood	111,795	South Gate	96,057
Irwindale	1,466	South Pasadena	26,011
La Canada-Flintridge	18,952	Temple City	36,134
La Habra Heights	363	Torrance	147,706
La Mirada	49,178	Vernon	122
La Puente	40,045	Walnut	30,109
La Verne	32,082	West Covina	107,312
Lakewood	81,221	West Hollywood	35,072
Lancaster	157,095	Whittier	86,538
Lawndale	33,228		
		77 Cities Subtotal	4,627,910
		Unincorporated	904,340
		TOTAL	<u>5,532,250</u>

Source: State of California, Department of Finance, E-1 Population Estimates for Cities, Counties, and the State, with Annual Percent Change -- January 1, 2013 and 2014. Sacramento, California, May 2014, and GIS analysis using L.A. County Assessor GIS parcel data (2013), L.A. County Regional Planning's 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>
2005	4,024.3	\$ 130.7	\$ 291.6	N/A	25,647	\$ 3,824
2006	4,093.1	136.2	326.4	37.4	26,348	3,896
2007	4,122.9	137.8	347.3	35.7	20,363	4,739
2008	4,069.6	131.9	355.8	36.5	13,704	4,491
2009	3,823.3	112.7	282.9	34.4	5,653	2,674
2010	3,773.3	116.9	346.8	38.5	7,468	2,677
2011	3,798.5	126.4	386.7	40.4	10,403	2,965
2012	3,864.3	136.0	403.5	41.4	13,100	3,683
2013	3,925.9	143.2	414.5	42.2	15,700	4,028
2014	N/A	N/A	N/A	N/A	N/A	N/A

Source: Los Angeles County Economic Development Corp.

*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, 2014			June 30, 2005		
	Number of Employees	Percentage of Total	Rank	Number of Employees	Percentage of Total	Rank
Trade, Transportation, and Utilities	789,200	17.29%	1	786,100	17.53%	1
Educational and Health Services	734,000	16.08%	2	562,500	12.55%	4
Professional and Business Services	613,400	13.44%	3	573,800	12.80%	3
Government	559,800	12.26%	4	591,800	13.20%	2
Leisure and Hospitality	454,100	9.95%	5	382,900	8.54%	6
Manufacturing	353,300	7.74%	6	475,300	10.60%	5
Financial Activities	213,100	4.67%	7	241,900	5.40%	7
Information Services	205,600	4.50%	8	203,900	4.55%	8
Other Services	149,300	3.27%	9	146,400	3.27%	10
Construction	126,600	2.77%	10	149,700	3.34%	9
Ten largest industries	4,198,400	91.97%		4,114,300	91.77%	
All other industries	366,600	8.03%		369,200	8.23%	
Total civilian employment	4,565,000	100.00%		4,483,500	100.00%	

Professional and Business Services

Source: 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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013 ¹	2014
Solid Waste Management:										
Solid Waste Management	4	3	4	4	2	2	2	2	3	2
Waste-By-Rail	9	10	12	11	10	9	9	7	6	0
Solid Waste Operations	324	334	332	344	299	277	240	215	205	209
Energy Recovery Operations	90	91	93	120	159	153	150	137	114	116
Solid Waste Planning	5	4	2	0	0	0	0	0	0	0
Solid Waste Monitoring & Research	15	14	14	14	0	0	0	0	0	0
Energy Recovery Facilities Engineering	4	5	7	7	0	0	0	0	0	0
Wastewater Management:										
Wastewater Management	4	4	2	7	9	8	7	7	3	3
Industrial Waste	85	84	76	74	76	70	71	70	67	66
Joint Water Pollution Control Plant	372	377	369	326	328	321	307	310	302	297
Wastewater Collection System	115	116	117	121	133	132	130	125	124	130
Water Reclamation Plants	164	164	156	204	208	205	220	219	219	224
Electrical/Instrumentation Engineering Support	0	0	0	0	0	0	0	0	4	6
Engineering:										
Engineering	6	6	4	3	5	5	6	6	6	6
Field Engineering	76	75	74	70	82	78	78	73	66	61
Wastewater & Solid Waste Design	0	0	0	0	0	0	0	61	34	29
Structural Design	21	21	24	23	21	19	19	17	17	16
Electrical & Instrumentation Design	0	0	0	0	0	0	0	0	20	20
Mechanical & Civil Design	0	0	0	0	0	0	0	0	14	12
Sewer Design	0	0	0	0	0	0	0	0	23	24
Engineering Design	59	62	64	58	56	54	46	15	0	0
Electrical Design	21	24	23	20	22	22	21	22	0	0
Wastewater Design	28	26	29	28	25	24	23	0	0	0
Solid Waste Design	0	0	0	12	11	11	9	0	0	0
Technical Services:										
Technical Services	5	6	7	4	5	5	5	5	5	14
Air Quality Engineering	12	11	13	13	13	12	12	12	9	9
Laboratory	146	160	154	166	181	175	173	175	167	163
Monitoring	33	33	32	44	49	45	29	28	25	26
Wastewater Research	14	14	21	26	26	26	25	24	11	11
Water Quality	25	26	27	22	20	19	34	31	26	27
Public Information	11	11	10	12	12	10	10	10	10	0
Research	0	0	0	0	0	0	0	0	11	11
JWPCP Research	7	7	0	0	0	0	0	0	0	0
Administration:										
Financial Management & Facilities Planning	186	195	202	217	223	217	219	214	199	202
Human Resources	35	34	36	38	39	38	33	31	31	22
Total Employees:	1,876	1,917	1,904	1,988	2,014	1,937	1,878	1,816	1,721	1,706

(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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sewerage Operations										
Miles of trunk lines (approximately)	1,320	1,380	1,386	1,360	1,360	1,395	1,407	1,408	1,410	1,410
Number of pump stations	53	53	54	53	53	52	52	52	49	49
Number of treatment facilities	11	11	11	11	11	11	11	11	11	11
Amount of reclaimed water used (MGD) (1)	61	74	84	76	70	87	75	85	93	91
Number of reuse sites	500	516	531	539	571	624	650	703	720	757
Wastewater discharge inspections conducted	15,185	14,665	14,496	9,880	10,609	10,107	9,255	9,836	10,633	11,070
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	3.94	3.85	3.84	3.53	2.79	2.34	1.66	1.80	2.19	0.74
Puente Hills MRF (3)	0.00	0.08	0.10	0.09	0.10	0.12	0.07	0.02	0.04	0.55
South Gate Transfer Station	0.13	0.14	0.12	0.13	0.14	0.12	0.11	0.10	0.11	0.11
DART Facility	0.38	0.34	0.28	0.27	0.21	0.16	0.16	0.13	0.08	0.13
Scholl Canyon Landfill	0.44	0.45	0.42	0.37	0.29	0.25	0.23	0.23	0.21	0.23
Calabasas Landfill	0.55	0.55	0.48	0.44	0.30	0.27	0.26	0.21	0.19	0.24
Total	5.44	5.41	5.24	4.83	3.83	3.26	2.49	2.49	2.82	2.00
Cumulative solid waste disposal tonnages (2)										
Puente Hills Landfill	101.30	105.15	108.99	112.52	115.31	117.65	119.31	121.11	123.30	124.04
Puente Hills MRF (3)	0.00	0.08	0.18	0.27	0.37	0.49	0.56	0.58	0.62	1.17
South Gate Transfer Station	4.89	5.03	5.15	5.28	5.42	5.54	5.65	5.75	5.86	5.97
DART Facility	1.73	2.07	2.35	2.62	2.83	2.99	3.15	3.28	3.36	3.49
Scholl Canyon Landfill	26.21	26.66	27.08	27.45	27.74	27.99	28.22	28.45	28.66	28.89
Calabasas Landfill	21.36	21.91	22.39	22.83	23.13	23.40	23.66	23.87	24.06	24.30
Percentage of total County solid waste disposed of at Districts' landfills										
	40%	40%	40%	40%	35%	31%	31%	33%	37%	24%
Household hazardous waste/electronic waste (HHW/EW) collections - number of households accommodated										
	71,580	64,380	77,574	66,479	62,792	60,726	57,677	57,891	52,850	50,056
Cost to conduct HHW/EW collections (millions)										
	\$4.5	\$4.0	\$5.0	\$4.3	\$4.2	\$4.0	\$3.8	\$3.9	\$3.6	\$3.7

(1) Millions of gallons per day.

(2) Millions of tons per year.

(3) Began commercial operations in July 2005.

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COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure
June 30, 2014

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, 2014.
- 4) The principal amount of bonds outstanding as of December 31, 2014 and as of December 31, 2013.
- 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, 2014.
- 6) The amount of each Senior Obligation and Subordinate Obligation for each District outstanding as of December 31, 2014.
- 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 88));
- f. Fund Balances on June 30, 2014;
- g. Outstanding Obligations;
- h. Districts' Historical Operating Data

REPORTING OF SIGNIFICANT EVENTS

In July 2013, the Districts' Financing Authority issued \$107.6 million in Senior Ad Valorem Revenue Bonds. The purpose of these bonds was 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%.

During fiscal year 2013-2014, Standard & Poor's Ratings Services raised their rating on the 2005 Series B District 14 Subordinate Revenue Bonds to AA-. During fiscal year 2013-2014, Standard & Poor's Ratings Services raised their financial strength, financial enhancement and issuer credit ratings on National Public Finance (National) to AA-. National insures the 2005 Series A District 20 Subordinate Revenue Bonds.

SECTION 1-The Financing Authority's audited financial statements

Statement of Net Position June 30, 2014

Assets	
Cash and investments with Trustee, restricted as to use	
Cash and cash equivalents	\$ 255,030
Investments	10,427,130
Payments receivable from Participating Districts	573,953,247
Total assets	584,635,407
Deferred Outflow of Resources	
Deferred loss on refunding, net of accumulated amortization of \$4,362,739	17,284,581
Liabilities	
Current liabilities, payable from restricted assets:	
Interest payable	6,302,762
Current portion of bonds payable	29,264,400
Total current liabilities, payable from restricted assets	35,567,162
Long-term liabilities:	
Premium on issue, net of accumulated amortization of \$52,967,079	25,068,064
Due to Participating Districts	20,236,969
Revenue bonds payable	519,620,783
Total liabilities	600,492,978
Net Position	
Restricted for:	
Debt services	4,379,395
Unrestricted	(2,952,385)
Total net position	\$ 1,427,010

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

Statement of Revenues, Expenses, and Changes in Net Position Fiscal year ended June 30, 2014

Operating revenues-payments from Participating Districts	\$	24,462,945
Nonoperating revenues (expenses):		
Interest revenue		57,753
Interest expense		(23,590,490)
Drawdown expense		(45,362,792)
Bond issuance expense		(457,550)
Unrealized gain on investments		123,480
Amortization of deferred loss on refunding		(1,946,992)
Amortization of bond premium		5,684,468
Net nonoperating expenses		<u>(65,492,123)</u>
Change in net position		(41,029,178)
Total net position, July 1, 2013, as previously reported		47,255,892
Prior period adjustments		<u>(4,799,704)</u>
Total net position, July 1, 2013, as restated		42,456,188
Net position, end of year	\$	<u>1,427,010</u>

Statement of Cash Flows Fiscal year ended June 30, 2014

Cash flows from operating activities:		
Receipts from Participating Districts	\$	<u>24,462,945</u>
Cash flows from capital and related financing activities:		
Receipts from Participating Districts		180,389,400
Proceeds from bond sales		107,620,000
Premium proceeds from bond sales		9,840,063
Bond issuance costs		(457,556)
Bond defeasement		(154,293,250)
Construction drawdowns provided to Participating Districts		(1,163)
Principal payments on bonds		(180,389,400)
Interest paid on bonds		<u>(24,487,968)</u>
Net cash used by capital and related financing activities		<u>(61,779,874)</u>
Cash flows from investing activities:		
Interest received on investments		<u>57,764</u>
Net cash provided by investing activities		<u>57,764</u>
Net increase in cash and cash equivalents, restricted as to use		(37,259,165)
Cash and cash equivalents, beginning of fiscal year, restricted as to use		37,514,195
Cash and cash equivalents, end of fiscal year, restricted as to use	\$	<u>255,030</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	24,462,845
Net cash provided by operating activities	\$	<u>24,462,945</u>
Supplemental disclosure of noncash items:		
Amortization of premium on revenue bonds payable and deferred loss on refunding of (\$52,967,079) and (4,362,739), 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, 2014, the Reserve Fund for the 2007A District 20 Revenue Bonds had a balance of \$10,719,193 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, 2014, the total principal amount of bonds outstanding was \$519,620,783.00 and as of December 31, 2013, the total principal amount of bonds outstanding was \$537,650,000.00.

SECTION 5-Additional Obligations

During the calendar year ended December 31, 2014, the Districts incurred the following additional obligations in the form of State Water Resources Control Board Loans.

<u>District</u>		<u>Total Additional Obligation</u>
1	\$	438,007
2		650,839
3		504,671
5		755,526
8		265,669
15		543,188
16		291,840
17		38,023
18		357,023
19		99,255
21		426,650
22		358,011
23		48,887
28		12,345
29		14,814
SBC		133,328
SCV		283,688
		<u>5,221,764</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, 2014

	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	\$ 8,467,743	13,073,411	9,930,494	21,370,052	5,164,011	13,373,167
2013 Series A Revenue Bonds	4,071,625	6,286,221	4,774,973	10,275,555	2,483,061	6,430,347
Total Senior A.V. Obligation	<u>12,539,368</u>	<u>19,359,632</u>	<u>14,705,467</u>	<u>31,645,607</u>	<u>7,647,072</u>	<u>19,803,514</u>
Senior Revenue Obligations						
JWPCP Digestion Tanks 13-16	118,823	176,559	136,907	204,959	72,071	147,356
Primary Sedimentation Tank Covers	149,768	222,541	172,562	258,337	90,840	185,732
Secondary Effluent Pump Station	49,956	74,230	57,559	86,170	30,300	61,952
Biological Reactors/Secondary Clarifiers	4,163,241	6,186,191	4,796,880	7,181,239	2,525,168	5,162,982
Cryogenic Oxygen Generation	852,435	1,266,639	982,174	1,470,378	517,035	1,057,134
Power Generation Equipment Purchase	462,833	687,726	533,275	798,347	280,726	573,975
Waste Activated Sludge Thickening Expansion	167,285	248,571	192,746	288,553	101,465	207,457
Relocating and Installing High-Speed Centrifuge	84,183	125,088	96,996	145,209	51,060	104,398
Installation of Secondary Influent Pumping Equip	189,944	282,238	218,853	327,636	115,208	235,556
Fuel Gas Compressor Upgrade	29,388	43,668	33,861	50,692	17,825	36,445
Modifications of Electrical Power	162,606	241,617	187,354	280,482	98,627	201,653
Primary Screenings and Grit Dewatering Fac.	467,941	695,317	539,161	807,159	283,825	580,311
Environmental Laboratory Building	384,675	571,591	443,221	663,531	233,320	477,049
JWPCP Digestion Tanks 17-23	2,122,373	3,153,650	2,445,395	3,660,914	1,287,302	2,632,030
Modification of Biological Reactors	1,794,163	2,665,961	2,067,232	3,094,780	1,088,230	2,225,005
High-Speed Scroll Centrifuges Purch & Install	206,046	306,165	237,406	355,412	124,975	255,525
Secondary Infl Pump Station Equipment	485,845	721,920	559,789	838,041	294,684	602,513
Silo Odor Control Facilities, Phase I	277,312	412,060	319,518	478,340	168,200	343,904
Silo Odor Control Facilities, Phase II	174,316	259,017	200,846	300,680	105,729	216,175
La Canada Trunk Sewer	-	-	-	-	-	-
La Canada Foothill Main Trunk Sewer	-	-	-	-	-	-
Total Senior Revenue Obligations	<u>12,343,133</u>	<u>18,340,749</u>	<u>14,221,735</u>	<u>21,290,859</u>	<u>7,486,590</u>	<u>15,307,152</u>
Subordinate Revenue Obligations						
Install of Secondary Infl Pumping Equip Stg II	79,156	117,619	91,204	136,538	48,011	98,165
Central Odor Control System	560,149	832,329	645,402	966,209	339,752	694,660
Heat Recovery Steam Generation Equipment	230,929	343,139	266,076	398,333	140,067	286,383
Power Generation Steam Turbine Generator	172,073	255,685	198,263	296,812	104,369	213,394
Pomona WRP NDN Facilities	273,393	406,236	315,002	471,579	165,823	339,044
Pomona WRP NDN Facilities Equip. Purch.	10,124	15,043	11,665	17,463	6,140	12,555
Los Coyotes WRP NDN Facilities	1,088,985	1,618,132	1,254,727	1,878,408	660,512	1,350,489
Los Coyotes WRP Ammonia Addition Station	60,301	89,602	69,479	104,015	36,575	74,782
Long Beach WRP NDN Facilities	273,958	407,076	315,654	472,554	166,166	339,745
Long Beach WRP Ammonia Addition Station	41,621	61,845	47,956	71,793	25,245	51,616
Long Beach WRP NDN Facilities Equipment	26,848	39,894	30,934	46,311	16,284	33,295
Long Beach WRP Aeration System	18,386	27,320	21,185	31,715	11,152	22,802
Long Beach Pumping Plant Upgrades*	1,058,441	1,572,745	1,219,534	1,825,721	641,985	1,312,610
Whittier Narrows WRP NDN Facilities	287,421	427,082	331,166	495,778	174,332	356,441
San Jose Creek WRP NDN Facilities	509,604	757,225	587,165	879,024	309,095	631,978
San Jose Creek WRP NDN Fac. Equipment	74,951	111,371	86,359	129,285	45,461	92,950
Los Coyotes WRP Interceptor Sewer Rehab Phase II	974,215	1,447,593	1,122,489	1,680,438	590,899	1,208,158
Wright Road Truck Sewer Repair	561,609	-	-	-	-	-
District 5 Interceptor Section 2A Rehab*	124,177	184,516	143,077	214,195	75,318	153,996
Alamitos PP Force Main No. 2	-	-	-	-	-	-
Total Subordinate Revenue Obligations	<u>6,426,341</u>	<u>8,714,452</u>	<u>6,757,337</u>	<u>10,116,171</u>	<u>3,557,186</u>	<u>7,273,063</u>
Total Obligations	<u>\$ 31,308,842</u>	<u>46,414,833</u>	<u>35,684,539</u>	<u>63,052,637</u>	<u>18,690,848</u>	<u>42,383,729</u>

*Funds have been received as of December 31, 2014, 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	\$ 8,333,947	1,066,508	7,309,893	2,356,868	7,883,672	6,822,309
2013 Series A Revenue Bonds	4,007,291	512,820	3,514,885	1,133,275	3,790,781	3,280,437
Total Senior A.V. Obligation	<u>12,341,238</u>	<u>1,579,328</u>	<u>10,824,778</u>	<u>3,490,143</u>	<u>11,674,453</u>	<u>10,102,746</u>
Senior Revenue Obligations						
JWPCP Digestion Tanks 13-16	79,170	10,315	96,853	26,926	115,742	97,121
Primary Sedimentation Tank Covers	99,789	13,001	122,077	33,938	145,884	122,414
Secondary Effluent Pump Station	33,285	4,337	40,719	11,320	48,660	40,832
Biological Reactors/Secondary Clarifiers	2,773,929	361,409	3,393,487	943,418	4,055,288	3,402,875
Cryogenic Oxygen Generation	567,969	73,999	694,826	193,167	830,331	696,748
Power Generation Equipment Purchase	308,381	40,178	377,258	104,881	450,831	378,302
Waste Activated Sludge Thickening Expansion	111,461	14,522	136,356	37,908	162,948	136,733
Relocating and Installing High-Speed Centrifuge	56,090	7,308	68,618	19,076	82,000	68,808
Installation of Secondary Influent Pumping Equip	126,558	16,489	154,824	43,042	185,018	155,253
Fuel Gas Compressor Upgrade	19,581	2,551	23,954	6,660	28,626	24,021
Modifications of Electrical Power	108,343	14,116	132,541	36,848	158,390	132,908
Primary Screenings and Grit Dewatering Fac.	311,785	40,622	381,422	106,039	455,808	382,477
Environmental Laboratory Building	256,305	33,393	313,551	87,170	374,700	314,418
JWPCP Digestion Tanks 17-23	1,414,118	184,242	1,729,962	480,944	2,067,340	1,734,747
Modification of Biological Reactors	1,195,435	155,750	1,462,435	406,569	1,747,641	1,466,481
High-Speed Scroll Centrifuges Purch & Install	137,286	17,887	167,949	46,691	200,703	168,414
Secondary Infl Pump Station Equipment	323,714	42,176	396,015	110,096	473,247	397,111
Silo Odor Control Facilities, Phase I	184,770	24,073	226,039	62,841	270,121	226,664
Silo Odor Control Facilities, Phase II	116,145	15,132	142,086	39,501	169,796	142,479
La Canada Trunk Sewer	-	-	-	-	-	-
La Canada Foothill Main Trunk Sewer	-	-	-	-	-	-
Total Senior Revenue Obligations	<u>8,224,114</u>	<u>1,071,500</u>	<u>10,060,972</u>	<u>2,797,035</u>	<u>12,023,074</u>	<u>10,088,806</u>
Subordinate Revenue Obligations						
Install of Secondary Infl Pumping Equip Stg II	52,741	6,872	64,521	17,937	77,104	64,699
Central Odor Control System	373,222	48,626	456,581	126,933	545,624	457,844
Heat Recovery Steam Generation Equipment	153,866	20,047	188,232	52,330	224,941	188,753
Power Generation Steam Turbine Generator	114,651	14,938	140,258	38,993	167,612	140,646
Pomona WRP NDN Facilities	182,159	23,733	222,844	61,953	266,303	223,461
Pomona WRP NDN Facilities Equip. Purch.	6,745	879	8,252	2,294	9,861	8,275
Los Coyotes WRP NDN Facilities	725,581	94,534	887,640	246,771	1,060,748	890,095
Los Coyotes WRP Ammonia Addition Station	40,178	5,235	49,152	13,665	58,738	49,288
Long Beach WRP NDN Facilities	182,536	23,782	223,305	62,081	266,854	223,923
Long Beach WRP Ammonia Addition Station	27,732	3,613	33,926	9,432	40,542	34,020
Long Beach WRP NDN Facilities Equipment	17,889	2,331	21,884	6,084	26,152	21,945
Long Beach WRP Aeration System	12,251	1,596	14,987	4,166	17,910	15,028
Long Beach Pumping Plant Upgrades*	705,229	91,883	862,742	239,850	1,030,995	865,129
Whittier Narrows WRP NDN Facilities	191,506	24,951	234,279	65,132	279,968	234,927
San Jose Creek WRP NDN Facilities	339,545	44,238	415,382	115,480	496,390	416,531
San Jose Creek WRP NDN Fac. Equipment	49,939	6,506	61,093	16,984	73,008	61,262
Los Coyotes WRP Interceptor Sewer Rehab Phase II	649,110	84,571	794,089	220,763	948,953	796,286
Wright Road Truck Sewer Repair	-	-	-	-	-	-
District 5 Interceptor Section 2A Rehab*	82,738	10,780	101,218	28,139	120,957	101,498
Alamitos PP Force Main No. 2	-	-	-	-	-	-
Total Subordinate Revenue Obligations	<u>3,907,618</u>	<u>509,115</u>	<u>4,780,385</u>	<u>1,328,987</u>	<u>5,712,660</u>	<u>4,793,610</u>
Total Obligations	<u>\$ 24,472,970</u>	<u>3,159,943</u>	<u>25,666,135</u>	<u>7,616,165</u>	<u>29,410,187</u>	<u>24,985,162</u>

*Funds have been received as of December 31, 2014, 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	\$ 1,440,880	376,945	118,358	3,644,655
2013 Series A Revenue Bonds	692,832	181,250	56,911	1,752,494
Total Senior A.V. Obligation	<u>2,133,712</u>	<u>558,195</u>	<u>175,269</u>	<u>5,397,149</u>
Senior Revenue Obligations				
JWPCP Digestion Tanks 13-16	13,262	3,349	4,019	36,169
Primary Sedimentation Tank Covers	16,716	4,221	5,065	45,589
Secondary Effluent Pump Station	5,576	1,408	1,690	15,206
Biological Reactors/Secondary Clarifiers	464,668	117,341	140,809	1,267,277
Cryogenic Oxygen Generation	95,142	24,026	28,831	259,478
Power Generation Equipment Purchase	51,658	13,045	15,654	140,885
Waste Activated Sludge Thickening Expansion	18,671	4,715	5,658	50,921
Relocating and Installing High-Speed Centrifuge	9,396	2,373	2,847	25,625
Installation of Secondary Influent Pumping Equip	21,200	5,354	6,424	57,818
Fuel Gas Compressor Upgrade	3,280	828	994	8,946
Modifications of Electrical Power	18,149	4,583	5,500	49,497
Primary Screenings and Grit Dewatering Fac.	52,228	13,189	15,827	142,440
Environmental Laboratory Building	42,934	10,842	13,010	117,094
JWPCP Digestion Tanks 17-23	236,883	59,819	71,783	646,044
Modification of Biological Reactors	200,250	50,568	60,682	546,138
High-Speed Scroll Centrifuges Purch & Install	22,997	5,807	6,969	62,720
Secondary Infl Pump Station Equipment	54,226	13,693	16,432	147,890
Silo Odor Control Facilities, Phase I	30,951	7,816	9,379	84,413
Silo Odor Control Facilities, Phase II	19,456	4,913	5,896	53,061
La Canada Trunk Sewer	-	171,785	-	-
La Canada Foothill Main Trunk Sewer	-	567,835	-	-
Total Senior Revenue Obligations	<u>1,377,643</u>	<u>1,087,510</u>	<u>417,469</u>	<u>3,757,211</u>
Subordinate Revenue Obligations				
Install of Secondary Infl Pumping Equip Stg II	8,835	2,231	2,677	24,095
Central Odor Control System	62,519	15,788	18,945	170,507
Heat Recovery Steam Generation Equipment	25,775	6,509	7,810	70,294
Power Generation Steam Turbine Generator	19,205	4,850	5,820	52,379
Pomona WRP NDN Facilities	30,514	7,706	9,247	83,220
Pomona WRP NDN Facilities Equip. Purch.	1,130	285	342	3,082
Los Coyotes WRP NDN Facilities	121,544	30,693	36,832	331,484
Los Coyotes WRP Ammonia Addition Station	6,730	1,700	2,040	18,356
Long Beach WRP NDN Facilities	30,577	7,721	9,266	83,392
Long Beach WRP Ammonia Addition Station	4,645	1,173	1,408	12,669
Long Beach WRP NDN Facilities Equipment	2,997	757	908	8,172
Long Beach WRP Aeration System	2,052	518	622	5,597
Long Beach Pumping Plant Upgrades*	118,135	29,832	35,798	322,186
Whittier Narrows WRP NDN Facilities	32,080	8,101	9,721	87,490
San Jose Creek WRP NDN Facilities	56,878	14,363	17,236	155,122
San Jose Creek WRP NDN Fac. Equipment	8,365	2,112	2,535	22,815
Los Coyotes WRP Interceptor Sewer Rehab Phase II	108,734	27,458	32,950	296,548
Wright Road Truck Sewer Repair	-	-	-	-
District 5 Interceptor Section 2A Rehab*	13,860	3,500	4,200	37,799
Alamitos PP Force Main No. 2	-	-	922,371	-
Total Subordinate Revenue Obligations	<u>654,575</u>	<u>165,297</u>	<u>1,120,728</u>	<u>1,785,207</u>
Total Obligations	<u>\$ 4,165,930</u>	<u>1,811,002</u>	<u>1,713,466</u>	<u>10,939,567</u>

*Funds have been received as of December 31, 2014, 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	\$ 1,263,343	177,537	1,792,095	1,493,627	248,295	12,942,190
2013 Series A Revenue Bonds	607,465	85,367	861,710	718,194	119,390	6,223,116
Total Senior A.V. Obligation	<u>1,870,808</u>	<u>262,904</u>	<u>2,653,805</u>	<u>2,211,821</u>	<u>367,685</u>	<u>19,165,306</u>
Senior Revenue Obligations						
Valencia WRP Solids Processing Expansion	-	-	-	-	-	3,225,548
Valencia WRP Stage V Expansion-Equipment	-	-	-	-	-	564,110
Total Senior Revenue Obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,789,658</u>
Subordinate Revenue Obligations						
2005 Series A Revenue Bonds	-	-	-	20,485,000	-	-
2005 Series B Revenue Bonds	-	-	167,625,000	-	-	-
2007 Series A Revenue Bonds	-	-	-	131,170,000	-	-
Lancaster - Rosamond Outfall & TS, Phase 1	-	-	4,643,686	-	-	-
Lancaster - Rosamond Outfall & TS, Phase 2	-	-	8,068,195	-	-	-
Lancaster - Rosamond Outfall & TS, Phase 3	-	-	7,401,096	-	-	-
Valencia WRP Stage V Expansion	-	-	-	-	-	20,949,624
Saugus WRP Equipment Purchases	-	-	-	-	-	891,299
Lancaster WRP Stage V Expansion, Phase I	-	-	66,893,324	-	-	-
Palmdale WRP Stage V Expansion, Phase I	-	-	-	56,152,969	-	-
Valencia WRP Steam Boiler Upgrade*	-	-	-	-	-	283,688
Total Subordinate Revenue Obligations	<u>-</u>	<u>-</u>	<u>254,631,301</u>	<u>207,807,969</u>	<u>-</u>	<u>22,124,611</u>
Total Obligations	<u>\$ 1,870,808</u>	<u>262,904</u>	<u>257,285,106</u>	<u>210,019,790</u>	<u>367,685</u>	<u>45,079,575</u>

*Funds have been received as of December 31, 2014, however, this obligation is not yet in repayment.

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
2004-05	2,250	8,392,604	(52,811)	8,339,793	2,250	4,739,932	(2,168)	4,737,764
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

(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 2013-14**

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	230,471	18,365	1,989,135	\$293,362,754	\$47,607,485
14	56,452	13,869	2,507	1,094	73,922	33,476,010	812,372
20	35,280	9,075	289	28	44,672	21,344,373	846,234
SCV	72,015	26,018	1,121	3,574	102,728	23,999,873	5,208,043
4	10,031	15,917	129		26,077	3,733,579	409,051
9	423	676			1,099	66,393	72,726
27	494	64			558	0	254,873
TOTAL:	1,386,490	594,123	234,517	23,061	2,238,191	\$375,982,982	\$55,210,784

⁽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 2013-14 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 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
1	\$ 138	\$ 152	\$ 154	\$ 156	\$ 158
2	133	147	148	149	150
3	134	148	150	152	154
5	118	130	132	134	136
8	121	135	139	143	147
15	119	130	132	134	136
16	122	133	135	137	139
17	123	134	136	138	140
18	134	148	149	150	151
19	132	146	148	150	152
21	131	145	146	147	148
22	131	143	145	147	149
23	101	112	114	116	118
28 ³	324	335	336	337	338
28 ³	116	127	128	129	130
29	322	328	340	340	340
SBC	108	119	121	121	122
(Non-JO)^{(1),(2)}					
4	150	150	150	150	150
9	78	78	78	78	78
14	310	360	360	448	472
20	326	381	429	477	525
SCV	199	199	215	231	247

⁽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, 2014

Districts	Operating Fund		Capital Improvement
	Total Fund	Available as Rate	Fund
		Stabilization Fund	Total Fund
1	31,973,870	30,959,000	38,005,519
2	61,880,229	65,422,000	51,321,640
3	45,593,995	44,741,000	31,741,007
4	35,242,123	33,878,000	5,510,196
5	70,832,078	76,939,000	46,210,062
8	11,658,835	11,762,000	30,209,328
9	4,621,741	3,116,000	432,199
14	37,743,389	31,624,000	9,998,330
15	60,169,296	61,546,000	40,726,881
16	41,529,212	41,996,000	20,023,690
17	7,140,641	5,556,000	3,031,364
18	27,561,997	27,871,000	29,089,411
19	11,255,121	11,482,000	9,006,293
20	19,247,483	18,120,000	179,410
21	42,387,350	42,653,000	39,890,286
22	44,362,124	44,352,000	25,615,037
23	13,093,662	12,039,000	5,105,729
27	419,473	375,000	22,083
28	5,635,373	3,303,000	284,959
29	3,299,211	1,999,000	1,330,768
SBC	26,458,264	26,100,000	9,737,423
SCV	27,832,392	24,746,000	67,931,626
Total	629,937,859	620,579,000	465,403,241

AVERAGE YEARLY FLOW FROM THE PARTICIPATING DISTRICTS⁽¹⁾
 Fiscal Years 2009-2010 Through 2013-14
 (In Millions Of Gallons Per Day)

District	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
JO System ⁽²⁾	416.38	402.00	389.58	386.21	376.58
14	14.13	1.50	14.00	14.62	13.40
20	9.36	9.51	9.23	9.26	9.23
SCV	20.41	19.95	19.73	19.85	19.52
TOTAL:	460.28	444.96	432.54	429.94	418.73

⁽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, 2014
Obligations Constituting Senior A.V. Obligations and Senior Revenue Obligations:	
2011 Series A Revenue Bonds	\$ 128,650,000
2013 Series A Revenue Bonds	61,860,000
Total Senior A.V. Obligation	190,510,000
Senior Revenue Obligations	
JWPCP Digestion Tanks 13-16	1,339,601
Primary Sedimentation Tank Covers	1,688,475
Secondary Effluent Pump Station	563,200
Biological Reactors/Secondary Clarifiers	46,936,200
Cryogenic Oxygen Generation	9,610,312
Power Generation Equipment Purchase	5,217,955
Waste Activated Sludge Thickening Expansion	1,885,969
Relocating and Installing High-Speed Centrifuge	949,076
Installation of Secondary Influent Pumping Equip	2,141,415
Fuel Gas Compressor Upgrade	331,320
Modifications of Electrical Power	1,833,213
Primary Screenings and Grit Dewatering Fac.	5,275,550
Environmental Laboratory Building	4,336,805
JWPCP Digestion Tanks 17-23	23,927,545
Modification of Biological Reactors	20,227,321
High-Speed Scroll Centrifuges Purch & Install	2,322,952
Secondary Infl Pump Station Equipment	5,477,391
Valencia WRP Solids Processing Expansion	3,225,548
Valencia WRP Stage V Expansion-Equipment	564,110
La Canada Trunk Sewer	171,785
La Canada Foothill Main Trunk Sewer	567,835
Silo Odor Control Facilities, Phase I	3,126,402
Silo Odor Control Facilities, Phase II	1,965,227
Total Senior Revenue Obligations	143,685,207
Subordinate Revenue Obligations:	
2005 Series A Revenue Bonds	20,485,000
2005 Series B Revenue Bonds	167,625,000
2007 Series A Revenue Bonds	131,170,000
Install of Secondary Infl Pumping Equip Stg II	892,406
Central Odor Control System	6,315,092
Heat Recovery Steam Generation Equipment	2,603,485
Power Generation Steam Turbine Generator	1,939,949
Pomona WRP NDN Facilities	3,082,216
Pomona WRP NDN Facilities Equip. Purch.	114,135
Los Coyotes WRP NDN Facilities	12,277,174
Los Coyotes WRP Ammonia Addition Station	679,836
Long Beach WRP NDN Facilities	3,088,588
Long Beach WRP Ammonia Addition Station	469,235
Long Beach WRP NDN Facilities Equipment	302,684
Long Beach WRP Aeration System	207,287
Long Beach Pumping Plant Upgrades*	11,932,814
Whittier Narrows WRP NDN Facilities	3,240,376

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

	Outstanding Balance December 31, 2014
Subordinate Revenue Obligations (Continued):	
San Jose Creek WRP NDN Facilities	5,745,256
San Jose Creek WRP NDN Fac. Equipment	844,997
Lancaster - Rosamond Outfall & TS, Phase 1	4,643,686
Lancaster - Rosamond Outfall & TS, Phase 2	8,068,195
Lancaster - Rosamond Outfall & TS, Phase 3	7,401,096
Valencia WRP Stage V Expansion	20,949,624
Saugus WRP Equipment Purchases	891,299
Lancaster WRP Stage V Expansion, Phase I	66,893,324
Palmdale WRP Stage V Expansion, Phase I	56,152,969
Valencia WRP Steam Boiler Upgrade*	4,335,543
Los Coyotes WRP Interceptor Sewer Rehab Phase II	10,983,256
Wright Road Truck Sewer Repair	561,609
District 5 Interceptor Section 2A Rehab	1,399,967
Alamitos PP Force Main No. 2	922,371
Total Subordinate Revenue Obligations	556,218,469
Total Obligations	\$ 890,413,676

*Funds have been received as of December 31, 2014, however, this obligation is not yet in repayment.

COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

Bond Disclosure, Continued

DISTRICTS' HISTORICAL OPERATING DATA

\$000

<u>District No. 1</u>	<u>Fiscal Year 2010/11</u>	<u>Fiscal Year 2011/12</u>	<u>Fiscal Year 2012/13</u>	<u>Fiscal Year 2013/14</u>
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 30,251	\$ 28,932	\$ 29,407	\$ 29,838
A.V. Tax	2,458	2,607	3,352	2,631
Interest	989	668	489	488
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	<u>33,698</u>	<u>32,207</u>	<u>33,248</u>	<u>32,957</u>
CIF Pledged for Debt ⁽³⁾	<u>154</u>	<u>154</u>	<u>152</u>	<u>40</u>
Total Revenue for Senior Calculation	33,852	32,361	33,400	32,997
CIF Connection Fee Revenue ⁽³⁾	<u>1,557</u>	<u>1,409</u>	<u>1,408</u>	<u>2,737</u>
Total Revenue for Subordinate Calculation	35,255	33,616	34,656	35,694
EXPENSES⁽⁴⁾				
Total O&M	20,764	21,513	21,238	22,586
Rate Stabilization Fund ⁽⁵⁾	<u>3,833</u>	<u>1,169</u>	<u>3,347</u>	<u>1,015</u>
Total	24,597	22,682	24,585	23,601
DEBT SERVICE PAYMENTS				
Senior				
State Loans	1,977	2,042	1,995	1,546
Revenue Bonds	<u>2,250</u>	<u>2,209</u>	<u>2,194</u>	<u>2,192</u>
Total Senior Debt Payments	4,227	4,251	4,189	3,738
Subordinate				
State Loans	251	290	324	468
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	251	290	324	468
Total Debt Service	4,478	4,541	4,513	4,206
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	2.13	2.21	2.03	2.39
SUBORDINATE	2.38	2.41	2.23	2.88

⁽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>District No. 2</u>	<u>Fiscal Year</u> <u>2010/11</u>	<u>Fiscal Year</u> <u>2011/12</u>	<u>Fiscal Year</u> <u>2012/13</u>	<u>Fiscal Year</u> <u>2013/14</u>
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 45,404	\$ 41,384	\$ 43,603	\$ 41,755
A.V. Tax	4,909	5,084	6,944	5,248
Interest	1,795	1,220	833	784
Rate Stabilization Fund ⁽²⁾	-	-	-	3,542
Subtotal	<u>52,108</u>	<u>47,688</u>	<u>51,380</u>	<u>51,329</u>
CIF Pledged for Debt ⁽³⁾	233	231	232	61
Total Revenue for Senior Calculation	<u>52,341</u>	<u>47,919</u>	<u>51,612</u>	<u>51,390</u>
CIF Connection Fee Revenue ⁽³⁾	2,063	1,996	2,351	3,548
Total Revenue for Subordinate Calculation	<u>54,171</u>	<u>49,684</u>	<u>53,731</u>	<u>54,877</u>
EXPENSES⁽⁴⁾				
Total O&M	32,052	32,538	32,728	34,207
Rate Stabilization Fund ⁽⁵⁾	5,999	2,471	4,371	-
Total	<u>38,051</u>	<u>35,009</u>	<u>37,099</u>	<u>34,207</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	2,988	3,007	2,977	2,332
Revenue Bonds	3,472	3,411	3,386	3,384
Total Senior Debt Payments	<u>6,460</u>	<u>6,418</u>	<u>6,363</u>	<u>5,716</u>
Subordinate				
State Loans	380	435	493	644
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>380</u>	<u>435</u>	<u>493</u>	<u>644</u>
Total Debt Service	<u>6,840</u>	<u>6,853</u>	<u>6,856</u>	<u>6,360</u>
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	2.15	1.94	2.20	2.89
SUBORDINATE	<u>2.36</u>	<u>2.14</u>	<u>2.43</u>	<u>3.25</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. 3	Fiscal Year 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 34,830	\$ 33,070	\$ 33,314	\$ 33,003
A.V. Tax	3,612	3,928	6,083	4,278
Interest	1,082	732	526	541
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	39,524	37,730	39,923	37,822
CIF Pledged for Debt ⁽³⁾	179	179	178	47
Total Revenue for Senior Calculation	39,703	37,909	40,101	37,869
CIF Connection Fee Revenue ⁽³⁾	1,444	1,473	1,860	2,478
Total Revenue for Subordinate Calculation	40,968	39,203	41,783	40,300
EXPENSES⁽⁴⁾				
Total O&M	23,651	23,987	24,123	25,805
Rate Stabilization Fund ⁽⁵⁾	5,366	3,418	6,040	853
Total	29,017	27,405	30,163	26,658
DEBT SERVICE PAYMENTS				
Senior				
State Loans	2,307	2,317	2,281	1,788
Revenue Bonds	2,638	2,591	2,572	2,570
Total Senior Debt Payments	4,945	4,908	4,853	4,358
Subordinate				
State Loans	293	337	378	494
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	293	337	378	494
Total Debt Service	5,238	5,245	5,231	4,852
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	2.10	2.07	1.97	2.46
SUBORDINATE	2.28	2.25	2.22	2.81

⁽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 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 48,678	\$ 44,632	\$ 46,579	\$ 44,901
A.V. Tax	8,882	8,906	10,480	8,661
Interest	2,018	1,335	894	849
Rate Stabilization Fund ⁽²⁾	-	-	-	6,107
Subtotal	<u>59,578</u>	<u>54,873</u>	<u>57,953</u>	<u>60,518</u>
CIF Pledged for Debt ⁽³⁾	265	267	273	71
Total Revenue for Senior Calculation	<u>59,843</u>	<u>55,140</u>	<u>58,226</u>	<u>60,589</u>
CIF Connection Fee Revenue ⁽³⁾	2,209	2,405	3,030	4,018
Total Revenue for Subordinate Calculation	<u>61,787</u>	<u>57,278</u>	<u>60,983</u>	<u>64,536</u>
EXPENSES⁽⁴⁾				
Total O&M	36,475	37,903	38,692	40,506
Rate Stabilization Fund ⁽⁵⁾	11,869	398	3,357	-
Total	<u>48,344</u>	<u>38,301</u>	<u>42,049</u>	<u>40,506</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	3,404	3,466	3,506	2,716
Revenue Bonds	5,677	5,576	5,535	5,530
Total Senior Debt Payments	<u>9,081</u>	<u>9,042</u>	<u>9,041</u>	<u>8,246</u>
Subordinate				
State Loans	433	503	581	751
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>433</u>	<u>503</u>	<u>581</u>	<u>751</u>
Total Debt Service	9,514	9,545	9,622	8,997
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.22	1.81	1.73	2.34
SUBORDINATE	1.41	1.99	1.97	2.67

⁽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.

⁽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>District No. 8</u>	<u>Fiscal Year</u> <u>2010/11</u>	<u>Fiscal Year</u> <u>2011/12</u>	<u>Fiscal Year</u> <u>2012/13</u>	<u>Fiscal Year</u> <u>2013/14</u>
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 20,694	\$ 18,660	\$ 19,399	\$ 19,512
A.V. Tax	1,706	1,735	2,051	1,681
Interest	672	450	316	284
Rate Stabilization Fund ⁽²⁾	-	-	645	103
Subtotal	<u>23,072</u>	<u>20,845</u>	<u>22,411</u>	<u>21,580</u>
CIF Pledged for Debt ⁽³⁾	102	99	96	24
Total Revenue for Senior Calculation	<u>23,174</u>	<u>20,944</u>	<u>22,507</u>	<u>21,604</u>
CIF Connection Fee Revenue ⁽³⁾	1,045	905	1,091	1,545
Total Revenue for Subordinate Calculation	<u>24,117</u>	<u>21,750</u>	<u>23,502</u>	<u>23,125</u>
EXPENSES⁽⁴⁾				
Total O&M	15,760	15,369	15,379	15,293
Rate Stabilization Fund ⁽⁵⁾	977	766	-	-
Total	<u>16,737</u>	<u>16,135</u>	<u>15,379</u>	<u>15,293</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	1,308	1,280	1,236	934
Revenue Bonds	1,372	1,348	1,338	1,336
Total Senior Debt Payments	<u>2,680</u>	<u>2,628</u>	<u>2,574</u>	<u>2,270</u>
Subordinate				
State Loans	166	186	205	258
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>166</u>	<u>186</u>	<u>205</u>	<u>258</u>
Total Debt Service	2,846	2,814	2,779	2,528
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	2.34	1.76	2.69	2.67
SUBORDINATE	2.59	2.00	2.92	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. 15	Fiscal Year 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 33,941	\$ 31,447	\$ 33,145	\$ 32,776
A.V. Tax	5,305	5,461	6,542	5,548
Interest	1,614	1,053	714	700
Rate Stabilization Fund ⁽²⁾	-	-	-	1,377
Subtotal	<u>40,860</u>	<u>37,961</u>	<u>40,401</u>	<u>40,401</u>
CIF Pledged for Debt ⁽³⁾	191	193	193	50
Total Revenue for Senior Calculation	<u>41,051</u>	<u>38,154</u>	<u>40,594</u>	<u>40,451</u>
CIF Connection Fee Revenue ⁽³⁾	1,565	1,691	1,852	2,890
Total Revenue for Subordinate Calculation	<u>42,425</u>	<u>39,652</u>	<u>42,253</u>	<u>43,291</u>
EXPENSES⁽⁴⁾				
Total O&M	25,395	26,175	26,281	27,357
Rate Stabilization Fund ⁽⁵⁾	8,150	4,450	5,350	-
Total	<u>33,545</u>	<u>30,625</u>	<u>31,631</u>	<u>27,357</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	2,459	2,505	2,475	1,908
Revenue Bonds	3,552	3,490	3,464	3,461
Total Senior Debt Payments	<u>6,011</u>	<u>5,995</u>	<u>5,939</u>	<u>5,369</u>
Subordinate				
State Loans	312	364	410	528
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>312</u>	<u>364</u>	<u>410</u>	<u>528</u>
Total Debt Service	6,323	6,359	6,349	5,897
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.20	1.20	1.44	2.34
SUBORDINATE	1.40	1.42	1.67	2.70

⁽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

<u>District No. 16</u>	<u>Fiscal Year</u> <u>2010/11</u>	<u>Fiscal Year</u> <u>2011/12</u>	<u>Fiscal Year</u> <u>2012/13</u>	<u>Fiscal Year</u> <u>2013/14</u>
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 18,355	\$ 16,421	\$ 17,384	\$ 16,869
A.V. Tax	3,578	3,646	4,351	3,641
Interest	977	671	430	406
Rate Stabilization Fund ⁽²⁾	-	-	-	467
Subtotal	<u>22,910</u>	<u>20,738</u>	<u>22,165</u>	<u>21,383</u>
CIF Pledged for Debt ⁽³⁾	104	104	104	27
Total Revenue for Senior Calculation	23,014	20,842	22,269	21,410
CIF Connection Fee Revenue ⁽³⁾	881	866	1,127	1,637
Total Revenue for Subordinate Calculation	<u>23,791</u>	<u>21,604</u>	<u>23,292</u>	<u>23,020</u>
EXPENSES⁽⁴⁾				
Total O&M	13,568	13,705	13,707	14,056
Rate Stabilization Fund ⁽⁵⁾	5,000	2,570	2,635	-
Total	<u>18,568</u>	<u>16,275</u>	<u>16,342</u>	<u>14,056</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	1,339	1,424	1,330	1,020
Revenue Bonds	2,213	2,175	2,158	2,157
Total Senior Debt Payments	<u>3,552</u>	<u>3,599</u>	<u>3,488</u>	<u>3,177</u>
Subordinate				
State Loans	170	197	221	282
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>170</u>	<u>197</u>	<u>221</u>	<u>282</u>
Total Debt Service	3,722	3,796	3,709	3,459
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.20	1.21	1.64	2.23
SUBORDINATE	1.40	1.40	1.87	2.59

⁽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>District No. 17</u>	<u>Fiscal Year 2010/11</u>	<u>Fiscal Year 2011/12</u>	<u>Fiscal Year 2012/13</u>	<u>Fiscal Year 2013/14</u>
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 2,394	\$ 2,272	\$ 2,330	\$ 2,290
A.V. Tax	411	426	487	429
Interest	170	110	70	72
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	<u>2,975</u>	<u>2,808</u>	<u>2,887</u>	<u>2,791</u>
CIF Pledged for Debt ⁽³⁾	14	14	14	4
Total Revenue for Senior Calculation	2,989	2,822	2,901	2,795
CIF Connection Fee Revenue ⁽³⁾	108	104	135	195
Total Revenue for Subordinate Calculation	<u>3,083</u>	<u>2,912</u>	<u>3,022</u>	<u>2,986</u>
EXPENSES⁽⁴⁾				
Total O&M	1,768	1,778	1,795	1,867
Rate Stabilization Fund ⁽⁵⁾	640	435	535	398
Total	<u>2,408</u>	<u>2,213</u>	<u>2,330</u>	<u>2,265</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	177	209	176	136
Revenue Bonds	283	278	276	276
Total Senior Debt Payments	<u>460</u>	<u>487</u>	<u>452</u>	<u>412</u>
Subordinate				
State Loans	22	26	29	37
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>22</u>	<u>26</u>	<u>29</u>	<u>37</u>
Total Debt Service	482	513	481	449
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.22	1.20	1.20	1.20
SUBORDINATE	1.40	1.36	1.44	1.61

⁽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.

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⁽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>District No. 18</u>	<u>Fiscal Year</u> <u>2010/11</u>	<u>Fiscal Year</u> <u>2011/12</u>	<u>Fiscal Year</u> <u>2012/13</u>	<u>Fiscal Year</u> <u>2013/14</u>
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 24,625	\$ 23,188	\$ 23,941	\$ 22,612
A.V. Tax	2,749	2,784	3,970	3,358
Interest	902	575	398	397
Rate Stabilization Fund ⁽²⁾	-	-	-	309
Subtotal	<u>28,276</u>	<u>26,547</u>	<u>28,309</u>	<u>26,676</u>
CIF Pledged for Debt ⁽³⁾	<u>127</u>	<u>128</u>	<u>125</u>	<u>33</u>
Total Revenue for Senior Calculation	28,403	26,675	28,434	26,709
CIF Connection Fee Revenue ⁽³⁾	<u>1,102</u>	<u>1,100</u>	<u>1,452</u>	<u>2,113</u>
Total Revenue for Subordinate Calculation	29,378	27,647	29,761	28,789
EXPENSES⁽⁴⁾				
Total O&M	17,193	17,713	17,748	18,574
Rate Stabilization Fund ⁽⁵⁾	<u>3,419</u>	<u>70</u>	<u>3,094</u>	<u>-</u>
Total	20,612	17,783	20,842	18,574
DEBT SERVICE PAYMENTS				
Senior				
State Loans	1,630	1,659	1,607	1,266
Revenue Bonds	<u>1,942</u>	<u>1,908</u>	<u>1,893</u>	<u>1,892</u>
Total Senior Debt Payments	3,572	3,567	3,500	3,158
Subordinate				
State Loans	207	241	266	350
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	207	241	266	350
Total Debt Service	3,779	3,808	3,766	3,508
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	2.12	2.43	2.09	2.47
SUBORDINATE	<u>2.32</u>	<u>2.59</u>	<u>2.37</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.

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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

<u>District No. 19</u>	<u>Fiscal Year</u> <u>2010/11</u>	<u>Fiscal Year</u> <u>2011/12</u>	<u>Fiscal Year</u> <u>2012/13</u>	<u>Fiscal Year</u> <u>2013/14</u>
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 6,576	\$ 6,414	\$ 6,370	\$ 5,786
A.V. Tax	945	1,023	1,404	1,043
Interest	305	209	142	140
Rate Stabilization Fund ⁽²⁾	-	-	-	227
Subtotal	<u>7,826</u>	<u>7,646</u>	<u>7,916</u>	<u>7,196</u>
CIF Pledged for Debt ⁽³⁾	35	35	36	9
Total Revenue for Senior Calculation	<u>7,861</u>	<u>7,681</u>	<u>7,952</u>	<u>7,205</u>
CIF Connection Fee Revenue ⁽³⁾	289	285	375	621
Total Revenue for Subordinate Calculation	<u>8,115</u>	<u>7,931</u>	<u>8,291</u>	<u>7,817</u>
EXPENSES⁽⁴⁾				
Total O&M	4,647	5,016	4,759	5,021
Rate Stabilization Fund ⁽⁵⁾	1,471	637	880	-
Total	<u>6,118</u>	<u>5,653</u>	<u>5,639</u>	<u>5,021</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	446	455	454	355
Revenue Bonds	626	615	610	610
Total Senior Debt Payments	<u>1,072</u>	<u>1,070</u>	<u>1,064</u>	<u>965</u>
Subordinate				
State Loans	57	66	75	98
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>57</u>	<u>66</u>	<u>75</u>	<u>98</u>
Total Debt Service	1,129	1,136	1,139	1,063
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.57	1.83	2.10	2.16
SUBORDINATE	1.77	2.01	2.33	2.63

⁽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 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 29,011	\$ 26,912	\$ 28,248	\$ 27,280
A.V. Tax	3,128	3,332	4,065	3,313
Interest	1,221	847	573	563
Rate Stabilization Fund ⁽²⁾	-	-	-	266
Subtotal	<u>33,360</u>	<u>31,091</u>	<u>32,886</u>	<u>31,422</u>
CIF Pledged for Debt ⁽³⁾	154	155	153	40
Total Revenue for Senior Calculation	<u>33,514</u>	<u>31,246</u>	<u>33,039</u>	<u>31,462</u>
CIF Connection Fee Revenue ⁽³⁾	1,424	1,325	1,910	2,527
Total Revenue for Subordinate Calculation	<u>34,784</u>	<u>32,416</u>	<u>34,796</u>	<u>33,949</u>
EXPENSES⁽⁴⁾				
Total O&M	20,251	20,953	20,648	22,195
Rate Stabilization Fund ⁽⁵⁾	4,254	1,286	3,945	-
Total	<u>24,505</u>	<u>22,239</u>	<u>24,593</u>	<u>22,195</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	1,983	2,013	1,966	1,529
Revenue Bonds	2,094	2,057	2,042	2,041
Total Senior Debt Payments	<u>4,077</u>	<u>4,070</u>	<u>4,008</u>	<u>3,570</u>
Subordinate				
State Loans	252	293	326	423
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>252</u>	<u>293</u>	<u>326</u>	<u>423</u>
Total Debt Service	4,329	4,363	4,334	3,993
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	2.15	2.14	2.03	2.48
SUBORDINATE	2.37	2.33	2.35	2.94

⁽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 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 24,707	\$ 23,096	\$ 23,658	\$ 22,680
A.V. Tax	2,718	2,783	4,231	2,986
Interest	1,031	726	469	501
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	<u>28,456</u>	<u>26,605</u>	<u>28,358</u>	<u>26,167</u>
CIF Pledged for Debt ⁽³⁾	128	128	130	34
Total Revenue for Senior Calculation	<u>28,584</u>	<u>26,733</u>	<u>28,488</u>	<u>26,201</u>
CIF Connection Fee Revenue ⁽³⁾	1,203	1,356	1,525	2,727
Total Revenue for Subordinate Calculation	<u>29,659</u>	<u>27,961</u>	<u>29,883</u>	<u>28,894</u>
EXPENSES⁽⁴⁾				
Total O&M	17,210	17,559	17,731	18,988
Rate Stabilization Fund ⁽⁵⁾	3,665	2,239	4,297	10
Total	<u>20,875</u>	<u>19,798</u>	<u>22,028</u>	<u>18,998</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	1,642	1,663	1,672	1,297
Revenue Bonds	1,812	1,780	1,767	1,766
Total Senior Debt Payments	<u>3,454</u>	<u>3,443</u>	<u>3,439</u>	<u>3,063</u>
Subordinate				
State Loans	208	242	277	359
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>208</u>	<u>242</u>	<u>277</u>	<u>359</u>
Total Debt Service	3,662	3,685	3,716	3,422
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	2.17	1.94	1.80	2.23
SUBORDINATE	2.40	2.22	2.11	2.89

⁽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. 23	Fiscal Year 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 4,443	\$ 4,196	\$ 3,889	\$ 3,500
A.V. Tax	282	309	367	306
Interest	311	201	125	107
Rate Stabilization Fund ⁽²⁾	-	-	-	120
Subtotal	<u>5,036</u>	<u>4,706</u>	<u>4,381</u>	<u>4,033</u>
CIF Pledged for Debt ⁽³⁾	21	19	19	5
Total Revenue for Senior Calculation	<u>5,057</u>	<u>4,725</u>	<u>4,400</u>	<u>4,038</u>
CIF Connection Fee Revenue ⁽³⁾	154	142	170	260
Total Revenue for Subordinate Calculation	<u>5,190</u>	<u>4,848</u>	<u>4,551</u>	<u>4,293</u>
EXPENSES⁽⁴⁾				
Total O&M	3,431	3,340	3,236	3,319
Rate Stabilization Fund ⁽⁵⁾	815	600	390	
Total	<u>4,246</u>	<u>3,940</u>	<u>3,626</u>	<u>3,319</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	264	247	241	185
Revenue Bonds	383	376	373	373
Total Senior Debt Payments	<u>647</u>	<u>623</u>	<u>614</u>	<u>558</u>
Subordinate				
State Loans	34	36	39	51
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>34</u>	<u>36</u>	<u>39</u>	<u>51</u>
Total Debt Service	681	659	653	609
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.20	1.20	1.20	1.20
SUBORDINATE	1.39	1.38	1.42	1.60

⁽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 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 1,093	\$ 1,057	\$ 1,069	\$ 1,036
A.V. Tax	476	490	554	498
Interest	84	61	40	40
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	<u>1,653</u>	<u>1,608</u>	<u>1,663</u>	<u>1,574</u>
CIF Pledged for Debt ⁽³⁾	4	4	4	1
Total Revenue for Senior Calculation	<u>1,657</u>	<u>1,612</u>	<u>1,667</u>	<u>1,575</u>
CIF Connection Fee Revenue ⁽³⁾	34	33	39	64
Total Revenue for Subordinate Calculation	<u>1,687</u>	<u>1,641</u>	<u>1,702</u>	<u>1,638</u>
EXPENSES⁽⁴⁾				
Total O&M	501	520	539	590
Rate Stabilization Fund ⁽⁵⁾	530	465	500	368
Total	<u>1,031</u>	<u>985</u>	<u>1,039</u>	<u>958</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	417	417	419	408
Revenue Bonds	100	99	97	98
Total Senior Debt Payments	<u>517</u>	<u>516</u>	<u>516</u>	<u>506</u>
Subordinate				
State Loans	6	7	9	12
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>6</u>	<u>7</u>	<u>9</u>	<u>12</u>
Total Debt Service	523	523	525	518
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.20	1.20	1.20	1.20
SUBORDINATE	1.25	1.25	1.26	1.31

⁽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>District No. 29</u>	<u>Fiscal Year</u> <u>2010/11</u>	<u>Fiscal Year</u> <u>2011/12</u>	<u>Fiscal Year</u> <u>2012/13</u>	<u>Fiscal Year</u> <u>2013/14</u>
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 1,980	\$ 1,966	\$ 2,005	\$ 1,945
A.V. Tax	79	87	147	83
Interest	48	39	23	32
Rate Stabilization Fund ⁽²⁾	-	-	277	-
Subtotal	<u>2,107</u>	<u>2,092</u>	<u>2,452</u>	<u>2,060</u>
CIF Pledged for Debt ⁽³⁾	<u>5</u>	<u>5</u>	<u>5</u>	<u>1</u>
Total Revenue for Senior Calculation	2,112	2,097	2,457	2,061
CIF Connection Fee Revenue ⁽³⁾	<u>93</u>	<u>46</u>	<u>74</u>	<u>68</u>
Total Revenue for Subordinate Calculation	2,200	2,138	2,526	2,128
EXPENSES⁽⁴⁾				
Total O&M	1,084	1,052	1,097	1,156
Rate Stabilization Fund ⁽⁵⁾	<u>153</u>	<u>248</u>	<u>-</u>	<u>737</u>
Total	1,237	1,300	1,097	1,893
DEBT SERVICE PAYMENTS				
Senior				
State Loans	68	66	68	51
Revenue Bonds	<u>31</u>	<u>31</u>	<u>31</u>	<u>30</u>
Total Senior Debt Payments	99	97	99	81
Subordinate				
State Loans	8	9	11	71
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	8	9	11	71
Total Debt Service	107	106	110	152
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	8.76	8.12	13.63	1.20
SUBORDINATE	9.00	7.91	12.99	1.55

⁽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</u> <u>2010/11</u>	<u>Fiscal Year</u> <u>2011/12</u>	<u>Fiscal Year</u> <u>2012/13</u>	<u>Fiscal Year</u> <u>2013/14</u>
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 7,436	\$ 6,894	\$ 7,180	\$ 7,022
A.V. Tax	3,802	3,892	4,381	3,903
Interest	527	350	245	251
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	<u>11,765</u>	<u>11,136</u>	<u>11,806</u>	<u>11,176</u>
CIF Pledged for Debt ⁽³⁾	46	47	47	12
Total Revenue for Senior Calculation	<u>11,811</u>	<u>11,183</u>	<u>11,853</u>	<u>11,188</u>
CIF Connection Fee Revenue ⁽³⁾	356	352	478	638
Total Revenue for Subordinate Calculation	<u>12,121</u>	<u>11,488</u>	<u>12,284</u>	<u>11,814</u>
EXPENSES⁽⁴⁾				
Total O&M	6,786	6,923	7,019	7,480
Rate Stabilization Fund ⁽⁵⁾	3,070	2,109	2,101	358
Total	<u>9,856</u>	<u>9,032</u>	<u>9,120</u>	<u>7,838</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	597	608	606	476
Revenue Bonds	968	951	944	943
Total Senior Debt Payments	<u>1,565</u>	<u>1,559</u>	<u>1,550</u>	<u>1,419</u>
Subordinate				
State Loans	76	88	100	132
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>76</u>	<u>88</u>	<u>100</u>	<u>132</u>
Total Debt Service	1,641	1,647	1,650	1,551
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	1.20	1.32	1.70	2.27
SUBORDINATE	1.38	1.49	1.92	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.

⁽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 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 3,601	\$ 3,556	\$ 3,813	\$ 3,734
A.V. Tax	398	405	474	409
Interest	495	360	253	277
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	<u>4,494</u>	<u>4,321</u>	<u>4,540</u>	<u>4,420</u>
CIF Pledged for Debt ⁽³⁾	-	-	-	-
Total Revenue for Senior Calculation	4,494	4,321	4,540	4,420
CIF Connection Fee Revenue ⁽³⁾	44	455	71	301
Total Revenue for Subordinate Calculation	<u>4,538</u>	<u>4,776</u>	<u>4,611</u>	<u>4,721</u>
EXPENSES⁽⁴⁾				
Total O&M	1,371	1,338	1,034	1,507
Rate Stabilization Fund ⁽⁵⁾	1,450	1,678	2,320	1,364
Total	<u>2,821</u>	<u>3,016</u>	<u>3,354</u>	<u>2,871</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	-	-	-	-
Revenue Bonds	336	329	327	327
Total Senior Debt Payments	<u>336</u>	<u>329</u>	<u>327</u>	<u>327</u>
Subordinate				
State Loans	-	-	-	-
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Service	336	329	327	327
DEBT SERVICE COVERAGE:				
SENIOR	4.98	3.97	3.63	4.74

⁽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 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 100	83	87	67
A.V. Tax	77	78	87	73
Interest	41	30	30	39
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	<u>218</u>	<u>191</u>	<u>204</u>	<u>179</u>
CIF Pledged for Debt ⁽³⁾	-	-	-	-
Total Revenue for Senior Calculation	218	191	204	179
CIF Connection Fee Revenue ⁽³⁾	1	-	-	6
Total Revenue for Subordinate Calculation	<u>219</u>	<u>191</u>	<u>204</u>	<u>185</u>
EXPENSES⁽⁴⁾				
Total O&M	84	96	69	87
Rate Stabilization Fund ⁽⁵⁾	77	40	80	38
Total	<u>161</u>	<u>136</u>	<u>149</u>	<u>125</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	-	-	-	-
Revenue Bonds	47	46	46	45
Total Senior Debt Payments	<u>47</u>	<u>46</u>	<u>46</u>	<u>45</u>
Subordinate				
State Loans	-	-	-	-
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Service	47	46	46	45
DEBT SERVICE COVERAGE:				
SENIOR	1.21	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

<u>District No. 14</u>	<u>Fiscal Year</u> <u>2010/11</u>	<u>Fiscal Year</u> <u>2011/12</u>	<u>Fiscal Year</u> <u>2012/13</u>	<u>Fiscal Year</u> <u>2013/14</u>
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 27,595	\$ 26,330	\$ 32,491	\$ 35,054
A.V. Tax	861	911	991	812
Interest	1,019	471	249	261
Rate Stabilization Fund ⁽²⁾	5,800	1,380	-	-
Subtotal	<u>35,275</u>	<u>29,092</u>	<u>33,731</u>	<u>36,127</u>
CIF Pledged for Debt ⁽³⁾	5,320	5,320	6,155	3,488
Total Revenue for Senior Calculation	40,595	34,412	39,886	39,615
CIF Connection Fee Revenue ⁽³⁾	959	710	2,160	996
Total Revenue for Subordinate Calculation	<u>36,234</u>	<u>29,802</u>	<u>35,891</u>	<u>37,123</u>
EXPENSES⁽⁴⁾				
Total O&M	9,084	9,420	10,714	12,279
Rate Stabilization Fund ⁽⁵⁾	-	-	2,697	4,650
Total	<u>9,084</u>	<u>9,420</u>	<u>13,411</u>	<u>16,929</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	-	-	-	-
Revenue Bonds	476	468	465	464
Total Senior Debt Payments	<u>476</u>	<u>468</u>	<u>465</u>	<u>464</u>
Subordinate				
State Loans	1,937	1,937	6,855	6,856
Revenue Bonds	11,115	11,115	11,113	11,110
Total Subordinate Debt Payments	<u>13,052</u>	<u>13,052</u>	<u>17,968</u>	<u>17,966</u>
Total Debt Service	13,528	13,520	18,433	18,430
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	38.78	25.51	18.29	10.17
SUBORDINATE	2.01	1.51	1.22	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 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 17,107	\$ 18,298	\$ 21,604	\$ 21,928
A.V. Tax	952	973	1,004	846
Interest	544	277	211	168
Rate Stabilization Fund ⁽²⁾	-	-	-	800
Subtotal	<u>18,603</u>	<u>19,548</u>	<u>22,819</u>	<u>23,742</u>
CIF Pledged for Debt ⁽³⁾	<u>3,863</u>	<u>3,832</u>	<u>2,343</u>	<u>3,980</u>
Total Revenue for Senior Calculation	<u>22,466</u>	<u>23,380</u>	<u>25,162</u>	<u>27,722</u>
CIF Connection Fee Revenue ⁽³⁾	<u>587</u>	<u>476</u>	<u>1,098</u>	<u>185</u>
Total Revenue for Subordinate Calculation	<u>19,190</u>	<u>20,024</u>	<u>23,917</u>	<u>23,927</u>
EXPENSES⁽⁴⁾				
Total O&M	6,388	8,855	9,300	10,211
Rate Stabilization Fund ⁽⁵⁾	<u>3,310</u>	<u>1,500</u>	<u>4,980</u>	<u>-</u>
Total	<u>9,698</u>	<u>10,355</u>	<u>14,280</u>	<u>10,211</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	-	-	-	-
Revenue Bonds	<u>397</u>	<u>389</u>	<u>387</u>	<u>386</u>
Total Senior Debt Payments	<u>397</u>	<u>389</u>	<u>387</u>	<u>386</u>
Subordinate				
State Loans	-	-	-	3,749
Revenue Bonds	<u>8,270</u>	<u>8,391</u>	<u>8,392</u>	<u>8,389</u>
Total Subordinate Debt Payments	<u>8,270</u>	<u>8,391</u>	<u>8,392</u>	<u>12,138</u>
Total Debt Service	8,667	8,780	8,779	12,524
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	11.33	11.91	6.43	13.92
SUBORDINATE	1.10	1.10	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. 27	Fiscal Year 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 3	\$ 1	\$ 2	\$ 1
A.V. Tax	244	252	288	255
Interest	30	18	5	2
Rate Stabilization Fund ⁽²⁾	-	-	843	-
Subtotal	<u>277</u>	<u>271</u>	<u>1,138</u>	<u>258</u>
CIF Pledged for Debt ⁽³⁾	-	-	-	-
Total Revenue for Senior Calculation	<u>277</u>	<u>271</u>	<u>1,138</u>	<u>258</u>
CIF Connection Fee Revenue ⁽³⁾	-	-	-	-
Total Revenue for Subordinate Calculation	<u>277</u>	<u>271</u>	<u>1,138</u>	<u>258</u>
EXPENSES⁽⁴⁾				
Total O&M	116	154	108	74
Rate Stabilization Fund ⁽⁵⁾	82	40	-	44
Total	<u>198</u>	<u>194</u>	<u>108</u>	<u>118</u>
DEBT SERVICE PAYMENTS				
Senior				
State Loans	-	-	-	-
Revenue Bonds	66	64	64	64
Total Senior Debt Payments	<u>66</u>	<u>64</u>	<u>64</u>	<u>64</u>
Subordinate				
State Loans	-	-	-	-
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Service	66	64	64	64
DEBT SERVICE COVERAGE:				
SENIOR	1.20	1.20	16.09	2.19

⁽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 2010/11</u>	<u>Fiscal Year 2011/12</u>	<u>Fiscal Year 2012/13</u>	<u>Fiscal Year 2013/14</u>
REVENUE SOURCES				
Operating Revenues ⁽¹⁾	\$ 21,363	\$ 22,245	\$ 23,615	\$ 25,103
A.V. Tax	5,627	5,655	6,182	5,208
Interest	1,731	1,107	644	611
Rate Stabilization Fund ⁽²⁾	-	-	-	-
Subtotal	<u>28,721</u>	<u>29,007</u>	<u>30,441</u>	<u>30,922</u>
CIF Pledged for Debt ⁽³⁾	<u>4,789</u>	<u>4,753</u>	<u>4,737</u>	<u>4,737</u>
Total Revenue for Senior Calculation	33,510	33,760	35,178	35,659
CIF Connection Fee Revenue ⁽³⁾	<u>987</u>	<u>2,323</u>	<u>3,712</u>	<u>3,737</u>
Total Revenue for Subordinate Calculation	29,708	31,330	34,153	34,659
EXPENSES⁽⁴⁾				
Total O&M	18,084	19,019	19,466	20,348
Rate Stabilization Fund ⁽⁵⁾	<u>4,500</u>	<u>5,250</u>	<u>5,674</u>	<u>3,086</u>
Total	22,584	24,269	25,140	23,434
DEBT SERVICE PAYMENTS				
Senior				
State Loans	1,011	1,011	1,011	227
Revenue Bonds	<u>3,437</u>	<u>3,378</u>	<u>3,352</u>	<u>3,349</u>
Total Senior Debt Payments	4,448	4,389	4,363	3,576
Subordinate				
State Loans	2,014	2,014	2,014	2,798
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	2,014	2,014	2,014	2,798
Total Debt Service	6,462	6,403	6,377	6,374
DEBT SERVICE COVERAGE⁽⁶⁾:				
SENIOR	2.00	1.70	1.84	2.64
SUBORDINATE	1.10	1.10	1.41	1.76

⁽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.

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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. 14, the Authority and the Underwriter take no responsibility for the completeness or accuracy thereof. District No. 14, 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 2015 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2015 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2015 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 2015 Bonds. The 2015 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 2015 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 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2015 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 2015 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 2015 Bonds, except in the event that use of the book-entry system for the 2015 Bonds is discontinued.

To facilitate subsequent transfers, all 2015 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 2015 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 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015 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 2015 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2015 Bonds may wish to ascertain that the nominee holding the 2015 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 2015 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 2015 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 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2015 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 2015 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 2015 Installment Purchase Agreement and the 2015 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 2015 Installment Purchase Agreement and the 2015 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, the State Loans 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 Serial Bonds are retired as scheduled (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 Serial Bonds maturing by their terms 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, 2015 Series A (District No. 14 Subordinate 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 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, 2015 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 July 8, 2015.

“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 July 1, 2015, 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), (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, and (c) any other securities eligible for “AAA” defeasance under the then existing criteria of S&P.

“District” means County Sanitation District No. 14 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 July 1, 2015, 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 July 1, 2015, 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 October 1, 2015.

“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 District 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 District 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 September 15, 2015.

“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 Bonds” means the Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2005 Series B (District No. 14 Subordinate Revenue Bonds) issued under and pursuant to the Prior Indenture.

“Prior Indenture” means the Indenture, dated as of October 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.

“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 Loans” means the loan, installment sale or other contracts between the State, acting by and through the State Water Resources Control Board, and District No. 14 described as follows: Loan Contract (Contract No. 03-846-550-0; Project No. 4783-110), Loan Contract (Contract No. 03-847-550-0); Project No. 4783-210), Loan Contract (Contract No. 03-848-550-0; Project No. 4783-310), and Loan Contract (Contract No. 08-816-550-0; Project No. 4916-110), as such contracts were originally executed and as the same may from time to time be amended or supplemented in accordance with the terms thereof.

“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, the State Loans 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.

“**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 will represent and warrant 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 will represent and warrant 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 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 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 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 Contract 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.

State Loan Amendments. The District agrees that it will not consent to any amendment or supplement to, or otherwise take any action under or in connection with, any State Loan, the effect of which would be to increase the amount available to be borrowed under such State Loan beyond the amount available to be borrowed as of the date of the Installment Purchase Agreement; provided, however, that the District may so consent or take such action if and to the extent that such amendment, supplement or action is categorized, for all purposes of the Installment Agreement, as an additional Subordinate Revenue Contract in the amount of such increased amount and all conditions to the incurring of such Subordinate Revenue Contract set forth in the Installment Purchase Agreement, including those set forth in provisions summarized in the Installment Purchase Agreement under the heading “INSTALLMENT PURCHASE AGREEMENT – Additional Obligations –Subordinate Revenue Obligations,” are satisfied.

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, 2025, the District shall have the right to cause Authority Bonds maturing on or after October 1, 2026 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

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.

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, 2015, transfer from the Payment Fund and deposit in the Principal Account the aggregate principal amount of all Outstanding Bonds maturing on such October 1. No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate principal amount of all Outstanding Bonds maturing by their terms on such October 1. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they shall become due and payable.

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.

Use of Moneys in the Costs of Issuance Fund. 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 (a) the Person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) 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 in the Indenture contained 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, nonpresentation 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.

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 (a) 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 (b) 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

Liability of Authority Limited to Authority Revenues. 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.

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 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.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”), dated as of July 1, 2015, 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 July 1, 2015 (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, 2015 Series A (District No. 14 Subordinate Revenue Bonds) (the “Bonds”), in the aggregate principal amount of \$149,940,000;

WHEREAS, the Bonds are payable from and secured by installment payments to be made pursuant to the Installment Purchase Agreement, dated as of July 1, 2015 (the “Installment Purchase Agreement”), by and between the Authority and County Sanitation District No. 14 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. 14 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 July 1, 2015, 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 July 1, 2015, 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 April 1, 2015, 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 2014-15 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 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 the information contained in the Official Statement in Table Nos. 2, 3, 4, 5, 8, 9 and 10 (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: _____

**U.S. BANK NATIONAL ASSOCIATION,
AS TRUSTEE**

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, 2015 Series A (District No. 14 Subordinate Revenue Bonds)
Date of Issuance: July 8, 2015

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 July 1, 2015, 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 2015 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, proposes to render its final approving opinion with respect to the 2015 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, 2015 Series A
(District No. 14 Subordinate 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 \$149,940,000 aggregate principal amount of Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2015 Series A (District No. 14 Subordinate Revenue Bonds) (the “Bonds”), issued pursuant to the Indenture, dated as of July 1, 2015 (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 July 1, 2015 (the “Installment Purchase Agreement”), by and between County Sanitation District No. 14 of Los Angeles County (the “District”) and the Authority, the Tax Certificate and Agreement 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, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Installment Purchase Agreement and the 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, 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,

