

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described in this Official Statement, interest on the 2016A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 2016A Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS" with respect to tax consequences relating to the 2016A Bonds.



**\$112,875,000
WEST BASIN MUNICIPAL WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2016A**

Dated: Date of Issuance

Due: August 1, as set forth on the inside cover page

The 2016A Bonds are being issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the 2016A Bonds will not receive securities representing their beneficial ownership in the 2016A Bonds purchased. Interest on the 2016A Bonds is payable on each February 1 and August 1, commencing February 1, 2017, until the maturity thereof. The principal of and interest on the 2016A Bonds are payable by the Trustee to Cede & Co. and such interest and principal payments are to be disbursed to the beneficial owners of the 2016A Bonds through their nominees.

The 2016A Bonds are subject to optional and extraordinary redemption as more fully described herein.

The 2016A Bonds are being issued to provide funds, together with certain other moneys: (i) to refund \$98,035,000 of the outstanding West Basin Municipal Water District Refunding Revenue Certificates of Participation, Series 2008B maturing on and after August 1, 2019; and the \$31,800,000 currently outstanding West Basin Municipal Water District Adjustable Rate Revenue Certificates of Participation, Series 2010A and (ii) to pay costs of issuance of the 2016A Bonds, all as more fully described herein.

The 2016A Bonds are being issued pursuant to the Indenture of Trust, dated as of August 1, 2016, by and between the West Basin Municipal Water District and U.S. Bank National Association, as trustee. The 2016A Bonds are limited obligations of West Basin payable solely from Net Revenues of West Basin's Water System remaining after payment of Operation and Maintenance Costs, and from amounts on deposit in certain funds and accounts created under the Indenture.

No reserve fund has been established in connection with the issuance of the 2016A Bonds.

The obligation of West Basin to pay principal of and interest on the 2016A Bonds is payable from Net Revenues on a parity with approximately \$136,995,000 aggregate principal amount of the 2011A Bonds, 2011B Bonds and 2012A Bonds and installment payments under a 2010A Installment Purchase Agreement, and on a parity with scheduled payments in connection with two interest rate swap agreements as further described herein. West Basin may incur additional obligations payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2016A Bonds, subject to the terms and conditions of the Indenture, as more fully described herein.

The obligation of West Basin to pay principal of and interest on the 2016A Bonds pursuant to the Indenture does not constitute an obligation for which West Basin is obligated to levy or pledge any form of taxation or for which West Basin has levied or pledged any form of taxation. The obligation of West Basin to pay principal of and interest on the 2016A Bonds is a special obligation of West Basin payable solely from Net Revenues, and does not constitute a debt of West Basin or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction of the State of California.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

MATURITY SCHEDULE – See Inside Cover Page

The 2016A Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of the valid, legal and binding nature of the 2016A Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. The Underwriters are being represented by their counsel, Ballard Spahr LLP, Salt Lake City, Utah. Certain legal matters will be passed upon for West Basin by Lemieux & O'Neill, Westlake Village, California, and for the Trustee by its counsel. It is anticipated that the 2016A Bonds will be available for delivery through the facilities of The Depository Trust Company on or about October 27, 2016.

CITIGROUP

MORGAN STANLEY

STIFEL

\$112,875,000
WEST BASIN MUNICIPAL WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2016A

MATURITY SCHEDULE
BASE CUSIP[†] 951254

<i>Maturity Date (August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†] Suffix</i>
2017	\$ 680,000	2.00%	0.78%	100.923	BZ3
2018	695,000	3.00	0.83	103.785	CA7
2019	4,845,000	4.00	0.89	108.462	CB5
2020	5,025,000	4.00	0.96	111.202	CC3
2021	5,200,000	4.00	1.03	113.763	CD1
2022	5,345,000	5.00	1.10	121.711	CE9
2023	5,890,000	5.00	1.20	124.604	CF6
2024	6,180,000	5.00	1.32	127.059	CG4
2025	6,490,000	5.00	1.46	129.011	CH2
2026	6,815,000	5.00	1.60	129.155 ^c	CJ8
2027	7,150,000	5.00	1.76	127.573 ^c	CK5
2028	7,510,000	5.00	1.89	126.305 ^c	CL3
2029	7,880,000	5.00	2.01	125.148 ^c	CM1
2030	8,275,000	5.00	2.11	124.193 ^c	CN9
2031	8,685,000	5.00	2.18	123.529 ^c	CP4
2032	4,730,000	5.00	2.24	122.964 ^c	CQ2
2033	4,975,000	5.00	2.29	122.495 ^c	CR0
2034	5,230,000	5.00	2.34	122.029 ^c	CS8
2035	5,495,000	5.00	2.39	121.564 ^c	CT6
2036	5,780,000	5.00	2.43	121.194 ^c	CU3

^c Priced to first call date of February 1, 2026 at par.

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No dealer, broker, salesperson or other person has been authorized by West Basin or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by West Basin or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2016A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2016A Bonds. Statements contained in this Official Statement which 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 a representation of facts.

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.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of West Basin since the date hereof.

In connection with this offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the 2016A Bonds at a level that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2016A Bonds to certain dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

Certain statements contained in this Official Statement reflect not historical facts but forecasts and “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

The 2016A Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The 2016A Bonds have not been registered or qualified under the securities laws of any state. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such act.

West Basin maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2016A Bonds.

WEST BASIN MUNICIPAL WATER DISTRICT

BOARD OF DIRECTORS

Carol W. Kwan, President
Harold C. Williams, Vice President
Scott Houston, Treasurer
Donald L. Dear, Secretary
Gloria D. Gray, Immediate Past President

WEST BASIN STAFF

Richard Nagel, General Manager
Margaret Moggia, Chief Financial Officer

SPECIAL SERVICES

General Counsel

Lemieux & O'Neill
Westlake Village, California

Bond Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Trustee

U.S. Bank National Association
Los Angeles, California

Municipal Advisor

Public Financial Management, Inc.
Los Angeles, California

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement, and the offering of the 2016A Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not otherwise defined in this Summary Statement have the meanings ascribed to them in this Official Statement.

Purpose. The 2016A Bonds are being issued to provide funds, together with certain other moneys: (i) to refund \$98,035,000 of the outstanding West Basin Municipal Water District Refunding Revenue Certificates of Participation, Series 2008B maturing on and after August 1, 2019 and the \$31,800,000 currently outstanding West Basin Municipal Water District Adjustable Rate Revenue Certificates of Participation, Series 2010A; and (ii) to pay costs of issuance of the 2016A Bonds, all as more fully described herein.

Security for the 2016A Bonds. The 2016A Bonds are limited obligations of West Basin payable solely from Net Revenues of West Basin's Water System remaining after payment of Operation and Maintenance Costs, and from amounts on deposit in certain funds and accounts created under the Indenture. The obligation of West Basin to pay principal of and interest on the 2016A Bonds is payable from Net Revenues on a parity with payments with respect to approximately \$136,995,000 aggregate principal amount of the 2011A Bonds, 2011B Bonds and 2012A Bonds and installment payments under the 2010A Installment Purchase Agreement, and on a parity with scheduled payments in connection with two interest rate swap agreements. West Basin may incur additional obligations payable on a parity with the obligation to pay principal of and interest on the 2016A Bonds in the future as described herein.

The obligation of West Basin to pay principal of and interest on the 2016A Bonds pursuant to the Indenture does not constitute an obligation for which West Basin is obligated to levy or pledge any form of taxation or for which West Basin has levied or pledged any form of taxation. The obligation of West Basin to pay principal of and interest on the 2016A Bonds is a special obligation of West Basin payable solely from Net Revenues, and does not constitute a debt of West Basin or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction of the State of California.

The Refunding Plan. A portion of the proceeds of the 2016A Bonds will be transferred to MUFG Union Bank, N.A., as escrow agent, to refund \$98,035,000 of the outstanding West Basin Municipal Water District Refunding Revenue Certificates of Participation, Series 2008B maturing on and after August 1, 2019. See the caption "REFUNDING PLAN" herein.

A portion of the proceeds of the 2016A Bonds, together with other moneys contributed by West Basin, will be used to pay all of the outstanding West Basin Municipal Water District Refunding Revenue Certificates of Participation, Series 2010A as of the date of issuance of the 2016A Bonds.

Rate Covenant. The Indenture will require West Basin, to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 115% of Debt Service during such Fiscal Year, all as more particularly described herein.

For avoidance of doubt, so long as West Basin has complied with its obligations to fix and prescribe rates as set forth above, the failure of Net Revenues to meet the threshold set forth above at the end of a Fiscal Year shall not constitute a default or an Event of Default under the Indenture or for purposes of any continuing disclosure undertaking, including but not limited to the Continuing Disclosure Certificate.

Additional Contracts and Bonds Test. The Indenture permits West Basin to execute any Contracts or issue any Bonds on a parity with the obligation to pay principal of and interest on the 2016A Bonds, provided

that certain conditions are satisfied as described herein. The Indenture also permits West Basin to execute or issue obligations payable on a subordinate basis to the 2016A Bonds.

No Reserve Fund. No reserve fund has been established in connection with the issuance of the 2016A Bonds.

Redemption. The 2016A Bonds are subject to optional and extraordinary redemption from Net Proceeds of insurance or condemnation as described herein.

West Basin. West Basin is a municipal water district formed for the purpose of securing a supplemental supply of water for West Basin's inhabitants in order to reduce groundwater overdrafting. West Basin is a member agency of The Metropolitan Water District of Southern California. West Basin includes approximately 185 square miles of western Los Angeles County. West Basin has a population of approximately one million within its service area. West Basin currently purchases all of its imported water supply from MWD for sale to: (i) the Water Replenishment District of Southern California, a governmental agency located within and outside the boundaries of West Basin, for groundwater replenishment of two hydraulic seawater barriers; and (ii) 8 retail water suppliers within the boundaries of West Basin who in turn provide water to approximately 200,000 retail customers.

West Basin also purchases secondary effluent from the City of Los Angeles, and treats the effluent to produce recycled water for sale to certain retail water suppliers within and outside the boundaries of West Basin for nonpotable consumption, and to the Water Replenishment District of Southern California for groundwater replenishment of one hydraulic seawater barrier.

West Basin also operates a groundwater desalter to produce potable water for sale to one retail water supplier within the boundaries of West Basin.

These three sources of water permit West Basin to supply approximately 80% of the potable and nonpotable water used within its boundaries. Retail water suppliers within the boundaries of West Basin pump approximately 20% of the total water used within the boundaries of West Basin from local groundwater basins. West Basin is not responsible for managing such local groundwater basins and does not realize any revenues from groundwater pumping within the boundaries of West Basin by such retail water suppliers. See the caption "WEST BASIN MUNICIPAL WATER DISTRICT."

\$112,875,000
WEST BASIN MUNICIPAL WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2016A

INTRODUCTION

This Official Statement, including the cover page, the inside cover page and all appendices hereto, provides certain information concerning the sale and delivery of the West Basin Municipal Water District Refunding Revenue Bonds, Series 2016A (the “2016A Bonds”). The 2016A Bonds are being issued pursuant to an Indenture of Trust, dated as of August 1, 2016 (the “Indenture”), by and between the West Basin Municipal Water District (“West Basin” or the “District”) and U.S. Bank National Association, Los Angeles, California, as trustee (the “Trustee”). Descriptions and summaries of various documents set forth in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in Appendix B.

The 2016A Bonds are being issued to provide funds, together with certain other moneys: (i) to refund the \$98,035,000 of the outstanding West Basin Municipal Water District Refunding Revenue Certificates of Participation, Series 2008B maturing on and after August 1, 2019 (the “Refunded 2008B Certificates”) and the \$31,800,000 currently outstanding West Basin Municipal Water District Adjustable Rate Revenue Certificates of Participation, Series 2010A (the “2010A Certificates”); and (ii) to pay costs of issuance of the 2016A Bonds. See the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

The 2016A Bonds are limited obligations of West Basin payable solely from Net Revenues, which consist of Revenues of West Basin’s Water System remaining after payment of Operation and Maintenance Costs, as such terms are defined in Appendix B, and from amounts on deposit in certain funds and accounts created under the Indenture. The obligation of West Basin to make payments of principal of and interest on the 2016A Bonds is payable from Net Revenues on a parity with payments with respect to: (i) the Installment Purchase Agreement, dated as of June 1, 2010 (the “2010A Installment Purchase Agreement”), by and between West Basin and the West Basin Financing Corporation (the “Corporation”), which after the refunding described herein will be outstanding in the aggregate principal amount of approximately \$0; provided that West Basin may borrow additional amounts under the 2010A Installment Purchase Agreement from time to time in an amount not to exceed \$40,000,000, as more fully described under the caption “WEST BASIN MUNICIPAL DISTRICT—Outstanding Indebtedness and Interest Rate Swap Agreements—Parity Obligations—2010A Certificates;” (ii) the principal of and interest on the West Basin Municipal Water District Refunding Revenue Bonds, Series 2011A (the “2011A Bonds”) outstanding in the aggregate principal amount of \$32,765,000; (iii) the principal of and interest on the West Basin Municipal Water District Refunding Revenue Bonds, Series 2011B (the “2011B Bonds”) outstanding in the aggregate principal amount of \$60,275,000; (iv) the principal of and interest on the West Basin Municipal Water District Refunding Revenue Bonds, Series 2012A (the “2012A Bonds”) outstanding in the aggregate principal amount of \$43,955,000; and (v) scheduled payments in connection with two interest rate swap agreements, all as described under the caption “WEST BASIN MUNICIPAL WATER DISTRICT—Outstanding Indebtedness and Interest Rate Swap Agreements—Parity Obligations.”

West Basin may incur additional obligations payable on a parity with the obligation to pay principal of and interest on the 2016A Bonds in the future as described herein.

The obligation of West Basin to pay principal of and interest on the 2016A Bonds from Net Revenues is senior to the obligation to make payments under the Installment Purchase Agreement, dated as of April 1, 2008 (the “2008B Installment Purchase Agreement”), by and between West Basin and the Corporation, which after the refunding contemplated herein, will be outstanding in the aggregate principal amount of \$7,785,000,

as described under the caption “WEST BASIN MUNICIPAL WATER DISTRICT—Outstanding Indebtedness and Interest Rate Swap Agreements—Subordinate Obligations.”

The summaries and references to the Indenture and all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to the full Indenture and each such document, statute, report or instrument, copies of which are available for inspection at the offices of West Basin in Carson, California and will be available from the Trustee upon request and payment of duplication cost. The capitalization of any word not conventionally capitalized or otherwise defined herein indicates that such word is defined in the Indenture and, as used herein, has the meaning given to it in the Indenture. Unless otherwise indicated, all financial and statistical information herein has been provided by West Basin.

West Basin regularly prepares a variety of reports, including audits, budgets and related documents. Any registered owner of the 2016A Bonds (each, an “Owner”) may obtain a copy of such report, as available, from the Trustee or West Basin. Additional information regarding the Official Statement may be obtained by contacting the Trustee or West Basin Municipal Water District, 17140 South Avalon Boulevard, Suite 210, Carson, California 90746, Telephone: (310) 217-2411.

REFUNDING PLAN

Refunded 2008B Certificates

West Basin caused the execution and delivery of the Refunded 2008B Certificates pursuant to a Trust Agreement, dated as of April 1, 2008 (the “2008B Trust Agreement”), by and among West Basin, the Corporation and Union Bank, N.A. (formerly known as Union Bank of California, N.A.), as trustee (the “2008B Trustee”). The Refunded 2008B Certificates are payable from installment payments made under the 2008B Installment Purchase Agreement. West Basin plans to apply a portion of the proceeds of the 2016A Bonds to refund the Refunded 2008B Certificates.

Under an Escrow Agreement, dated as of August 1, 2016 (the “2008B Escrow Agreement”), by and between West Basin and the 2008B Trustee, West Basin will deliver a portion of the proceeds of the 2016A Bonds to the 2008B Trustee for deposit in the escrow fund established under the 2008B Escrow Agreement (the “2008B Escrow Fund”). See the caption “ESTIMATED SOURCES AND USES OF FUNDS.” Such amount will be held in cash or invested in direct obligations of the Department of Treasury of the United States of America (the “Defeasance Securities”). From the moneys and Defeasance Securities on deposit in the 2008B Escrow Fund, the 2008B Trustee will pay the interest with respect to the Refunded 2008B Certificates when due on and prior to August 1, 2018, and on August 1, 2018 will pay the principal of the Refunded 2008B Certificates, without premium.

As a result of the deposit and application of funds and Defeasance Securities as provided in the 2008B Escrow Agreement, the Refunded 2008B Certificates will be defeased pursuant to the provisions of the 2008B Installment Purchase Agreement and the 2008B Trust Agreement under which the Refunded 2008B Certificates were delivered, as of the date of issuance of the 2016A Bonds.

The amounts held by the 2008B Trustee in the 2008B Escrow Fund are pledged solely to the payment of the Refunded 2008B Certificates. The funds and Defeasance Securities deposited in the 2008B Escrow Fund will not be available for the payments of principal of and interest on the 2016A Bonds.

2010A Certificates

West Basin has caused the execution and delivery from time to time of 2010A Certificates pursuant to a Trust Agreement, dated as of June 1, 2010 (the “2010A Trust Agreement”), by and among West Basin, the Corporation and U.S. Bank National Association, as trustee (the “2010A Trustee”). The 2010A Certificates

function as a commercial paper program of West Basin, although all 2010A Certificates are purchased directly by U.S. Bank National Association. The 2010A Certificates are payable from installment payments made under the 2010A Installment Purchase Agreement. West Basin plans to apply a portion of the proceeds of the 2016A Bonds, together with other moneys contributed by West Basin, to pay all of the currently outstanding 2010A Certificates on or about the date of issuance of the 2016A Bonds.

Pursuant to the 2010A Installment Purchase Agreement West Basin may cause additional certificates of participation to be executed and delivered from time-to-time. West Basin expects to cause additional 2010A Certificates to be executed and delivered from time to time in an aggregate principal amount of not-to-exceed \$40,000,000, as described under the caption “WEST BASIN MUNICIPAL WATER DISTRICT—Future Water System Improvements.”

Verification

Upon issuance of the 2016A Bonds, Causey Demgen & Moore, Denver, Colorado (the “Verification Agent”) will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriters relating to: (a) the adequacy of the maturing principal of and interest on the Defeasance Securities to pay when due all interest and principal with respect to the Refunded 2008B Certificates and the 2010A Certificates (the “Refunded Certificates”) on and prior to the prepayment thereof and to pay the respective prepayment prices of the Refunded Certificates when due; and (b) the computations of yield of the 2016A Bonds and the Defeasance Securities which support Bond Counsel’s opinion that the interest on the 2016A Bonds is excluded from gross income for federal income tax purposes.

THE 2016A BONDS

General Provisions

The 2016A Bonds will be issued in the aggregate principal amount of \$112,875,000. The 2016A Bonds will be dated as of the date of initial issuance thereof (the “Issuance Date”), will bear interest from such date at the rates per annum set forth on the inside cover page hereof, payable on February 1 and August 1 of each year, commencing February 1, 2017 (each, an “Interest Payment Date”), and will mature on the dates set forth on the inside cover page hereof. Interest on the 2016A Bonds will be computed on the basis of a 360-day year of twelve thirty-day months.

The 2016A Bonds will be issued only in fully registered form and, when issued, 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 2016A Bonds. Ownership interests in the 2016A Bonds may be purchased in book entry form, in denominations of \$5,000 or any integral multiple thereof. See the caption “—Book Entry Only System” below and Appendix D.

In the event that the book entry only system described below is discontinued, the principal of and redemption premium (if any) on the 2016A Bonds are payable by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the office of the Trustee in Los Angeles, California (the “Office of the Trustee”). Interest on the 2016A Bonds is payable on each Interest Payment Date to the person whose name appears on the registration books maintained by the Trustee (the “Registration Books”) as the Owner thereof as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the “Record Date”), such interest to be paid by check of the Trustee, sent by first class mail on the applicable Interest Payment Date to the Owner at such Owner’s address as it appears on the Registration Books. An Owner of \$1,000,000 or more in principal amount of 2016A Bonds may, at such Owner’s option, be paid interest by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner.

prior to the applicable Record Date. The principal of and interest and premium, if any, on the 2016A Bonds will be payable in lawful money of the United States of America.

Interest on any 2016A Bond will be payable from the Interest Payment Date preceding the date of issuance thereof, unless such date is after a Record Date and on or before the succeeding Interest Payment Date, in which case interest thereon will be payable from such Interest Payment Date, or unless such date is on or before January 15, 2017, in which case interest thereon will be payable from the Issuance Date; provided, however, that if, as of the date of authentication of any 2016A Bond, interest thereon is in default, such 2016A Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Transfers and Exchanges Upon Termination of Book Entry Only System

In the event that the book entry system described above is abandoned, the 2016A Bonds will be printed and delivered as provided in the Indenture. Thereafter, any 2016A Bond may, in accordance with its terms, be transferred on 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 2016A Bond for cancellation at the Office of the Trustee, accompanied by delivery of a duly executed instrument of transfer in a form approved by the Trustee. Upon the surrender of a 2016A Bond for transfer, the Trustee is to issue a new 2016A Bond or 2016A Bonds of the same maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new 2016A Bond issued upon any transfer. The Trustee may require the payment by any 2016A Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2016A Bonds, the Trustee will cancel and destroy the 2016A Bonds it has received.

2016A Bonds may be exchanged at the Office of the Trustee, for a like aggregate principal amount of 2016A Bonds of other authorized denominations of the same maturity. The Trustee may charge a sum for each new 2016A Bond issued upon any exchange except in the case of any exchange of temporary 2016A Bonds for definitive 2016A Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2016A Bonds, the Trustee will cancel and destroy the 2016A Bonds it has received.

The Trustee is not required to register the exchange or transfer of any 2016A Bond: (i) within 15 days preceding selection of 2016A Bonds for redemption; or (ii) selected for redemption.

Redemption of the 2016A Bonds

Optional Redemption. The 2016A Bonds maturing on or after August 1, 2026 are subject to redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by West Basin and by lot within each maturity in integral multiples of \$5,000, on or after February 1, 2026, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Extraordinary Redemption. The 2016A Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by West Basin by lot within each maturity in integral multiples of \$5,000 from Net Proceeds of insurance or condemnation, upon the terms and conditions of, and as provided for in, the Indenture, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. See Appendix B under the captions "PARTICULAR COVENANTS—Insurance" and "PARTICULAR COVENANTS—Eminent Domain Proceeds," respectively, for a description of the circumstances under which the 2016A Bonds could be subject to extraordinary redemption from Net Proceeds of insurance or condemnation.

Notice of Redemption

When redemption is authorized or required, the Trustee will give notice to the Owners of the 2016A Bonds designated for redemption. Notice of redemption will be mailed by first class mail at least 20 days but not more than 60 days before any Redemption Date, to the respective Owners of any 2016A Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services; provided that, in the case of notice of optional redemption not related to an advance or current refunding, such notice may be given only if sufficient funds have been deposited with the Trustee to pay the applicable Redemption Price of the 2016A Bonds to be redeemed, provided that such notice may be cancelled by West Basin upon Written Request delivered to the Trustee not less than five (5) days prior to such Redemption Date. Each notice of redemption will state the date of notice, the Redemption Date, the place or places of redemption, the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all 2016A Bonds of any such maturity are to be redeemed, the serial numbers of the 2016A Bonds of such maturity to be redeemed by giving the individual number of each 2016A Bond or by stating that all 2016A Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2016A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the Redemption Date there will become due and payable on each of said 2016A Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2016A Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon ceases to accrue, and will require that such 2016A Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2016A Bond. Notice of redemption of 2016A Bonds will be given by the Trustee, at the expense of West Basin, for and on behalf of West Basin.

With respect to any notice of optional redemption of 2016A Bonds, such notice will state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2016A Bonds to be redeemed and that, if such moneys have not been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such 2016A Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Book Entry Only System

One fully-registered 2016A Bond of each maturity will be issued in the principal amount of the 2016A Bonds of such maturity. Such 2016A Bond will be registered in the name of Cede & Co. and will be deposited with DTC.

West Basin may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, the 2016A Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

West Basin cannot and does not give any assurances that DTC participants or others will distribute payments of principal of and interest on the 2016A Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D for additional information concerning DTC.

DEBT SERVICE PAYMENT SCHEDULE

Set forth below is an annualized schedule of principal of and interest on the 2016A Bonds and other Bonds and Contract payments for the period ending August 1 in each of the years indicated:

<i>2016A Bonds</i>					
<i>August 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Parity Obligations⁽¹⁾</i>	<i>Total</i>
2017	\$ 680,000	\$ 4,154,715	\$ 4,834,715	\$ 34,361,448	\$ 39,196,163
2018	695,000	5,445,150	6,140,150	31,186,145	37,326,295
2019	4,845,000	5,424,300	10,269,300	27,995,974	38,265,274
2020	5,025,000	5,230,500	10,255,500	24,818,774	35,074,274
2021	5,200,000	5,029,500	10,229,500	21,641,082	31,870,582
2022	5,345,000	4,821,500	10,166,500	20,122,788	30,289,288
2023	5,890,000	4,554,250	10,444,250	18,539,103	28,983,353
2024	6,180,000	4,259,750	10,439,750	17,019,608	27,459,358
2025	6,490,000	3,950,750	10,440,750	15,710,220	26,150,970
2026	6,815,000	3,626,250	10,441,250	13,940,768	24,382,018
2027	7,150,000	3,285,500	10,435,500	12,584,250	23,019,750
2028	7,510,000	2,928,000	10,438,000	12,587,500	23,025,500
2029	7,880,000	2,552,500	10,432,500	12,592,000	23,024,500
2030	8,275,000	2,158,500	10,433,500	5,741,500	16,175,000
2031	8,685,000	1,744,750	10,429,750	5,742,500	16,172,250
2032	4,730,000	1,310,500	6,040,500	5,743,250	11,783,750
2033	4,975,000	1,074,000	6,049,000	5,743,250	11,792,250
2034	5,230,000	825,250	6,055,250	5,742,000	11,797,250
2035	5,495,000	563,750	6,058,750	5,744,000	11,802,750
2036	5,780,000	289,000	6,069,000	5,743,500	11,812,500
TOTAL	\$ 112,875,000	\$ 63,228,415	\$ 176,103,415	\$ 297,556,410	\$ 473,659,825

⁽¹⁾ Reflects projected receipts with respect to the 2004A Swap Agreement and the 2007A Swap Agreement and amounts payable with respect to the 2011A Bonds, the 2011B Bonds and the 2012A Bonds, all of which are payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2016A Bonds. Debt Service Payment Schedule does not include debt service on the 2010A Certificates, which will be refunded with the 2016A Bonds. See, however, the caption “WEST BASIN MUNICIPAL WATER DISTRICT—Outstanding Indebtedness and Interest Rate Swap Agreements”. See the caption “WEST BASIN MUNICIPAL WATER DISTRICT—Outstanding Indebtedness and Interest Rate Swap Agreements—Parity Obligations.”

Source: West Basin.

SECURITY FOR THE 2016A BONDS

Limited Obligations Payable From Net Revenues

West Basin is obligated to make payments of principal of and interest on the 2016A Bonds solely from Net Revenues of the West Basin Water System. The term “Net Revenues” means, for any Fiscal Year of West Basin (currently, West Basin’s Fiscal Year commences July 1 of each year) (“Fiscal Year”), the Revenues for such Fiscal Year less the Operation and Maintenance Costs of the Water System for such Fiscal Year. The obligation to make payments of principal of and interest on the 2016A Bonds is payable on a parity with the obligation of West Basin to make payments with respect to approximately \$136,995,000 aggregate principal amount of the 2011A Bonds, 2011B Bonds and 2012A Bonds and installment payments under the 2010A Installment Purchase Agreement and scheduled payments in connection with two interest rate swap agreements. See Appendix B—“DEFINITIONS AND SUMMARY OF INDENTURE” for a detailed discussion of the terms of the Indenture. See the caption “WEST BASIN MUNICIPAL WATER DISTRICT—Outstanding Indebtedness and Interest Rate Swap Agreements” for a discussion of parity and subordinate obligations.

The obligation of West Basin to pay principal of and interest on the 2016A Bonds pursuant to the Indenture does not constitute an obligation for which West Basin is obligated to levy or pledge any form of taxation or for which West Basin has levied or pledged any form of taxation. The obligation of West Basin to pay principal of and interest on the 2016A Bonds is a special obligation of West Basin payable solely from Net Revenues, and does not constitute a debt of West Basin or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction of the State of California.

Rate Covenant

The Indenture will require West Basin, to the fullest extent permitted by law, to fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 115% of the Debt Service for such Fiscal Year. West Basin may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the Indenture.

For avoidance of doubt, so long as West Basin has complied with its obligations to fix and prescribe rates as set forth in the Indenture, the failure of Net Revenues to meet the threshold set forth above at the end of a Fiscal Year will not constitute a default or an Event of Default under the Indenture or for purposes of any continuing disclosure undertaking, including but not limited to the Continuing Disclosure Certificate.

Additional West Basin Indebtedness

West Basin may at any time execute any Contracts or issue any Bonds payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2016A Bonds, provided that certain conditions are satisfied as provided below.

(a) The Net Revenues for the most recent audited Fiscal Year preceding the date of adoption by the Board of Directors of West Basin (the “Board”) of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by West Basin and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with West Basin, produce a sum equal to at least 115% of the Debt Service for such Fiscal Year; and

(b) The Net Revenues for the most recent audited Fiscal Year preceding the date of the execution of such Contract or the date of adoption by the Board of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a calculation prepared by West Basin, produce a sum equal to at least 115% of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year, plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and

(c) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Parity Project, as evidenced by a certificate of the General Manager of West Basin on file with West Basin, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a

certificate of the General Manager on file with West Basin, produce a sum equal to at least 115% of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects; and

Notwithstanding the foregoing, Bonds or Contracts may be issued or incurred to refund outstanding Bonds or Contracts if, after giving effect to the application of the proceeds thereof, total Debt Service will not be increased more than 5% in any Fiscal Year in which Bonds or Contracts (outstanding on the date of issuance or incurrence of such refunding Bonds or Contracts, but excluding such refunding Bonds or Contracts) not being refunded are outstanding.

No Reserve Fund

No reserve fund has been established in connection with the issuance of the 2016A Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds:

Sources⁽¹⁾:

Principal Amount	\$ 112,875,000
Plus Original Issue Premium	25,614,241
Transferred Moneys ⁽²⁾	<u>20,781</u>
Total Sources	<u><u>\$ 138,510,022</u></u>

Uses⁽¹⁾:

2008B Escrow Fund	\$ 106,188,228
Payments of the 2010A Certificates	31,878,802
Costs of Issuance ⁽³⁾	<u>442,992</u>
Total Uses	<u><u>\$ 138,510,022</u></u>

⁽¹⁾ All amounts rounded to the nearest \$1. Totals may not add due to rounding.

⁽²⁾ Reflects interest accrued with respect to the 2010A Certificates through October 27, 2016.

⁽³⁾ Includes Underwriters' discount and certain legal, financing and printing costs.

WEST BASIN MUNICIPAL WATER DISTRICT

General

West Basin was formed in 1947 under the Municipal Water District Law, Division 20 of the Water Code of the State of California, for the purpose of securing a supplemental supply of water for inhabitants of West Basin's service area to reduce groundwater overdrafting. West Basin is a member agency of The Metropolitan Water District of Southern California ("MWD") and began receiving MWD water in 1948.

West Basin is located in Los Angeles County (the "County") and includes approximately 185 square miles of the western portion of the County bordering on the Pacific Ocean from Malibu in the north to the Palos Verdes Peninsula in the south. West Basin has a population of approximately one million within its service area. West Basin currently purchases all of its imported water supply from MWD for sale to: (i) the Water Replenishment District of Southern California ("WRD"), a governmental agency located within and outside the boundaries of West Basin, for groundwater replenishment of two hydraulic seawater barriers, the Dominguez Gap Barrier and the West Coast Barrier (collectively, the "Barrier"); and (ii) 8 retail water

suppliers within the boundaries of West Basin who in turn provide water to approximately 200,000 retail customers.

West Basin also purchases secondary effluent from the City of Los Angeles and treats the effluent to produce recycled water for sale to certain retail water suppliers within and outside the boundaries of West Basin for nonpotable consumption and to WRD for the West Coast Barrier. In addition, West Basin operates a groundwater desalter to produce potable water for sale to one retail water supplier just outside the boundaries of West Basin.

These three sources of water permit West Basin to supply approximately 80% of the potable and nonpotable water used within the boundaries of West Basin. Retail water suppliers within the boundaries of West Basin pump approximately 20% of the total water used within the boundaries of West Basin from local groundwater basins. West Basin is not responsible for managing such local groundwater basins and does not realize any revenues from groundwater pumping within the boundaries of West Basin by such retail water suppliers.

Land and Land Use

West Basin contains approximately 185 square miles of land in the southwestern portion of the County. Seventeen cities and other unincorporated areas are within the boundaries of West Basin. The urban areas of West Basin are substantially developed and West Basin does not currently expect to see significant new development occurring within its boundaries.

The climate of West Basin is primarily coastal with a temperate climate. The terrain ranges from flat coastal plain along the Pacific Ocean to mountainous areas and includes portions of the Santa Monica Mountains.

Governance and Management

West Basin is governed by a five member Board, who are elected by the registered voters in West Basin to staggered four year terms. The current directors, their occupations and the expiration dates of their terms are set forth below.

<i>Director</i>	<i>Expiration of Term</i>	<i>Occupation</i>
Carol W. Kwan, President	December 2016	Environmental Consultant
Harold C. Williams, Vice President	December 2018	Civil Engineer
Scott Houston, Treasurer	December 2018	Account Manager
Donald L. Dear, Secretary	December 2016	Retired Mayor
Gloria D. Gray, Immediate Past President	December 2018	Retired Health and Human Services Administrator

Day-to-day management of West Basin is delegated to the General Manager, Richard Nagel. Mr. Nagel was named General Manager by the West Basin Board in May 2006. Mr. Nagel was previously employed as Manager of Water Quality between 2000 and 2006, and has been responsible for all aspects of Water Quality and Research programs, through collaborative meetings and discussions with numerous public and regulatory agencies on groundwater quality issues, remedial investigation activities and various water treatment studies, as well as overseeing numerous reports on groundwater studies and the effects of various contaminants.

Mr. Nagel has over 30 years of experience in the water supply and wastewater arena. Before joining West Basin, Mr. Nagel was employed as the Assistant Upper Los Angeles River Area Watermaster for five years. As the Assistant Watermaster, Mr. Nagel managed the development of the annual publications of two court-mandated reports, led the investigation of numerous water rights issues, supervised groundwater quality

and contamination studies, monitoring system development, modeling activities and water supply analyses. During that time, Mr. Nagel was the Manager of the Central and West Coast Groundwater Basins and Project Manager for the Los Angeles Department of Water and Power. Prior to joining the Los Angeles Department of Water and Power in 1994, Mr. Nagel was the Manager of Mono Basin Studies for two years. From 1989-1992, Mr. Nagel was the Coordinator of the Remedial Investigation of Groundwater Contamination in the San Fernando Basin.

A registered engineer, Mr. Nagel graduated from San Diego State University with a Bachelor of Science in Civil Engineering. Mr. Nagel is on the Board of Directors for the WateReuse Foundation, Board of Directors of the California WateReuse Association and is a Board member of the Multi-State Salinity Coalition and an alternate Board member of the National Water Research Institute. He was named 2011 Person of the Year by the WateReuse Association for his significant contributions to the advancement of water reuse and dedication to the water reuse community. Mr. Nagel also served on the California Department of Water Resources Recycled Water Task Force and the Los Angeles County Department of Public Works Recycled Water Task Force. Mr. Nagel was a two-year member of the Los Angeles Department of Water and Power Speakers Bureau and has served as the President, Vice President and Secretary of the Los Angeles Department of Water and Power's Water Engineers Club.

Margaret Moggia is the Chief Financial Officer of West Basin. Ms. Moggia oversees the treasury and debt management, accounting, purchasing and contracts and building and information technology functions of West Basin. Ms. Moggia joined West Basin as Assistant Manager of Finance in 1995 and has served as Chief Financial Officer since 2004. Prior to coming to West Basin, Ms. Moggia was a senior associate at Coopers & Lybrand, focusing on the Government and Not-for-Profit sector. In her role as Chief Financial Officer, Ms. Moggia has sought to improve the reporting of financial information and establish key financial policies to help ensure that West Basin plans and achieves critical financial indicators. Over the past few years, Ms. Moggia has received awards from the Government Finance Officers Association with respect to West Basin's budget and comprehensive annual financial report, as well as a budget award from the California Society of Municipal Finance Officers and the Government Finance Officers Association. In addition, Ms. Moggia received an award from the Association of Public Treasurers for preparing West Basin's Model Investment Policy. Ms. Moggia has also guided the development of three other critical policies, West Basin's Debt Management Policy, Swap Policy and Designated Funds (Reserve) Policy and is currently reviewing a Disclosure Policy. Ms. Moggia, a Certified Public Accountant, currently serves as President of the California Municipal Treasurers Association, a committee member to the Government Finance Officers Association subcommittee on Accounting, Audit and Financial Reporting, as well as serving on three committees for the California Society of Municipal Finance Officers.

Powers

Under the Law, West Basin has broad general powers over the use of water within its boundaries, including the right of eminent domain and the authority to acquire, control, distribute, store, spread, sink, treat, purify, reclaim, recapture and salvage any water for beneficial use, to acquire, construct and operate facilities for the collection, treatment, and disposal of sewage, waste and storm water, to sell potable or nonpotable water, to contract with the United States, other public agencies, private corporations, or other persons and, subject to constitutional limitations, to levy assessments, taxes and standby charges on lands.

Employees and Employee Benefits

General. West Basin currently employs 42 full-time persons, of whom 27 work in the operations, public affairs and engineering departments and 15 work in accounting or administration. None of West Basin's employees are presently represented by a union. West Basin has not experienced any strike or other labor actions.

West Basin currently contracts with SUEZ Water Environmental Services, Inc. (“Suez”) for the operation and maintenance of its Edward C. Little Water Recycling Facility (the “Treatment Plant”) and satellite facilities, and currently contracts with a local water utility for operation and maintenance of the recycled water distribution pipeline system (the “Recycled Water System”). Approximately 4 interns and 57 full time positions are utilized by Suez to fulfill its contract obligations at the Treatment Plant and satellite facilities.

West Basin’s labor expenses, including salaries, benefits, PERS payments and other post-employment benefit payments, constitute an average of approximately 5% of its total annual budgeted expenses.

Pension Plan. West Basin is a member of the California Public Employees Retirement System (“PERS”), a cost-sharing multiple-employer pension system which provides a contributory defined-benefit pension plan for West Basin employees. Required employer and employee contributions are determined from rates established by PERS based upon various actuarial assumptions. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS 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 and contract with employee bargaining groups. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost-sharing plans that are administered by PERS. A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2015 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2015 Annual Actuarial Valuation Report. This report is a publicly available valuation report that can be obtained at PERS’ website under “Forms and Publications.” Copies of PERS’ annual financial report may be obtained from its executive office at 400 “Q” Street, Sacramento, California 95811.

Participants hired prior to January 1, 2013 are required to contribute 8% of their annual covered salary to the PERS system. West Basin makes the contributions required of its employees on their behalf and for their account. For the employer’s portion, West Basin is required to contribute at an actuarially determined rate; as of July 1, 2016, the rate is 13.504% of annual covered payroll. The contribution requirements of plan members and West Basin are established and may be amended by PERS.

On September 12, 2012, the Governor of the State signed Assembly Bill 340 (“AB 340”), which implements pension reform in the State. Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer-paid member contributions to such retirement systems for employees hired after January 1, 2013 who were not already enrolled in PERS through their previous employers; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; and (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36 month period. For the employer’s portion, West Basin is required to contribute at an actuarially determined rate; as of July 1, 2016, the rate is 6.93% of annual covered payroll. The contribution requirements of plan members and West Basin are established and may be amended by PERS.

Other provisions cap pensionable income at \$117,020 (\$140,424 for employees not enrolled in Social Security), subject to Consumer Price Index increases, and reduce the risk of agencies incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit (“air time”).

If AB 340 is implemented fully, PERS estimates savings for local agency plans of approximately \$1.653 billion to \$2.355 billion over the next 30 years due primarily to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to West Basin have not been quantified.

Provisions in AB 340 will not likely have a material effect on West Basin's PERS contributions in the short term. However, additional employee contributions, limits on pensionable compensation and higher retirement ages for new members will reduce West Basin's unfunded actuarial accrued liability over time and potentially reduce West Basin's contribution levels in the long term.

West Basin complies with AB 340's compulsory reduced formula for employees subject to AB 340 who are hired after January 1, 2013. About 25% of West Basin's current employees fall within the AB 340 requirement.

Effective for the Fiscal Year ending June 30, 2015, West Basin complied with Governmental Accounting Standards Board Statement No. 68, and has determined its measurement period as June 30, 2014. The total net pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses: includes inflation
Mortality Rate Table	Derived using PERS' Membership Data for all funds

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for Fiscal Years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at PERS' website under "Forms and Publications."

The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, PERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at PERS' website under the GASB 68 section.

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by PERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportional allocations of individual plan amounts as of the valuation date are used where not available.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the Miscellaneous Risk Pool ("Risk Pool") as a whole on the valuation date (June 30, 2013). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

(2) Using standard actuarial roll forward methods, the Risk Pool TPL is then computed at the measurement date (June 30, 2014). Risk Pool FNP at the measurement date is then subtracted from this number to compute the NPL for the Risk Pool at the measurement date.

Note: for purposes of FNP in this step (2) and any later reference thereto, the Risk Pool's FNP at the measurement date denotes the aggregate Risk Pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the Risk Pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the Risk Pool TPL generated in (2) multiplied by the TPL ratio generated in (4).

The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The plan's proportion of aggregate employer contributions is equal to the plan's proportion of FNP calculated in (4). The plan's proportionate share of Risk Pool pension expense is developed as the sum of the related proportionate shares of the components of the aggregate pension expense.

The following table shows the plan's proportionate share of the net pension liability over the measurement period:

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i> <i>(a)</i>	<i>Plan Fiduciary Net Position</i> <i>(b)</i>	<i>Net Pension Liability</i> <i>(c) = (a) - (b)</i>
Balance at: 6/30/2013 (VD)	\$8,433,066	\$6,581,226	\$1,851,840
Balance at: 6/30/2014 (MD)	8,934,915	7,675,190	1,259,725
Net Changes during 2013-14	501,849	1,093,964	(592,115)

West Basin's proportionate share of the net pension liability as of June 30, 2014 was .02024%.

For more information with respect to West Basin's pension obligation see Note 6 to the Financial Statements set forth in Appendix A hereto.

PARS. West Basin has established a defined benefit, single-employer retirement plan that provides a pension benefit for full-time elected or appointed Directors:

Tier I: Members retire from West Basin after July 1, 2002 and assumed office prior to January 1, 2013, who are at least age 50 with 5 or more years of continuous service, who have not been a PERS member prior to January 1, 2003.

Tier II: Members retire from West Basin after July 1, 2002 and assumed office prior to January 1, 2013, who have assumed office on or after January 1, 1995, who are at least age 55 with 12

or more years of continuous service, and who are not eligible for another District retiree benefit.

Tier III: Members assumed office on or after January 1, 2013, who are at least age 52 with 5 or more years of continuous service, and who have not been a PERS member prior to January 2003.

This plan is administered for West Basin through a third party administrator, PARS. Copies of PARS' annual financial report may be obtained from its executive office at 4350 Von Karman Ave. Suite 100, Newport Beach, California 92660.

The pension benefit for Tier I members starts at 2% of the highest average annual salary for a one year period of employment with West Basin at age 50, increases by 0.1% for each year after age of 50, capped at 3% at 60. For Tier II members, the benefit is increased by a 2% annual Cost of Living Adjustment after retirement with the annual Supplemental benefit of \$5,000. West Basin contributes to each benefit on behalf of the eligible directors. For Tier III members, the benefit starts at 1% of the highest average annual compensation paid during any 36 consecutive months, capped at 2.5% at age 67. The Tier III members contribute up to 50% of the normal cost which was 7% as of June 30, 2015.

Currently, West Basin has 7 persons eligible for at least one of the tier benefits.

West Basin's funding policy is to make the contribution as determined by the plan's actuary, expressed as a percentage of total Director's payroll. The plan's annual pension cost for the Fiscal Year ending June 30, 2015, is based on an actuarial valuation as of June 30, 2014. For the Fiscal Year ending June 30, 2015, West Basin's annual pension cost is \$165,000 or 51.8% of the projected total Director payroll. West Basin contributed \$85,906 to the plan.

Actuarial Valuation Date:	June 30, 2014
Asset Valuation Method:	Smoothed market value
Discount rate:	5.5%
Mortality:	Post-retirement mortality rates are from the PERS 1997-2011 Experience Study
General Inflation:	3%
Aggregate payroll Increase:	3%
Termination:	None assumed
Salary Scale:	Individual payroll increases are the lesser of 5% and inflation
Retirement Age:	Employees will immediately retire upon the later of eligibility for benefits (which is usually the expiration of the third term on the Board), or end of the current term on the Board

Discount Rate. The discount rate used to measure the total pension liability was 5.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, the actuary stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 5.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

The following table shows the changes in net pension liability recognized over the measurement period:

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability (a)</i>	<i>Plan Fiduciary Net Position (b)</i>	<i>Net Pension Liability/(Asset) (c) = (a) - (b)</i>
Balance at: 6/30/2014	\$ 924,000	\$ 1,070,000	\$ (146,000)
Changes Recognized for the Measurement Period:			
Service Cost	73,000	-	73,000
Interest on the Total Pension Liability	55,000	-	55,000
Differences between Expected and Actual Experience			
Contributions from the Employer	-	115,000	(115,000)
Contributions from Employees	-	-	-
Investment Income	-	102,000	(102,000)
Administrative Expense	-	(33,000)	33,000
Benefit Payments, including Refunds of Employee Contributions			
Net Changes during 2013-14	\$ 128,000	\$ 184,000	\$ (56,000)
Balance at: 6/30/2015	\$ 1,052,000	\$ 1,254,000	\$ (202,000)

For more information with respect to West Basin's pension obligation see Note 6 to the Financial Statements set forth in Appendix A hereto.

Other Post-Employment Benefits. West Basin provides post-employment health and dental benefits ("OPEB") in accordance with West Basin's administrative code to all employees who retire from West Basin on or after attaining age 55 with a minimum of 10 consecutive years of service or the Rule of 75 (age plus PERS or reciprocal) with at least five years of service with West Basin. Board directors who assumed office prior to January 1, 1995 and retire from West Basin at age 55 or older with a minimum of 12 consecutive years of service are also eligible for this benefit. As of June 30, 2016, there were 8 retirees who meet these eligibility requirements. Copies of California Employer's Benefit Retirement Trust ("CEBRT") annual financial report can be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

Governmental Accounting Standards Board Statement No. 45 ("GASB 45") requires governmental agencies to account for and report the outstanding obligations and commitments related to such post-employment benefits in essentially the same manner as for pensions. While requiring West Basin to disclose the unfunded actuarial accrued liability and the annual required contribution (the actuarial value of benefits earned during a Fiscal Year plus costs to amortize the unfunded actuarial accrued liability, or "ARC") in its financial statements, GASB 45 does not require West Basin to fund the ARC.

In 2008, West Basin entered into a contract with the CEBRT pursuant to which West Basin initially deposited \$1,080,000 in 2009 toward West Basin's unfunded actuarial accrued liability. In subsequent years, West Basin has paid the ARC in full and in Fiscal Year 2014, West Basin paid the balance of the unfunded actuarially accrued liability. West Basin intends to continue to pay the ARC each year.

This table summarizes West Basin's annual OPEB costs, annual OPEB contribution, cash directly paid to retired employees, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation from Fiscal Year 2013 to Fiscal Year 2015.

<i>Year Ended</i>	<i>Annual OPEB Cost</i>	<i>Annual OPEB Contributed/Paid</i>	<i>% of Annual OPEB Contributed/Paid</i>	<i>Net OPEB Obligation (Asset)</i>
6/30/2013	\$ 475,703	\$ 487,300	102%	\$ (664,947)
6/30/2014	4,413,859	3,748,912	85	-
6/30/2015	440,774	440,774	100	-

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Method. The actuarial assumptions included a 7.5% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and annual cost trend rate of 9.5% for medical plan premiums initially, reduced by decrements of 0.5% per year to an ultimate rate of 5% after the ninth year. The plan values its assets at market value. All the rates included a 3.25% inflation assumption. West Basin's amortization period of the Unfunded Actuarial Accrued Liability is one year. It is assumed West Basin's payroll will increase 3.25% per year.

For more information with respect to West Basin's OPEB, see Note 7 to the Financial Statements set forth in Appendix A hereto.

Budget Process

Prior to June 1 of each year, the General Manager of West Basin submits a proposed budget for West Basin for the Fiscal Year commencing the following July 1 to the Board. The Board generally conducts public workshops to obtain comments from customers of retail agencies served by West Basin, residents and ratepayers. Subsequent to the public workshops, the Board approves the budget prior to July 1. The Board approved the West Basin operating budget for Fiscal Year 2017 on May 31, 2016. In addition, West Basin is required to hold a public hearing prior to adoption or readoption of the existing standby charge. The Board held a public hearing on March 29, 2016 prior to readopting the standby charge for Fiscal Year 2017.

The budget for West Basin is prepared on the accrual basis. For budgeting purposes, West Basin generally sets user charges to cover operating expenses of the particular services, including water purchases from MWD, and West Basin uses standby charge revenue to finance capital projects and pay debt service. See Appendix A—“WEST BASIN MUNICIPAL WATER DISTRICT FINANCIAL STATEMENTS.”

Insurance

Since 1989, West Basin has maintained liability and property insurance through the Association of California Water Agencies Joint Powers Insurance Authority (“ACWA-JPIA”). The liability program has no deductible. There is a \$25,000 property insurance deductible for buildings, personal property and fixed equipment, and a \$1,000 deductible for mobile equipment. West Basin’s property insurance coverage also includes fidelity coverage, with a \$1,000 deductible, and boiler and machinery coverage, with deductibles varying by the type of equipment.

West Basin’s general liability, automobile liability and public officials liability coverage all include \$2,000,000 pooled self-insured coverage from ACWA-JPIA and \$58,000,000 in coverage through private carriers. West Basin’s property insurance coverage includes \$100,000 pooled self-insured coverage from ACWA-JPIA and \$150,000,000 in coverage from private carriers. West Basin does not currently purchase earthquake coverage as part of its general liability insurance. West Basin’s fidelity insurance coverage includes \$100,000 pooled self-insured coverage from ACWA-JPIA. West Basin maintains worker’s compensation insurance with the State Compensation Insurance Fund up to statutory limits.

Outstanding Indebtedness and Interest Rate Swap Agreements

Parity Obligations

2010A Certificates. West Basin has previously caused to be delivered certificates of participation (the “2010A Certificates”) in an aggregate principal amount not to exceed \$40,000,000 outstanding at any one time pursuant to the 2010A Trust Agreement to finance capital improvements to West Basin’s Water System on an interim basis. Simultaneously with the issuance of the 2016A Bonds, the currently outstanding amount of the 2010A Certificates will be paid from the proceeds of the 2016A Bonds. Pursuant to the 2010A Installment Purchase Agreement West Basin may cause additional certificates of participation to be executed and delivered from time-to-time. West Basin expects to cause additional 2010A Certificates in the estimated aggregate principal amount of approximately \$30,800,000 to be delivered in Fiscal Years 2017 and 2018 as described under the caption “—Future Water System Improvements.” In connection with the execution and delivery of the 2010A Certificates, West Basin entered into the 2010A Installment Purchase Agreement, pursuant to the terms of which West Basin is obligated to make payments to the Corporation for the purchase of the projects described therein. The obligation of West Basin to make payments pursuant to the 2010A Installment Purchase Agreement is payable from Net Revenues on a parity with the obligation of West Basin to pay principal of and interest on the 2016A Bonds.

2011A Bonds. West Basin issued the 2011A Bonds in September 2011 in the aggregate principal amount of \$34,190,000 pursuant to an Indenture of Trust, dated as of October 1, 2010, by and between West Basin and U.S. Bank National Association, as trustee. As of September 1, 2016, the 2011A Bonds were outstanding in aggregate principal amount of \$32,765,000. The obligation of West Basin to pay the principal of and interest on the 2011A Bonds is payable from Net Revenues on a parity with the obligation of West Basin to pay principal of and interest on the 2016A Bonds.

2011B Bonds. West Basin issued the 2011B Bonds in October 2011 in the aggregate principal amount of \$60,275,000 pursuant to an Indenture of Trust, dated as of September 1, 2011, by and between West Basin and U.S. Bank National Association, as trustee. The 2011B Bonds were used to refund a portion of the West Basin Municipal Water District Refunding Revenue Certificates of Participation, Series 2003A (the “2003A Certificates”) and all of the 2010A Certificates outstanding on such date. As of September 1, 2016, \$60,275,000 of the 2011B Bonds remain outstanding. The obligation of West Basin to pay the principal of and interest on the 2011B Bonds is payable from Net Revenues on a parity with the obligation of West Basin to pay principal of and interest on the 2016A Bonds.

2012A Bonds. West Basin issued the 2012A Bonds in April 2012 in the aggregate principal amount of \$50,325,000 pursuant to an Indenture of Trust, dated as of March 1, 2012, by and between West Basin and U.S. Bank National Association, as trustee. The 2012A Bonds were used to refund a portion of the 2003A Certificates and a portion of the 2010A Certificates outstanding on such date. As of September 1, 2016, \$43,955,000 of the 2012A Bonds remain outstanding. The obligation of West Basin to pay the principal of and interest on the 2012A Bonds is payable from Net Revenues on a parity with the obligation of West Basin to pay principal of and interest on the 2016A Bonds.

2004A Swap Agreement. West Basin entered into a swap agreement, dated June 8, 2004 (the “Original Swap”), with Citibank, N.A., New York (“Citibank”) in connection with the execution and delivery of certain certificates of participation. West Basin entered into an Amended and Restated Confirmation (together with the Original Swap, the “2004A Swap Agreement”) in 2008. The District expects that the 2004A Swap Agreement will hedge a portion of the 2010A Certificates to be issued in future Fiscal Years. Under the 2004A Swap Agreement, West Basin pays a fixed rate of 3.662% and receives a floating rate computed in accordance with the 2004A Swap Agreement. Under certain circumstances, the 2004A Swap Agreement may be terminated and West Basin may be required to make a substantial termination payment to Citibank based on market interest rates at the time of termination. Any such termination payment owed by West Basin would be payable on a basis that is subordinate to the obligation of West Basin to pay principal of and interest on the

2016A Bonds. As of June 30, 2016, West Basin had an unrealized and unrecorded loss of approximately \$2,434,226 related to the 2004A Swap Agreement based on the market interest rates in effect at June 30, 2016, and in accordance with GASB 72 “Fair Value.”

The terms of the 2004A Swap Agreement will not alter or affect any of the obligations of West Basin with respect to payments of principal of or interest with respect to the 2010A Certificates. No person other than West Basin will have any rights under the 2004A Swap Agreement or against Citibank in connection therewith.

2007A Swap Agreement. West Basin entered into a confirmation of the Original Swap, dated April 26, 2005 (the “2007A Confirmation”), with Citibank in connection with the execution and delivery of certain certificates of participation. West Basin entered into an Amended and Restated Confirmation (together with the 2007A Confirmation and the Original Swap, the “2007A Swap Agreement”) in 2008. The District expects that the 2007A Swap Agreement will hedge a portion of the 2010A Certificates to be issued in future Fiscal Years. Under the 2007A Swap Agreement, West Basin pays a fixed rate of 3.515% and receives a floating rate computed in accordance with the 2007A Swap Agreement. Under certain circumstances, the 2007A Swap Agreement may be terminated and West Basin may be required to make a substantial termination payment to Citibank based on market interest rates at the time of termination. Any such termination payment owed by West Basin would be payable on a basis that is subordinate to the obligation of West Basin to pay principal of and interest on the 2016A Bonds. As of June 30, 2016, West Basin had an unrealized and unrecorded loss of approximately \$738,728 related to the 2007A Swap Agreement based on the market interest rates in effect at June 30, 2016, and in accordance with GASB 72 “Fair Value”.

The terms of the 2007A Swap Agreement will not alter or affect any of the obligations of West Basin to pay principal of and interest with respect to the 2010A Certificates. No person other than West Basin will have any rights under the 2007A Swap Agreement or against Citibank in connection therewith.

Subordinate Obligations. West Basin caused to be delivered the West Basin Municipal Water District Refunding Revenue Certificates of Participation, Series 2008B (the “2008B Certificates”) in an aggregate principal amount of \$128,665,000 pursuant to the 2008B Trust Agreement to refinance certain capital improvements of West Basin’s Water System. After the refunding contemplated herein, the 2008B Certificates will be outstanding in an aggregate principal amount of \$7,785,000. In connection with the execution and delivery of the 2008B Certificates, West Basin entered into the 2008B Installment Purchase Agreement, pursuant to the terms of which West Basin is obligated to make payments to the Corporation for the purchase of the projects described therein. The obligation of West Basin to make payments pursuant to the 2008B Installment Purchase Agreement is payable from Net Revenues on a basis that is subordinate to the obligation of West Basin to pay principal of and interest on the 2016A Bonds.

Water Operations

Imported Water. West Basin has 43 active service connections to MWD feeder lines which range in capacity from 4 to 160 cubic feet per second. All service connections are owned and operated by MWD. The treated water that MWD provides to West Basin is primarily processed at the Jensen Plant in the San Fernando Valley, but some treated supplies are also processed at the Weymouth Plant in the City of La Verne. The treatment process for Colorado River water and Northern California water includes flocculation, coagulation, sedimentation, filtration, chlorination, and, at the Jensen Plant, ozone treatment. Delivery of Northern California water blended with Colorado River water began in 1971. West Basin does not own or operate any treatment facilities or any pipelines for transmission and distribution of MWD imported water. For additional information concerning West Basin water purchases from MWD and rates and charges, see the captions “—Historic Imported Water and Groundwater Usage” and “—Water System Rates and Charges.”

MWD faces various challenges in the continued supply of imported water to West Basin and other member agencies. A description of these challenges as well as a variety of other operating information with

respect to MWD is included in detail under the captions “RISK FACTORS” and “Appendix A – THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA.” to MWD’s Official Statement dated June 22, 2016, relating to its Water Revenue Refunding Bonds, 2016 Series A (“MWD’s Water Supply Disclosure”). West Basin incorporates MWD’s Water Supply Disclosure by specific reference in this Official Statement. MWD’s Water Supply Disclosure is on file with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“EMMA”) and can be accessed at <http://emma.msrb.org/>. MWD’s Water Supply Disclosure is the disclosure of MWD and, accordingly, West Basin does not make any representations as to the accuracy or completeness of MWD’s Water Supply Disclosure or as to the absence of material adverse changes in MWD’s Water Supply Disclosure after the date hereof.

MWD has not reviewed this Official Statement and has made no representations or warranties with respect to the accuracy or completeness of the information contained or incorporated herein, including information with regard to MWD. MWD is not contractually obligated, and has not undertaken, to update such MWD information for the benefit of West Basin or the owners of the 2016A Bonds under Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the “Rule”).

Desalter. West Basin currently owns and operates a 1.5 million gallon per day (“mgd”) desalter (the “Desalter”) in Torrance, California. West Basin sells all of the produced water of the Desalter to California Water Service Company – Dominguez Division (“Dominguez”), which is the retail water provider for portions of the City of Carson and the City of Torrance. The Desalter has been in operation since May 3, 1993.

Recycled Water System. The Recycled Water System of West Basin includes the Treatment Plant, one 5 mgd satellite nitrification treatment facility, one 8.2 mgd satellite nitrification and microfiltration/reverse osmosis plant, one 5.9 mgd satellite nitrification and microfiltration/reverse osmosis plant and approximately 100 miles of pipeline and certain related facilities. West Basin purchases secondary treated effluent (“Effluent”) from the City of Los Angeles Hyperion Water Reclamation Plant (“Hyperion”) pursuant to the terms of an agreement (the “DWP Agreement”) with the Department of Water and Power of the City of Los Angeles (“DWP”). Pursuant to the DWP Agreement, West Basin can purchase surplus Effluent from Hyperion at a cost of \$7.50 per acre foot. The DWP Agreement terminates in 2017 unless extended or unless terminated on an earlier date because the City Council of the City of Los Angeles determines that the Effluent is no longer surplus to the needs of the City of Los Angeles. West Basin currently expects that the DWP Agreement will be extended on or prior to the current termination date on terms mutually agreeable to DWP and West Basin, although there can be no assurance that such an extension will occur.

Pursuant to the DWP Agreement, the City of Los Angeles has a right to purchase up to 25,000 acre feet of recycled water from West Basin per year. Purchases by the City of Los Angeles totaled approximately 945 acre feet in Fiscal Year 2014, 882 acre feet in Fiscal Year 2015 and 779 acre feet in Fiscal Year 2016.

West Basin pumps the Effluent to the Treatment Plant, which is located in the City of El Segundo where the water is additionally treated prior to distribution through the Recycled Water System. Four different treatment processes are utilized at the Treatment Plant. One treatment process, referred to as disinfected tertiary treatment, will produce up to 40 mgd of filtered and disinfected water for irrigation and industrial use (“Title 22 Recycled Water”) upon completion of the Treatment Plant expansion. Title 22 Recycled Water is supplied to the three satellite facilities described above and is delivered to approximately 228 users or 424 connections through the pipeline distribution system of approximately 100 miles, which is owned by West Basin. The second treatment process, referred to as Barrier treatment, is capable of producing up to 17.5 mgd of desalinated recycled water. West Basin sells such water to WRD for injection into the seawater intrusion Barrier (“Barrier Recycled Water”). The third and fourth treatment processes will produce up to 4.8 mgd of desalinated recycled water. West Basin sells such water to the Chevron Refinery for use in the boilers of the Chevron Refinery and to a power generation facility operated by NRG Energy.

Title 22 Recycled Water is further processed at satellite treatment plants serving the Chevron Refinery in El Segundo (the “Chevron Nitrification Treatment Plant”), the Torrance Refinery in Torrance (the “Torrance

Refinery Water Recycling Plant") and the Tesoro Refinery in Carson (the "Juanita Millender-McDonald Carson Regional Water Recycling Plant").

The Chevron Nitrification Treatment Plant was completed in 1995 and Chevron has been purchasing recycled water since May 1995.

The Torrance Refinery Water Recycling Plant has two different treatment processes. The first, completed in 1995, removes ammonia to enhance the water quality for use in the refinery cooling towers. The second treatment process, completed in 1998, desalinates the recycled water for use in the refinery boilers.

The Juanita Millender-McDonald Carson Regional Water Recycling Plant, completed in 1999, has two different treatment processes. The first process removes ammonia. The second process desalinates the recycled water. The product from the two processes are blended and used in the refinery cooling towers.

Service Area

The boundaries of West Basin encompass approximately 185 square miles in the southwestern portion of the County. West Basin wholesales imported water to WRD and 8 retail agencies within the boundaries of West Basin who in turn provide retail water service throughout West Basin. The retail agencies have approximately 200,000 retail customers. The retail agency customers provide water to all or a portion of 17 cities, including Carson, Culver City, El Segundo, Gardena, Hawthorne, Hermosa Beach, Inglewood, Lawndale, Lomita, Malibu, Manhattan Beach, Palos Verdes Estates, Rancho Palos Verdes, Redondo Beach, Rolling Hills and Rolling Hills Estates and certain other unincorporated area of the County. West Basin estimates that water connections to the retail agencies are approximately 59% residential, 19% commercial, 5% industrial, 6% governmental, 1.5% agricultural or other and 9.5% unclassified.

West Basin also sells imported water to WRD for injection by the Los Angeles County Department of Public Works into the groundwater basin to prevent seawater from intruding into the basin and to replenish local groundwater supplies. See the caption "—Water Operations—Recycled Water System." WRD is located both within and outside the boundaries of West Basin.

West Basin also produces and sells desalinated water to Dominguez, which serves portions of the City of Carson and the City of Torrance. See the caption "—Water Operations—Desalter."

West Basin produces and sells recycled water to certain retail agencies for delivery to individual customers within the boundaries of West Basin, and to the City of Torrance for delivery to the Torrance Refining Company, LLC and certain other customers. West Basin also sells recycled water to DWP for delivery to customers in the City of Los Angeles. Recycled water is presently available within certain areas within the West Basin service area and recycled water is currently sold to 424 users. See the caption "—Water Operations—Recycled Water System."

Historic Imported Water and Groundwater Usage

West Basin records the volume of imported water purchased by West Basin from MWD and sold to the retail agencies and to WRD for injection in the Barrier as well as the volume of groundwater pumped by the retail agencies from the West Coast Groundwater Basin (the "West Coast Basin"). Wholesale purchases of MWD water from West Basin by retail agencies and WRD and groundwater pumping by retail agencies within the West Coast Basin vary significantly from year to year, reflecting weather conditions, pricing and other factors outside of West Basin's direct control. The adjudicated groundwater pumping limit from the West Coast Basin (which comprises an area larger than West Basin's service area) is approximately 64,000 acre feet and retail agencies within the West Coast Basin have pumped an average of approximately 38,600 acre feet of groundwater over the last three years. Because of operational constraints and other challenges to increasing

groundwater pumping capacity, West Basin does not expect the amount of groundwater pumped by retail agencies within West Basin's service area to increase significantly in future years.

The following table presents a summary of historic MWD imported water purchases by the retail agencies and WRD through West Basin, desalinated water sold to Dominguez by West Basin, recycled water sold to the retail agencies by West Basin and groundwater pumped by retail agencies from the West Coast Basin for the last five Fiscal Years.

**HISTORIC WATER PURCHASES AND GROUNDWATER
PUMPED BY WEST BASIN'S CUSTOMERS FROM WEST COAST BASIN
(IN ACRE FEET PER YEAR)**

<i>Fiscal Year (Ending June 30)</i>	<i>MWD Non- Interruptible</i>	<i>MWD Seawater Barrier⁽¹⁾</i>	<i>West Basin Desalted Water</i>	<i>West Basin Recycled Water⁽²⁾</i>	<i>Total Water Purchased from West Basin</i>	<i>Retail Agency Groundwater⁽³⁾</i>	<i>Total</i>
2016 ⁽⁴⁾⁽⁵⁾	103,638	3,681	779	35,003	143,101	32,424	175,525
2015 ⁽⁵⁾	105,540	7,354	690	35,251	148,835	39,096	187,931
2014	111,659	9,285	817	36,720	158,481	42,294	200,775
2013	108,550	11,320	825	29,962	150,657	43,303	193,960
2012	105,309	8,057	958	27,659	141,983	38,152	180,135

⁽¹⁾ Reflects potable water sales to WRD for injection into both the West Coast and Dominguez Gap Barriers.

⁽²⁾ Includes sales to WRD for injection into the Barrier. See the caption "—Water Operations—Recycled Water System."

⁽³⁾ West Basin does not realize any revenues from groundwater pumping within the boundaries of West Basin by retail water suppliers.

⁽⁴⁾ Unaudited.

⁽⁵⁾ Reduced MWD non-interruptible purchases reflects mandated conservation. See the caption "The Current Drought in California."

Source: West Basin.

Historic Treated Water Sales by Customer

The following table presents a summary of all historic water sales by West Basin to each retail agency, the City of Torrance, DWP and WRD for the last five Fiscal Years.

WEST BASIN MUNICIPAL WATER DISTRICT HISTORIC TREATED WATER SALES TO CUSTOMERS⁽¹⁾ (IN ACRE FEET)

	Fiscal Year 2016⁽²⁾	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
California American Water	415	238	667	1,019	902
California Water Service	57,367	70,361	70,679	65,185	62,797
El Segundo, City of	16,781	17,387	16,681	17,144	17,848
Inglewood, City of	7,458	8,174	9,028	9,021	8,327
Lomita, City of	1,374	1,463	1,788	2,275	2,336
Manhattan Beach, City of	3,738	3,496	3,849	3,863	3,757
Torrance, City of ⁽²⁾	4,012	5,270	6,529	6,634	6,352
Golden State Water Company	25,791	12,622	16,516	11,637	15,399
LA Co. Public Works 29-58	7,932	9,182	10,090	9,234	8,802
DWP ⁽²⁾	874	886	998	966	876
WRD	<u>17,358</u>	<u>19,757</u>	<u>21,658</u>	<u>23,679</u>	<u>14,587</u>
Totals	143,101	148,835	158,481	150,657	141,983

⁽¹⁾ Reflects the combined total of non-interruptible and seawater Barrier recycled water and desalter sales within and outside West Basin.

⁽²⁾ Unaudited.

Source: West Basin.

Historic Desalinated Water Sales

Desalinated water sales totaled 958 acre feet in Fiscal Year 2012, 825 acre feet in Fiscal Year 2013, 817 acre feet in Fiscal Year 2014, 690 acre feet in Fiscal Year 2015 and 779 acre feet in Fiscal Year 2016 (unaudited). See the caption “—Historic Imported Water and Groundwater Usage.”

Historic Recycled Water Sales

Operation of the Treatment Plant commenced on April 1, 1995. Recycled water accounts and sales for the last five Fiscal Years, identified by the four largest purchasers and others, are set forth below:

WEST BASIN MUNICIPAL WATER DISTRICT ANNUAL RECYCLED WATER SALES (IN ACRE FEET)

<i>Fiscal Year (Ending June 30)</i>	<i>Number of Accounts⁽¹⁾</i>	<i>City of El Segundo (Chevron Refinery)</i>	<i>City of Torrance (Torrance Refinery)</i>	<i>City of Carson (Tesoro Refinery)</i>	<i>WRD</i>	<i>Other</i>	<i>Total</i>
2016 ⁽²⁾	424	8,290	3,596 ⁽³⁾	5,183	13,677	4,257	35,003
2015	404	8,635	4,887 ⁽³⁾	5,024	12,403	4,302	35,251
2014	394	7,891	6,167	5,572	12,372	4,718	36,820
2013	390	7,146	6,348	5,208	6,622	4,638	29,962
2012	376	6,397	6,060	5,019	6,530	3,653	27,659

⁽¹⁾ Figures in this column are not in acre feet.

⁽²⁾ Unaudited.

⁽³⁾ Recycled water sales to the Chevron, Tesoro and Torrance Refining Company, declined in 2015 and 2016 due to refurbishment of certain West Basin facilities. Those refurbishments are now complete. Torrance Refining Company sales were also down due to an explosion in February 2015; operations restarted in May 2016.

Source: West Basin.

Approximately 61% of Fiscal Year 2016 recycled water revenues were received from the Chevron Refinery, the Torrance Refining Company, LLC and the Tesoro Refinery and approximately 25% of Fiscal Year 2016 recycled water revenues were received from WRD. Reduction of recycled water purchases by any or all of these four customers would have a material adverse impact on receipt of recycled water revenues.

The Current Drought in California

Governor's Executive Orders. Hydrological conditions in California can vary widely from year to year. In 2013, much of California experienced one of the driest years on record and such dry conditions continued through January 2014. Due to these record-dry conditions, Governor Edmund G. Brown (the "Governor") proclaimed a drought emergency on January 17, 2014.

On April 1, 2015, Governor Brown issued an executive order (the "2015 Executive Order") mandating, among other provisions, a 25% reduction in potable urban water usage in California (as compared to potable water usage in 2013) through February 28, 2016. On February 2, 2016, the reductions mandated by the 2015 Executive Order were extended through October 31, 2016. In connection with such extension, the general framework of the regulations implementing the 2015 Executive Order described below were left intact, however, urban water suppliers are now provided credits and adjustments based on climate and recognition of significant investments made to create local, drought-resilient sources of potable water.

On May 9, 2016, the Governor issued an executive order directing the SWRCB to adjust and extend the SWRCB's emergency water conservation regulations through the end of January 2017 (the "2016 Executive Order"). On May 18, 2016 and in accordance with the 2016 Executive Order, the SWRCB adopted an emergency water conservation regulation (the "2016 SWRCB Regulation") that replaced its February 2, 2016 emergency regulation and extends through January 31, 2017. The 2016 SWRCB Regulation requires urban water suppliers, including retail water agencies within the District, to develop conservation standards based upon each urban water supplier's specific circumstances and replaces the prior percentage reduction-based standard described above.

While the 2016 SWRCB Regulation does not require the District, as a wholesaler, to develop a conservation standard, the District was required to calculate the volume of water it expects it would deliver to each urban water supplier in the next three years under the assumptions set forth in the 2016 SWRCB Regulation and to post this calculation and the underlying analysis on a publicly-available webpage no later than June 15, 2016. On June 15, 2016, the District posted the report required by the 2016 SWRCB Regulation to the District's website, and updated such report on June 27, 2016 in response to information set forth in a June 22, 2016 memorandum issued by the SWRCB to clarify questions regarding the underlying analysis for reports required by the 2016 SWRCB Regulation.

Continued reduction in water sales may adversely affect the District's projected operating results set forth under the caption "FINANCIAL INFORMATION OF THE DISTRICT—Projected Operating Results and Debt Service Coverage." Notwithstanding potential reduced water sales, the District is obligated under the Indenture to set rates and charges which are reasonably expected to provide Revenues at least to 1.15 times the sum of all Debt Service due in each Fiscal Year as more particularly described under the caption "SECURITY FOR THE 2016A BONDS—Rate Covenant."

Water System Rates and Charges

General. West Basin is not subject by statute to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The West Basin staff annually determines, at the direction of the Board, the adequacy of West Basin water charge structure after full consideration of expected operations, maintenance and capital costs. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" for certain constitutional provisions which may affect West Basin's ability to raise rates and charges.

In January 2003, MWD enacted a new rate structure for its member agencies. As part of this new rate structure, MWD offered member agencies such as West Basin the right to enter into a water supply purchase order (the "Purchase Order") committing the member agency to purchase and pay for the contracted amount of treated imported water whether it is used or not. West Basin committed to purchase at least 1,045,824 acre feet of non-interruptible water between January 2003 and December 2012. In late 2012, MWD extended the Purchase Order for an additional two years. The benefit to West Basin of entering into the Purchase Order with MWD was the ability to purchase up to 90% of its base amount of water at the lower Tier 1 rate. MWD customers without Purchase Orders are only permitted to purchase up to 60% of their base amount at the cheaper Tier 1 rate. West Basin elected not to renew a Purchase Order with MWD when presented with the opportunity in early 2015. For calendar year 2016, the MWD Tier 1 rate for full service treated domestic water is \$942 per acre foot and the Tier 2 rate is \$1,076 per acre foot.

Reliability Service Charges. MWD supplies imported water to West Basin on a seasonal basis (primarily for groundwater replenishment purposes) and on a firm or non-interruptible basis (primarily for domestic and industrial purposes). The reliability service charge increased from \$194 per acre foot for all types of imported water in Fiscal Year 2016 to \$223 per acre foot in Fiscal Year 2017. In addition to the reliability service charge, MWD assesses a fixed fee on all MWD constituent agencies, including West Basin, called a "Readiness-to-Serve" charge (the "RTS Charge") based on historic imported water purchases. West Basin has chosen to recover the MWD RTS Charge from the retail agencies through a per-acre foot water charge collected from the retail agencies.

West Basin's Reliability Service Charge is effective on July 1st of each fiscal year while MWD's water rates and charges are effective January 1st of each calendar year. As such the rates shown below are average West Basin rates for imported water per acre foot for the indicated fiscal years:

	2012	2013	2014	2015	2016
Treated Non-interruptible & Barrier (Tier 1)	\$994	\$1,063	\$1,132	\$1,188	\$1,242
Treated Non-interruptible & Barrier (Tier 2)	\$1,120	\$1,201	\$1,278	\$1,325	\$1,375

The table below delineates the Fiscal Year 2017 water rates for West Basin, including the rate paid by West Basin to MWD.

IMPORTED WATER RATE SUMMARY⁽¹⁾
FISCAL YEAR 2017

	<i>July 1, 2016 to December 31, 2016</i>			
	<i>MWD⁽²⁾</i>	<i>Reliability Service Charge</i>	<i>RTS</i>	<i>Total</i>
Treated Non-Interruptible & Barrier (Tier 1)	\$942	\$223	\$118	\$1,283
Treated Non-Interruptible & Barrier (Tier 2)	1,076	223	118	1,417
	<i>January 1, 2017 to June 30, 2017</i>			
	<i>MWD⁽³⁾</i>	<i>Reliability Service Charge</i>	<i>RTS</i>	<i>Total</i>
Treated Non-Interruptible & Barrier (Tier 1)	\$979	\$223	\$116	\$1,318
Treated Non-Interruptible & Barrier (Tier 2)	1,073	223	116	1,412

⁽¹⁾ The Board approved the reliability service charge and the RTS Charge for Fiscal Year 2017 on April 25, 2016. See the caption “—Budget Process.”

⁽²⁾ Reflects MWD rates effective January 1, 2016 to December 31, 2016.

⁽³⁾ Reflects MWD rates effective January 1, 2017 to December 31, 2017.

Source: West Basin.

MWD currently projects that rates for treated water will increase in each of the current next four Fiscal Years as shown in the following table.

**PROJECTED MWD WATER RATES
(PER ACRE FOOT)**

<i>Effective Date⁽¹⁾</i>	<i>Non-Interruptible</i>		<i>MWD RTS Charge</i>	<i>Non-Interruptible Services⁽²⁾</i>
	<i>Tier 1</i>	<i>Tier 2</i>		
January 1, 2017	\$979	\$1,073	\$116	
January 1, 2018	1,015	1,101	111	
January 1, 2019	1,056	1,186	114	
January 1, 2020	1,098	1,228	115	
January 1, 2021	1,142	1,272	113	

⁽¹⁾ The water rates described above as effective January 1, 2017 and January 1, 2018 have been adopted by MWD’s Board. The water rates described above as effective January 1, 2019, January 1, 2020 and January 1, 2021 are rates that are projected but that have not been approved by MWD’s Board.

⁽²⁾ Reflects adopted rate for year beginning January 1, 2017 and West Basin estimate for future years. MWD has not provided the projected RTS Charge for future years.

Source: West Basin.

West Basin’s current policy is to pass through all MWD rate increases to the retail water suppliers taking delivery of such water.

Because the largest single component of treated water rates is the cost of water purchased from MWD, West Basin has adjusted and expects to adjust treated water rates to customers of West Basin as the cost of treated water purchased from MWD changes.

Desalted Water Rates. West Basin currently charges California Water Service, Dominguez the effective MWD non-interruptible rate per acre foot for desalinated water. Currently, such rate is \$1,060. West Basin currently projects that desalinated water rates will increase by approximately \$39 per acre foot per year over the next five Fiscal Years, reaching a projected rate of \$1,255 in Fiscal Year 2022.

Recycled Water Rates. West Basin currently charges Title 22 Recycled Water users on a declining block rate structure. In addition to Title 22 Recycled Water rates, West Basin sets rates for other, more highly treated recycled water as set forth below. In addition, West Basin receives a payment from MWD of \$250 per acre foot of recycled water sold. The rebate is currently scheduled to expire in 2020. See the caption “—MWD Rebate” below.

Recycled water rates per acre foot for the five most recent Fiscal Years are as follows:

	2012	2013	2014	2015	2016
Recycled-T22	\$775	\$840	\$908	\$955	\$1,005
Recycled-T22 OSA	817	882	950	997	1,047
Recycled-Barrier	553	565	578	586	605
Recycled-Industrial RO	1,003	1,068	1,136	1,183	1,233
Recycled-Ultra RO	1,359	1,424	1,492	1,539	1,589
Recycled-Nitrified	755	820	888	935	985

⁽¹⁾ Represents the highest tier rate of a declining tiered rate structure.

Source: West Basin

Recycled Water rates for Fiscal Year 2017 are as follows:

	2017
Recycled-T22	\$1,069
Recycled-T22 OSA	1,111
Recycled-Barrier	618
Recycled-Industrial RO	1,297
Recycled-Ultra RO	1,653
Recycled-Nitrified	1,049

Source: West Basin

The fifth expansion of the Treatment Plant was completed in 2013. This expansion is intended by West Basin to increase production to approximately 17,000 acre feet per year of Barrier treated water, or 100% injection to the West Coast Barrier, and approximately 525 acre feet per year to El Segundo Power. The 2009 amendment to West Basin’s agreement with WRD increased the amount of recycled water to be delivered by West Basin to up to 17,000 acre feet per year, which could potentially be 100% of the water injected into the Barrier. The additional 4,500 acre feet above 12,500 acre feet will be delivered at a rate that is expected to be sufficient to cover West Basin’s water production costs and the capital cost of the fifth expansion of the Treatment Plant, up to 95% of West Basin’s Tier 1 potable water rate. The recycled water agreement with WRD expires, without any further action of either party, on the later of January 27, 2023, or final maturity of the debt issued for the Treatment Plant expansion project plus two additional years, but in no case later than January 27, 2030.

West Basin is currently discussing potential changes to the recycled water agreement with WRD, including but not limited to pricing terms. There is no assurance that such changes will be agreed to by West Basin or WRD. West Basin does not expect any changes to such agreement with WRD to have a material adverse effect on West Basin’s ability to pay debt service on the 2016A Bonds. See the caption “—Water Operations—Recycled Water System.”

This expansion also included a new ozone treatment system for those sales that use reverse osmosis in order to lower future operating costs through reductions in treatment chemical expenses and labor costs. In addition, over 11,000 acre feet of recycled water capacity for irrigation and industrial use will be added. See the caption “—Projected Operating Results and Debt Service Coverage.”

For planning purposes, West Basin projects recycled water rate increases to approximate the dollar increase of non-interruptible sales in the current and each of the next four Fiscal Years. Actual West Basin rates for Title 22 Recycled Water may vary significantly depending on the actual quantities of recycled water sold and the costs associated with producing recycled water.

Recycled Water Fixed Payments

Torrance Refining Company Fixed Payments. Pursuant to an agreement entered into by and among West Basin, PBF Holding Company, LLC, as assignee of Exxon Mobil Oil Corporation (“PBF”) and the City of Torrance (the “PBF Agreement”), West Basin has agreed to wholesale recycled water to the City of Torrance for resale by the City of Torrance to PBF, subject to the terms and conditions set forth therein. PBF is obligated to make certain fixed payments to the City of Torrance and the City of Torrance is obligated to make certain fixed payments to West Basin (the “PBF Fixed Payment”) to defray a portion of the capital costs of the construction of the PBF Satellite Treatment Plant. In addition, West Basin charges to the City of Torrance and the City of Torrance charges to PBF the West Basin recycled water rate for recycled water purchased by PBF. The PBF Agreement contains a variety of provisions relating to operational and water quality guarantees by West Basin, pricing policy and termination events. As a result, the fixed payment from PBF is not a “take-or-pay” obligation of PBF and there can be no assurance that the PBF Fixed Payment will be received by West Basin in any particular year.

Under certain circumstances, PBF would be required to prepay to the City of Torrance and the City of Torrance would be required to prepay all remaining West Basin capital costs relating to the PBF Satellite Treatment Plant in the event that the PBF Agreement is terminated. In those cases where PBF would not be required to make such prepayment, West Basin could be required to increase rates and charges to other customers or reduce expenditures in order to pay principal of and interest on the 2016A Bonds and to comply with its obligations under the Indenture. The ability of West Basin to raise rates and charges or reduce expenses will depend upon the law, facts and circumstances at the time. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES” for certain constitutional provisions which may affect the ability of West Basin to raise rates and charges.

Chevron Fixed Payments. Under West Basin’s current recycled water rate policy, West Basin charges the City of El Segundo a fixed monthly charge for making recycled water available to the City of El Segundo for sale to Chevron. Such charge is incurred regardless of whether the City of El Segundo purchases recycled water from West Basin for resale to Chevron. In addition, West Basin charges the City of El Segundo the regular West Basin recycled water rate for recycled water purchased by the City of El Segundo for resale to Chevron. Neither the City of El Segundo nor Chevron are contractually obligated to make such fixed monthly payment and there can be no assurance that if Chevron reduces or suspends recycled water purchases from the City of El Segundo or fails to pay the fixed monthly charge that the City of El Segundo will continue to pay to West Basin such fixed monthly charge. If all or a portion of such fixed monthly charge is not paid, West Basin could be required to increase rates and charges to other customers or reduce expenditures in order to pay principal of and interest on the 2016A Bonds and to comply with its obligations under the Indenture. The ability of West Basin to raise rates and charges or to reduce expenses will depend upon the law, facts and circumstances at the time. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES” for certain constitutional provisions which may affect the ability of West Basin to raise rates and charges.

1997 PBF Agreement. Pursuant to the terms of an agreement (the “1997 PBF Agreement”) with PBF, West Basin made certain operational guarantees, agreed to certain pricing policies and is subject to

termination events which are similar those set forth in the PBF Agreement. The fixed payment obligation of PBF under the 1997 PBF Agreement is not a “take-or-pay” obligation of PBF and there is no assurance that a fixed payment will be received by West Basin in any year. In addition, the 1997 PBF Agreement includes provisions that allow PBF, under circumstances similar to those set forth in the PBF Agreement, to terminate such agreement without prepaying all remaining fixed payments. Under such circumstance, West Basin could be required to increase rates and charges to other customers or reduce expenditures in order to pay principal of and interest on the 2016A Bonds and to comply with its obligations under the Indenture. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES” for certain constitutional provisions which may affect the ability of West Basin to raise rates and charges.

Tesoro Refinery Fixed Payment. Pursuant to the terms of an agreement with Tesoro (the “Tesoro Agreement”), West Basin made certain operational guarantees, agreed to certain pricing policies and is subject to certain termination events. The fixed payment obligation of Tesoro under the Tesoro Agreement is not a “take-or-pay” obligation of Tesoro and there is no assurance that a fixed payment will be received by West Basin in any year. In addition, the Tesoro Agreement includes provisions that allow Tesoro, under certain circumstances, to terminate such agreement without prepaying all remaining fixed payments. Under such circumstance, West Basin could be required to increase rates and charges to other customers or reduce expenditures in order to pay principal of and interest on the 2016A Bonds and to comply with its obligations under the Indenture. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES” for certain constitutional provisions which may affect the ability of West Basin to raise rates and charges.

1999 Chevron Agreement. Pursuant to the terms of an agreement (the “1999 Chevron Agreement”) with Chevron, West Basin made certain operational guarantees, agreed to certain pricing policies and is subject to certain termination events. The fixed payment obligation of Chevron under the 1999 Chevron Agreement is not a “take-or-pay” obligation of Chevron and there is no assurance that a fixed payment will be received by West Basin in any year. In addition, the 1999 Chevron Agreement includes provisions that allow Chevron, under certain circumstances, to terminate such agreement without prepaying all remaining fixed payments. Under such circumstance, West Basin could be required to increase rates and charges to other customers or reduce expenditures in order to pay principal of and interest on the 2016A Bonds and to comply with its obligations under the Indenture. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES” for certain constitutional provisions which may affect the ability of West Basin to raise rates and charges.

Standby Charges

West Basin is currently exercising its statutory authority to impose a standby charge (the “Standby Charges”) on all assessable parcels in West Basin. Although West Basin is required to set the Standby Charges annually after a public hearing, there is no additional statutory protest procedure, referendum requirement or similar procedure applicable to imposition of the per parcel standby charge unless West Basin changes the amount of the charge.

West Basin has implemented a variable charge to reflect the benefit associated with different types of water users. Fiscal Year 2017 charges, approved on April 25, 2016, are as follows:

- Non-Residential — \$120 per parcel or acre;
- Single Family or Duplex Residential — \$24 per parcel or acre; and
- Multi Unit Residential — \$16 per unit.

Standby Charges are collected on the County tax roll on which general taxes on real property are collected. Certain counties in the State operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”). Under the Teeter Plan, local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or

penalties on delinquent taxes collected by the county. The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as West Basin. West Basin's receipt of Standby Charges is dependent upon actual collections of the property taxes by the County. Consequently, West Basin is exposed to the effect of delinquencies in collections of property taxes but will receive interest and penalties on delinquent property taxes when such taxes are paid. West Basin reports that there have been no significant delinquencies in Standby Charges in the last five years.

West Basin does not currently project increasing Standby Charges in the next five Fiscal Years. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES" for certain constitutional provisions which may affect West Basin's ability to increase Standby Charges in the event that West Basin's expectations were to change in the future.

At the request of the Board, West Basin staff analyzed the effect of eliminating the Standby Charges at some point in the future. Such analysis, however, assumed that the Standby Charges would not be eliminated until the payment of all currently outstanding Bonds and Contracts, as well as the Series 2016A Bonds. As a result of the analysis performed by West Basin staff, a Standby Charge Defeasance Policy was established in May 2013.

Collection Procedures

West Basin is on a monthly billing cycle for MWD imported water, desalinated water and recycled water sales to the retail agencies within the boundaries of West Basin and to WRD, the City of Los Angeles and the City of Torrance, sending out bills by the 10th (or the next business day) of the month for the prior month's service. Payment is due by the 10th of the following month and is considered delinquent if not paid by that date. If payment is not received, a 2% penalty charge per month is assessed. West Basin has never been required to stop delivery to a retail agency or WRD to secure payment. Service to the City of Torrance commenced in July 1996. Service to the City of Los Angeles commenced in Fiscal Year 1999.

MWD Rebate

West Basin and MWD have entered into a Joint Participation Agreement with respect to the recycled water program (the "Joint Participation Agreement"). Under the Joint Participation Agreement, MWD is obligated to provide a rebate for up to 38,200 acre feet per year of the actual yield of the Treatment Plant through March 2020. MWD's rebate would be the difference between the cost to produce recycled water and MWD's non-interruptible rate of up to \$250 per acre foot.

West Basin and MWD have entered into a second agreement with respect to the recycled water program where MWD will provide a rebate for up to 8,000 acre feet per year of the actual allowable yield of recycled water delivered to certain end users by West Basin through June 2037. MWD's rebate would be the difference between the cost to produce recycled water and MWD's non-interruptible rate of up to \$250 per acre foot.

Future Water System Improvements

In response to recent water supply challenges resulting from recent drought, heightened environmental restrictions on imported water sources and projected population increases, West Basin has adopted a plan for diversifying its water supply portfolio and developing local water resources that are within West Basin's control. This plan, Water Reliability, focuses on increasing conservation through aggressive public outreach and education to reshape the way our rate payers use water, increasing water recycling to further reduce potable water consumption for non-potable applications, and investigates ocean water desalination as part of the potable water supply. West Basin anticipates that it will shift its reliance on imported water from two-thirds of its total water supply portfolio, to approximately one third.

West Basin entered into an agreement with DWP in February 2011 pursuant to which West Basin will deliver up to 9,300 acre feet of nitrified recycled water to DWP. Since that time, and following several iterations of exploratory projects for additional downstream treatment and conveyance, the discussions between West Basin and DWP have shifted upstream, looking at opportunities to improve and enhance the secondary treatment process that functions as the source water for West Basin's entire Recycled Water Program. At this time, the District does not expect to allocate funds towards the project as West Basin and DWP evaluate options for improving the water quality at the Hyperion Water Treatment Plant, and meeting the customer demands in LA's Harbor area with conveyance of that water through West Basin's distribution system.

To convey future expanded flows to West Basin customers, improve system operations and increase overall supply reliability, a major pump station expansion has been designed and construction is expected to be completed in 2018. The pump station is owned and operated by West Basin at Hyperion. As part of the pump station expansion, a secondary power supply would be constructed to improve pumping reliability in the event of a power supply loss. Once completed, an additional 36,000 acre feet per year in firm capacity would be made available for future recycling by West Basin. West Basin estimates the cost of such improvements to be approximately \$14,100,000 over the next three Fiscal Years. West Basin expects to finance such costs from District reserves and proceeds of additional 2010A Certificates delivered from time to time. See the caption "—Projected Operating Results and Debt Service Coverage."

West Basin is exploring the feasibility of expanding its treatment facilities to provide additional recycled water to Tesoro (formerly BP) Refinery located in Carson, California. If undertaken, the expansion is projected to increase West Basin recycled water sales by approximately 2,200 acre feet per year. West Basin estimates the costs of such expansion to be approximately \$29,400,000 over the next three Fiscal Years. West Basin does not expect to incur any capital costs with respect to such expansion until an agreement with Tesoro is executed and delivered. If the expansion is undertaken, West Basin expects to enter into a loan agreement under the State of California Clean Water State Revolving Fund program (the "2016 State Loan") in the assumed principal amount of \$15,352,000 and at an assumed interest rate of 1% per annum to finance West Basin's portion of such capital costs, the source of payments under which is expected to be Net Revenues, including payments under an agreement with Tesoro. See the caption "—Projected Operating Results and Debt Service Coverage." West Basin also expects California Water Service Company, a private water utility, to contribute approximately \$4,000,000 toward such capital costs if the expansion is undertaken; such contribution is subject to the approval of the California Public Utilities Commission and there can be no assurance that such contribution will be received. The remaining portion of the cost is currently expected to be funded from state grant funds.

West Basin is exploring the feasibility of constructing an ocean water desalination facility of up to 20 mgd along the Pacific Ocean within its boundaries (the "Proposed Desalination Facility"). West Basin estimates spending approximately \$3,000,000 over the next Fiscal Year to comply with the California Environmental Quality Act and undertake permitting activities with respect to the Proposed Desalination Facility. Such amounts are expected to be paid from West Basin reserves. If the Proposed Desalination Facility is undertaken, West Basin expects to issue Bonds or enter into Contracts to finance the capital costs thereof. Neither Revenues and Operation and Maintenance Costs nor projected debt service with respect to the full scale Proposed Desalination Facility are reflected in the projected operating results set forth under the caption "—Projected Operating Results and Debt Service Coverage" other than debt service on the 2010A Certificates incurred for California Environmental Quality Act and permitting costs as described above.

Other notable projects West Basin anticipates include tenant improvements at the Donald L. Dear Building, West Basin's administrative headquarters and the Edward C. Little Water Recycling Facility Visitor Center for approximately \$8.5 million, and facility and process improvements to sustain the performance of the critical assets used in the Recycled Water Program. West Basin also expects to undertake Repair and Rehabilitation Projects from membrane replacements to tank rehabilitations, with costs ranging between \$13-15 million. In Fiscal Year 2017, West Basin expects to complete the clean-in-place discharge project of

approximately \$6.4 million. West Basin expects to finance such costs from District reserves and proceeds of additional 2010A Certificates delivered from time to time. See the caption “—Projected Operating Results and Debt Service Coverage.”

West Basin does not currently anticipate undertaking any other major water system improvements. However, West Basin reserves the right to undertake such additional projects as it deems appropriate, including but not limited to the expansion of the recycled water system from time to time and, subject to the requirements of the Indenture, to execute Contracts or issue Bonds with respect thereto.

Projected Water Sales Within West Basin

The following table sets forth projected water sales in the current and next four Fiscal Years:

WEST BASIN MUNICIPAL WATER DISTRICT PROJECTED WATER SALES (IN ACRE FEET)

Fiscal Year	Non- Interruptible	Seawater Barrier⁽¹⁾	Desalts Water	Recycled Water⁽²⁾	Total
2017	91,000	2,000	840	37,275	131,115
2018	90,800	2,000	840	38,475	132,115
2019	89,910	2,000	840	40,365	133,115
2020	90,810	--	840	40,465	132,115
2021	92,710	--	840	40,565	134,115

⁽¹⁾ Reflects potable water sales to WRD for injection into the Barrier.

⁽²⁾ Includes recycled water sales to WRD for injection into the Barrier. See the caption “—Water Operations—Recycled Water System.”

Source: West Basin.

Recycled water sales to WRD for injection into the Barrier have been lower than previously projected for budget purposes due to the poor quality of water purchased by West Basin from Hyperion. When water purchased from Hyperion is of poor quality, water that would normally be sold to WRD is diverted to the Title 22 Recycled Water treatment process, which permits the use of lower quality water.

Projected Water Sales Within and Outside West Basin

West Basin currently projects no significant increase in total West Basin water sales to any retail agency within West Basin through Fiscal Year 2021. The projected water sales reflect a small shift from imported MWD water sales to recycled water sales from West Basin to all retail agencies within West Basin (other than California American Water, the City of Lomita and Los Angeles County Waterworks District 29 58) and to WRD. Minor increases of Title 22 Recycled Water are anticipated as West Basin expands its distribution system and marketing to irrigation customers.

Actual water sales achieved by West Basin during the projection period, including the quantities of each category of water, may vary from those presented above and such variations may be material.

The Chevron Refinery, the Torrance Refinery and the Tesoro Refinery (the “Refineries”) are projected to account for approximately 56% of all recycled water revenues (not including Standby Charge revenues) by Fiscal Year 2020 and WRD is projected to account for approximately 31% of all recycled water revenues (not including Standby Charge revenues) by Fiscal Year 2020. Cessation of operations of the Refineries, lower than projected recycled water purchases by the Refineries or lower than projected purchases of Barrier recycled water by WRD could have a material adverse effect on West Basin recycled water sales and revenues.

Water System Financial Information

General. The District accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to governmental agencies such as the District (“GAAP”). In certain cases GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized in a subsequent Fiscal Year. See “APPENDIX A — AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015.” Except as otherwise expressly noted herein, all financial information derived from the District’s audited financial statement reflect the application of GAAP.

See the Financial Statements attached hereto as Appendix A for a discussion of accounting practices of the District.

Financial Statements. A copy of the most recent audited financial statements of West Basin prepared by Davis Farr LLP, Irvine, California (the “Auditor”) are included as Appendix A hereto (the “Financial Statements”). The Auditor’s letter concludes that the Financial Statements present fairly, in all material respects, the respective financial position of West Basin as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flow thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Financial Statements should be read in their entirety.

The summary operating results set forth under the caption “—Historic Operating Results and Debt Service Coverage” are derived from the Financial Statements (excluding certain non-cash items and including certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto. The Auditor has not reviewed the summary operating results.

In West Basin’s audited Financial Statements attached as Appendix A hereto, West Basin restated the beginning net position as of the beginning of Fiscal Year 2015 to retroactively implement GASB Statement No. 68, which requires the reporting of the net pension liability of West Basin’s defined benefit pension plan in the Financial Statements. The effect of such restatement was to reduce such beginning net position by \$925,200 as of July 1, 2014. Such restatement of beginning net position had no effect on the Net Revenues or coverage for Bonds and Contract and subordinate obligations set forth below.

In addition, in West Basin’s audited Financial Statements attached as Appendix A hereto, West Basin made a prior period adjustment of the beginning net position as of the beginning of Fiscal Year 2015 to reflect the recordation of capital assets that were no longer in use or had been disposed of in prior years. Such prior period adjustment reduced the beginning net position for Fiscal Year 2015 by \$9.2 million. Such prior period adjustment had no effect on the Net Revenues or coverage for Bonds and Contracts and subordinate obligations set forth below.

In providing a rating on the 2016A Bonds, certain rating agencies may have performed independent calculations of coverage ratios using their own internal formulas and methodology which may not reflect the provisions of the Indenture. See the caption “RATINGS” herein. West Basin makes no representations as to any such calculations, and such calculations should not be construed as a representation by West Basin as to past or future compliance with any bond covenants, the availability of particular revenues for the payment of Debt Service or for any other purpose.

Historic Operating Results and Debt Service Coverage. The following table is a summary of operating results of West Basin for the last five Fiscal Years for which audited financial statements are available. These results have been derived from West Basin’s Financial Statements but exclude certain non-cash items and include certain other adjustments. The table has not been audited by the Auditor.

WEST BASIN MUNICIPAL WATER DISTRICT
WATER SYSTEM HISTORIC OPERATING RESULTS
FISCAL YEAR ENDING JUNE 30

	2015	2014	2013	2012	2011
Revenues					
Water Sales	\$ 136,746,123	\$ 135,294,461	\$ 129,606,873	\$ 114,973,744	\$ 106,427,116
Recycled Water Sales	40,386,155	42,151,257	32,628,990	29,258,124	26,382,155
Fixed Payments ⁽¹⁾	7,238,954	7,295,692	7,359,671	7,240,560	6,886,648
Desalting Revenue	700,631	789,969	879,124	1,073,749	801,332
Standby Charges	9,740,981	9,683,207	9,805,001	9,631,773	9,898,501
Interest Earned ⁽²⁾	208,482	(146,237)	2,058,566	1,053,907	579,555
Grants	37,974	82,581	66,072	276,262	458,637
Other Revenues ⁽³⁾	1,864,634	10,394,257	2,397,839	2,051,032	2,956,631
Total Revenues	\$ 196,923,964	\$ 205,545,187	\$ 184,802,136	\$ 165,559,151	\$ 154,390,575
Expenses					
Water Purchase and Charges ⁽⁴⁾	\$ 116,705,950	\$ 118,102,707	\$ 110,529,956	\$ 99,019,067	\$ 94,855,065
Recycled Water Costs	34,511,305	32,682,913	27,103,178	23,594,939	25,277,282
Desalting Operations	870,052	810,526	891,600	900,652	668,219
Resource Planning	1,833,277	2,302,418	1,611,964	1,193,711	892,731
Public Information and Conservation	4,235,923	6,004,376	4,719,162	4,899,597	4,631,869
Water Quality Monitoring	16,862	13,907	12,131	34,426	11,079
Total Expenses	\$ 158,173,369	\$ 159,916,847	\$ 144,867,991	\$ 129,642,392	\$ 126,336,245
Net Revenues	\$ 38,750,565	\$ 45,628,340	\$ 39,934,145	\$ 35,916,759	\$ 28,054,330
Parity Obligations⁽⁵⁾					
2012A Bonds	\$ 4,389,338	\$ 4,219,600	\$ 1,621,229	\$ 240,717	\$ -
2011B Bonds	2,993,250	2,993,250	1,490,875	295,399	-
2011A Bonds	1,791,400	1,787,592	1,787,784	1,426,642	-
2010A Installment Purchase Agreement	218,885	197,129	398,208	474,526	470,449
2008A Installment Purchase Agreement	899,408	1,168,470	3,461,817	3,157,017	3,203,788
2003A Installment Purchase Agreement	-	-	8,972,999	10,436,681	12,480,821
2013A Bonds	7,402,800	6,838,573	57,152	-	-
SWRCB Loan ⁽⁶⁾	--	--	--	83,122	361,945
Reserve Fund Earnings	(1,107)	170,230	(680,969)	(762,666)	(761,933)
Total Parity Obligations	\$ 17,693,974	\$ 17,374,844	\$ 17,109,095	\$ 15,351,438	\$ 15,755,070
Parity Obligations Coverage	2.19	2.63	2.33	2.34	1.78
Revenues Remaining for Subordinate Obligations	\$ 21,056,591	\$ 28,253,496	\$ 22,825,050	\$ 20,565,321	\$ 12,299,260
Subordinate Obligations					
2008B Installment Purchase Agreement	\$ 9,017,111	\$ 8,992,621	\$ 9,055,681	\$ 8,816,607	\$ 7,967,989
Subordinate Obligations Coverage	2.34	3.14	2.52	2.33	1.54
Cash Available for Other Debt Service, Capital Projects and Other Purposes	\$ 12,039,480	\$ 19,260,875	\$ 13,769,369	\$ 11,748,714	\$ 4,331,271

⁽¹⁾ Fixed payments represent payments from refineries for the expansion of the system to utilize recycled water as stipulated by the individual customer agreement.

⁽²⁾ Excludes unrealized gains and losses on investments.

⁽³⁾ Includes conservation credits, water quality monitoring fees, and certain other miscellaneous items. Fiscal Year 2014 amount includes a payment of approximately \$8,000,000 received by West Basin in connection with a pipeline project.

⁽⁴⁾ Charges include MWD RTS Charge and capacity charge.

⁽⁵⁾ Net of accrued and capitalized interest.

⁽⁶⁾ Refunded from proceeds of 2011A Bonds.

Source: West Basin.

Projected Operating Results and Debt Service Coverage. The estimated projected operating results for West Basin for the current and next four Fiscal Years are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the estimate by West Basin of projected financial results based upon its judgment of the most probable occurrence of certain important future events. The assumptions set forth in the footnotes to the table set forth below are material in

the development of such financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

As described under the caption “—Future Water System Improvements,” West Basin is currently studying the feasibility of a number of significant capital improvement projects. In the event that West Basin elects to undertake any of these projects, Revenues, Expenses, Net Revenues, Parity Obligations Debt Service and Parity Obligations Coverage could be materially different than currently projected below. See the caption “SECURITY FOR THE 2016A BONDS—Additional West Basin Indebtedness” for a description of the circumstances under which West Basin is permitted to issue additional indebtedness and the caption “SECURITY FOR THE 2016A BONDS—Rate Covenant” for a description of West Basin’s covenant to set rates and charges in an amount sufficient to provide Net Revenues at least equal to 115% of Debt Service.

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**WEST BASIN MUNICIPAL WATER DISTRICT
WATER SYSTEM PROJECTED OPERATING RESULTS
FISCAL YEAR ENDING JUNE 30**

	2016⁽¹⁾	2017⁽²⁾	2018	2019	2020
Revenues					
Water Sales ⁽³⁾	\$ 136,330,176	\$ 123,728,323	\$ 128,040,488	\$ 132,418,184	\$ 137,070,771
Recycled Water Sales ⁽⁴⁾	39,538,553	49,535,108	51,230,569	56,949,820	57,408,958
Fixed Payments ⁽⁵⁾	7,071,856	5,051,929	4,869,196	5,985,196	5,816,896
Desalting Revenue ⁽⁶⁾	815,118	904,990	932,690	964,110	1,000,575
Standby Charges ⁽⁷⁾	9,545,807	9,650,000	9,650,000	9,650,000	9,650,000
Interest Earned ⁽⁸⁾	397,817	925,300	1,130,300	1,765,300	2,515,300
Other Revenues ⁽⁹⁾	858,271	2,013,400	1,413,400	1,413,400	1,413,400
Total Revenues	<u>\$ 194,557,598</u>	<u>\$ 191,809,050</u>	<u>\$ 197,266,643</u>	<u>\$ 209,146,010</u>	<u>\$ 214,875,899</u>
Expenses					
Water Purchase and Charges ⁽¹⁰⁾	\$ 114,262,957	\$ 102,657,811	\$ 104,630,545	\$ 107,533,038	\$ 110,151,026
Recycled Water Costs ⁽¹¹⁾	33,361,541	37,353,466	39,692,722	42,101,126	44,037,477
Desalting Operations ⁽¹²⁾	882,814	1,150,733	1,179,501	1,208,989	1,239,214
Water Policy ⁽¹³⁾	1,473,320	1,439,962	1,475,961	1,512,860	1,550,682
Public Information and Conservation ⁽¹⁴⁾	3,985,963	5,706,743	5,849,411	5,995,647	6,145,538
Water Quality Monitoring ⁽¹⁵⁾	8,570	25,430	26,066	26,717	27,385
Total Expenses	<u>\$ 153,975,165</u>	<u>\$ 148,334,145</u>	<u>\$ 152,854,206</u>	<u>\$ 158,378,377</u>	<u>\$ 163,151,322</u>
Net Revenues					
	\$ 40,582,433	\$ 43,474,905	\$ 44,412,437	\$ 50,767,633	\$ 51,724,577
Parity Obligations					
2016 State Loan ⁽¹⁶⁾	\$ -	\$ -	\$ -	\$ 697,084	\$ 697,084
2016A Bonds	-	1,425,340	6,131,950	6,129,725	10,172,400
2013A Bonds	3,777,150	287,300	-	-	-
2012A Bonds	4,389,567	4,386,850	4,389,900	4,390,017	4,390,688
2011B Bonds	2,993,250	2,993,250	2,993,250	2,993,250	2,993,250
2011A Bonds	1,437,687	4,907,167	5,218,350	5,210,138	5,219,350
2010A Installment Purchase Agreement ⁽¹⁸⁾	1,049,087	1,239,000	1,028,000	1,014,000	1,081,000
Reserve Fund Earnings	(2,440)	-	-	-	-
Total Parity Obligations	<u>\$ 13,644,301</u>	<u>\$ 15,238,907</u>	<u>\$ 19,761,450</u>	<u>\$ 20,434,214</u>	<u>\$ 24,553,772</u>
Parity Obligations Coverage					
	2.97	2.85	2.25	2.48	2.11
Revenues Remaining for Subordinate Obligations					
	\$ 26,938,132	\$ 28,235,998	\$ 24,650,987	\$ 30,333,419	\$ 27,170,805
Subordinate Obligations					
2008B Installment Purchase Agreement ⁽¹⁷⁾	\$ 9,057,931	\$ 4,161,900	\$ 4,059,900	\$ 4,039,200	\$ -
Subordinate Obligations Coverage					
	2.97	6.78	6.07	7.51	-
Cash Available for Capital Projects and Other Purposes					
	\$ 17,880,201	\$ 24,074,098	\$ 20,591,087	\$ 26,294,219	\$ 27,170,805

(1) Reflects actual unaudited results.

(2) Based on adopted Fiscal Year 2017 budgeted numbers, with certain adjustments. See the caption “—Budget Process.”

(3) Based on projected water sales and rates and charges as described under the captions “—Water System Rates and Charges,” “—Projected Water Sales Within West Basin” and “—Projected Water Sales Within and Outside West Basin.” Projected water rates and charges include \$194 surcharge in Fiscal Year 2016 and \$223 in Fiscal Year 2017 with projected increases in the surcharge equal to approximately 15% per annum in Fiscal Years 2018 through 2020. Such increases are subject to the approval of the Board and there can be no assurance that the surcharge will be increased as projected.

(4) Based on projected recycled water sales and rates and charges described under the captions “—Water System Rates and Charges—Recycled Water Rates,” “—Projected Water Sales Within West Basin” and “—Projected Water Sales Within and Outside West Basin,” and MWD reclaimed water rebate at \$250 per acre foot in accordance with the Joint Participation Agreement. See the caption “—MWD Rebate.”

(5) Fixed payments represent payments from refineries for the expansion of system to utilize recycled water as stipulated by the individual customer agreement.

(6) Based on projected desalinated water sales and projected water rates and charges described under the captions “—Water System Rates and Charges—Desalinated Water Rates,” “—Projected Water Sales Within West Basin” and “—Projected Water Sales Within and Outside West Basin.”

(Footnotes Continued on Following Page)

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- (7) Based on current Standby Charges. See the caption “—Standby Charges.”
- (8) Interest income is projected at an estimated average interest rate of 1.0-2.5% per annum on estimated West Basin reserves.
- (9) Includes West Basin’s estimate of MWD’s continuing conservation credits program.
- (10) Cost of water purchases based on projected charges of water purchased from MWD. Includes MWD RTS Charge and MWD Capacity Charge.
- (11) Recycled water Operation and Maintenance Costs are estimated to reflect projected increased effluent purchases and other operation and maintenance expenses.
- (12) Projected desalting Operation and Maintenance Costs reflect projected increases in operation and maintenance expenses associated with the Desalter.
- (13) Water Policy expenses include staff and consultants’ efforts for planning, coordinating and technical support of MWD activities, infrastructure, integrated resource planning and conjunctive use programs, and statewide policy and technical work conducted through professional organizations. Projected to increase to approximately 2.5% per annum from Fiscal Year 2017 budgeted amount.
- (14) Represents expenses for water awareness and water education programs. Projected to increase to approximately 2.5% per annum from Fiscal Year 2017 budgeted amount.
- (15) Projected to increase to approximately 2.5% per annum from Fiscal Year 2017 budgeted amount.
- (16) Reflects projected debt service on 2016 State Loan in the assumed principal amount of \$15,352,000 at an interest rate of 1.0% per annum, as described under the caption “—Future Water System Improvements.”
- (17) Reflects actual debt service with respect to the 2008B Installment Purchase Agreement through Fiscal Year 2016 and projected debt service with respect to installment payments remaining under the 2008B Installment Purchase Agreement following issuance of the 2016A Bonds. See the caption “—Outstanding Indebtedness and Interest Rate Swap Agreements.”
- (18) Reflects execution and delivery of additional 2010A Certificates from time to time. Such additional 2010A Certificates, if executed and delivered as currently projected, are expected to finance certain capital costs of West Basin. See the caption “—Future Water System Improvements.” Reflects interest payments only on projected aggregate principal amount of \$30,800,000 at assumed rate of 1.0 to 3%, per annum as well as receipts from the 2004A Swap and 2007A Swap. See the caption “—Outstanding Indebtedness and Interest Rate Swap Agreements.”

Source: West Basin.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIIIIB

Article XIIIIB of the California State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978-79 State fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (i) the financial responsibility for a service is transferred to another public entity or to a private entity; (ii) the financial source for the provision of services is transferred from taxes to other revenues; or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIIIIB generally include the proceeds of taxes levied by or for the State or other entity of local government, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment, insurance and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (a) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost reasonably borne by the entity in providing the service or regulation); and (b) the investment of tax revenues. Article XIIIIB includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by a vote of electors of the issuing entity and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

West Basin is of the opinion that its water charges do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIIIB. West Basin will covenant in the Indenture that it will prescribe rates and charges sufficient to provide for payment of the principal of and interest on the 2016A Bonds in each year.

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIIC and Article XIIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Article XIIID. Article XIIID defines the terms “fee” and “charge” to mean “any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Article XIIID further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a “fee” or “charge” as defined in Article XIIID, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIIID includes a number of limitations applicable to existing fees and charges, including provisions to the effect that: (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

As a wholesale water agency, West Basin does not believe that the procedural or substantive provisions of Article XIIID are applicable to its rates and charges.

Article XIIIC. Article XIIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIIID referred to above are applicable to Article XIIIC. Moreover, the provisions of Article XIIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006) that the provisions of Article XIIIC applied to rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. In any event, West Basin and its general counsel do not believe that Article XIIIC grants to the voters within West Basin the power to repeal or reduce rates and charges in a manner which would be inconsistent with the contractual obligations of West

Basin. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the 2016A Bonds. Remedies available to beneficial owners of the 2016A Bonds in the event of a default by West Basin are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. In addition to the specific limitations on remedies contained in the applicable documents themselves, the right and obligation with respect to the Indenture is subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix C), will be similarly qualified.

West Basin believes that its current water rates and land based charges comply with the requirements of Proposition 218 and expects that any future water rates and land based charges will comply with Proposition 218's procedural and substantive requirements to the extent applicable thereto.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (a) 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; (b) 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; (c) 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; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) 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; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIIIID. Proposition 26 applies to charges imposed or increased after November 2, 2010 and 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. West Basin believes that its water rates and charges are not taxes under Proposition 26.

Future Initiatives

Articles XIIIIB, XIIIIC and XIIIID and Proposition 26 were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives could be proposed and adopted affecting West Basin's revenues or ability to increase revenues.

APPROVAL OF LEGAL PROCEEDINGS

The valid, legal and binding nature of the 2016A Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix C, and such legal opinion will be attached to each 2016A Bond. Certain legal matters will be passed upon for West Basin by Lemieux & O'Neill, Westlake Village, California, general counsel to West Basin and for the Trustee by its counsel. The Underwriters are being represented by their counsel, Ballard Spahr LLP.

Payment of the fees of Bond Counsel is contingent upon the issuance of the 2016A Bonds. Bond Counsel represents West Basin in connection with the issuance of the 2016A Bonds. Bond Counsel represents each of the Underwriters from time-to-time on other financings and matters unrelated to the District or the 2016A Bonds. Bond Counsel does not represent the Underwriters or any other party with respect to the issuance of the 2016A Bonds other than the District.

LITIGATION

General. 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, to the knowledge of West Basin, threatened against West Basin affecting the existence of West Basin or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or issuance of the 2016A Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the 2016A Bonds, the Indenture, or any action of West Basin contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of West Basin or its authority with respect to the 2016A Bonds or any action of West Basin contemplated by any of said documents, nor to the knowledge of West Basin, is there any basis therefor.

SDCWA Litigation.

On July 11, 2010, the San Diego County Water Authority (“SDCWA”) filed a lawsuit captioned *San Diego County Water Authority v. The Metropolitan Water District of Southern California* (Los Angeles Superior Court Case No. BX 126888) against MWD. The lawsuit challenges MWD’s adoption of water rates and charges on April 13, 2010, which were effective January 1, 2011 and January 1, 2012. On June 8, 2012, SDCWA filed another lawsuit, captioned *San Diego County Water Authority v. The Metropolitan Water District of Southern California* (Los Angeles Superior Court Case No. BS 137830) against MWD. The lawsuit challenges MWD’s rates and charges effective January 1, 2013 and January 1, 2014.

On May 30, 2014, SDCWA filed a third lawsuit, captioned *San Diego County Water Authority v. The Metropolitan Water District of Southern California* (Los Angeles Superior Court Case No. BC547139) which challenges the validity of MWD’s rates and charges effective January 1, 2015 and January 1, 2016. The allegations in the 2014 complaint track the allegations in the 2010 and 2012 cases. The new case was filed in the Los Angeles Superior Court and has been stayed by the court pursuant to stipulation by the parties.

The trial regarding the validity of MWD’s rates concluded in January 2014 (in the San Francisco Superior Court before Judge Curtis Karnow). SDCWA alleged that MWD’s water rates improperly allocated certain MWD costs, resulting in an overcharge to SDCWA. SDCWA alleges that such costs should be reclassified and reallocated so that MWD’s remaining members, including the District, bear a larger share of the financial burden. On April 24, 2014, the trial court issued a ruling on MWD’s rates, finding no substantial evidence in the administrative record to support the inclusion of certain cost elements (transportation and water stewardship fees) in MWD’s water rates.

SDCWA’s claims asserting breach of contract (of 2003 agreement between SDCWA and MWD) were tried in a second phase of the case, which concluded in April 2015. On August 28, 2015, the court ruled MWD was in breach of contract. The court found for SDCWA and awarded \$188,000,000 in damages. MWD has appealed the ruling; the appeal is pending.

On April 13, 2016, SDCWA filed a new lawsuit alleging all rates and charges for 2017 and 2018 adopted by MWD’s board on April 12, 2016, violates the California Constitution, statutes, and common law. This new lawsuit is very similar to the suits that were filed earlier. Consequently, West Basin expects that this matter will be stayed (along with the 2014 case) until the appeals from the 2010 and 2012 cases are resolved. At this point, West Basin is unable to assess the likelihood of success of this case, or any possible appeal, or other further claims.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2016A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 2016A Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the 2016A Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of the interest on the 2016A Bonds is based upon certain representations of fact and certifications made by West Basin and others and is subject to the condition that West Basin complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2016A Bonds to assure that interest on the 2016A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2016A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016A Bonds. West Basin has covenanted to comply with all such requirements.

The amount by which a 2016A Bond Owner's original basis for determining loss on sale or exchange in the applicable 2016A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the 2016A Bond Owner's basis in the applicable 2016A Bond (and the amount of tax-exempt interest received on the 2016A Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2016A Bond Owner realizing a taxable gain when a 2016A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2016A Bond to the Owner. Purchasers of the 2016A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax exempt bond issues, including both random and targeted audits. It is possible that the 2016A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2016A Bonds might be affected as a result of such an audit of the 2016A Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2016A Bonds to the extent that it adversely affects the exclusion from gross income of interest on the 2016A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2016A BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE 2016A BONDS OR THE MARKET VALUE OF THE 2016A BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2016A BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2016A BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE 2016A BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE 2016A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR

JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2016A BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Bond Counsel's engagement with respect to the 2016A Bonds terminates upon their issuance and Bond Counsel disclaims any obligation to update the matters set forth in its opinion. The Indenture and the Tax Certificate relating to the 2016A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any 2016A Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest on the 2016A Bonds is excluded from gross income for federal income tax purposes provided that West Basin continues to comply with certain requirements of the Code, the ownership of the 2016A Bonds and the accrual or receipt of interest on the 2016A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2016A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2016A Bonds.

A complete copy of the proposed opinion of Bond Counsel is set forth in Appendix C.

MUNICIPAL ADVISOR

West Basin has retained Public Financial Management, Inc., Los Angeles, California, as municipal advisor (the "Municipal Advisor") in connection with the issuance of the 2016A Bonds. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

RATINGS

West Basin expects that Moody's Investors Service, Inc. ("Moody's") will assign the 2016A Bonds the rating of "Aa2" and that S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), will assign the 2016A Bonds the rating of "AA-". There is no assurance that any credit rating given to the 2016A Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by Moody's or S&P, respectively, if, in the judgment of Moody's or S&P, as applicable, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2016A Bonds. Such ratings reflect only the views of Moody's and S&P, respectively, and an explanation of the significance of such ratings may be obtained from Moody's and S&P.

UNDERWRITING

The 2016A Bonds will be purchased by Citigroup Global Markets Inc., as representative of itself, Morgan Stanley & Co. LLC and Stifel, Nicolaus & Company, Incorporated (the "Underwriters") pursuant to a Purchase Contract, dated October 4, 2016, by and between West Basin and the Underwriters (the "Purchase Contract"). Under the Purchase Contract, the Underwriters have agreed to purchase all, but not less than all, of the 2016A Bonds for an aggregate purchase price of \$138,314,838.02 (representing the principal amount of the 2016A Bonds, less Underwriters' discount of \$174,403.38, plus original issue premium of \$25,614,241.40). The Purchase Contract provides that the Underwriters will purchase all of the 2016A Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

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

Citigroup Global Markets Inc., one of the Underwriters of the 2016A Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the 2016A Bonds.

The Underwriters and their 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 activities. The Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various investment banking services for West Basin, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) 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 West Basin.

CONTINUING DISCLOSURE UNDERTAKING

West Basin has covenanted in a Continuing Disclosure Certificate for the benefit of the holders and beneficial owners of the 2016A Bonds to provide certain financial information and operating data relating to West Basin by not later than the 270 days following the end of West Basin’s Fiscal Year (currently its Fiscal Year ends on June 30) (the “Annual Report”), commencing with the report for the Fiscal Year ending June 30, 2016, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by West Basin with EMMA. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in Appendix E. These covenants have been made in order to assist the Underwriters in complying with Section (b)(5) of the Rule. West Basin has not failed to comply with the terms of its existing continuing disclosure agreements in the last five years in any material respect.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, 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 made 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 2016A Bonds.

The execution and delivery of this Official Statement have been duly authorized by West Basin.

WEST BASIN MUNICIPAL WATER DISTRICT

By: _____ /s/ Carol W. Kwan
President

APPENDIX A

WEST BASIN MUNICIPAL WATER DISTRICT FINANCIAL STATEMENTS

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2015

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2015



WEST BASIN MUNICIPAL WATER DISTRICT
CARSON, CA



WEST BASIN CELEBRATES 20 YEARS OF WATER RECYCLING

Since the facility was first built 20 years ago, it has produced over 165 billion gallons of recycled water, equivalent to the amount of water to meet the needs of the city of Los Angeles for an entire year. The water recycling facility converts wastewater into five different usable types of "designer" waters.



Five key commitment areas:

- Water Reliability
- Water Quality
- Customer Service
- Environmental Stewardship
- Sound Financial and Resource Management

WEST BASIN MUNICIPAL WATER DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT Fiscal Year Ended June 30, 2015

Prepared by: Finance Department
Margaret Moggia, CPA
Chief Financial Officer

17140 S. Avalon Blvd., Suite 210
Carson, CA 90746
www.westbasin.org

West Basin Municipal Water District Carson, California
Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2015



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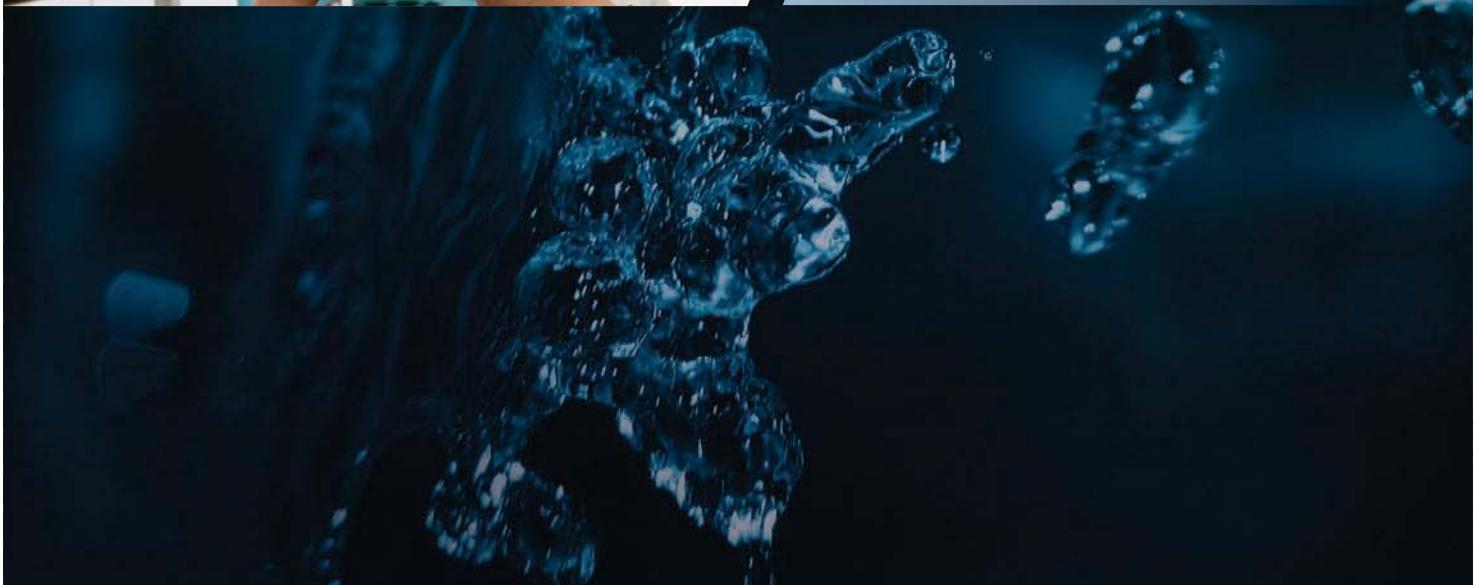
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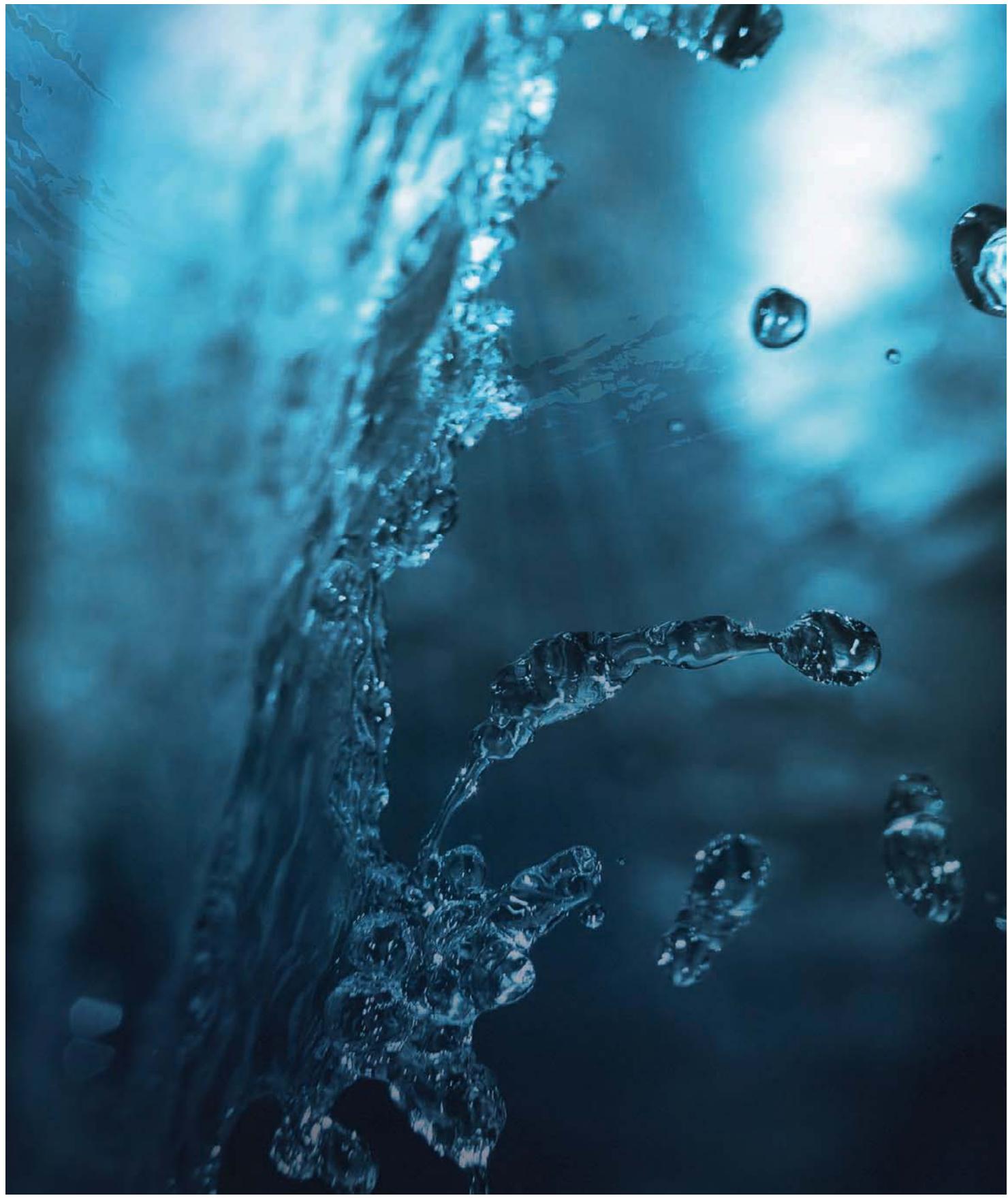
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INTRODUCTORY SECTION

INTRODUCTORY SECTION

Comprehensive Annual Financial Report



December 1, 2015

TO THE BOARD OF DIRECTORS AND CUSTOMERS OF WEST BASIN MUNICIPAL WATER DISTRICT:

- West Basin Municipal Water District (West Basin) staff is pleased to present the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year 2014-2015, which ended June 30, 2015.

The CAFR is intended to provide the Board of Directors, West Basin's customers, the public and interested parties with a broad financial outlook of West Basin. This report is also prepared for the purpose of meeting California law requiring special districts to submit an audited annual financial report to the State Controller within six months after the end of the fiscal year.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to West Basin for its comprehensive annual financial report for the fiscal year ended on June 30, 2014. This was the ninth consecutive year that West Basin has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

West Basin staff prepared this financial report in conjunction with an Independent Auditor's Report issued by Davis Farr LLP. The independent auditor's report is located at the front of the financial section of this report. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statement. MD&A complements this letter of transmittal and should be read in conjunction with it.

This report consists of management's representations concerning the finances of West Basin. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report to the best of our knowledge. ●



ABOUT WEST BASIN MUNICIPAL WATER DISTRICT

West Basin Municipal Water District (West Basin), an innovative and award-winning public agency, is a special district of the State of California that provides drinking and recycled water, water efficiency and water education programs to its nearly 1 million residents within a 185-square mile service area. West Basin purchases imported water from the Metropolitan Water District of Southern California (MWD) and sells the imported water to cities, water agencies and private water companies in coastal Los Angeles County.

To protect our local groundwater aquifer from seawater intrusion, West Basin currently provides highly purified recycled water to the Water Replenishment District of Southern California (WRD) for injection into the West Coast seawater barrier. The seawater barrier protects and augments \$200 million dollars' worth of local groundwater supplies.

West Basin is currently executing a Board-adopted Strategic Business Plan with the goal of building a more diverse, locally controlled and reliable water supply. Through the Water Reliability Program, West Basin is expanding production of locally-produced water by increasing water recycling and conservation programs and research adding 10% of future water supplies from ocean water desalination.

West Basin continues to invest in staff, operations and programs to maintain high standards within our workforce and reach out to the community even more through conservation outreach, education, community partnerships, local business opportunities and other programs focused on providing value to our service area.



Board of Directors

Five publicly-elected officials serve as West Basin's Board of Directors. Voters in each of the five divisions from Malibu to Palos Verdes and El Segundo to Carson, elect one director to serve a four-year term. The West Basin Board then appoints two representatives to serve on the 37-member

Metropolitan Board of Directors.

The two representatives currently serving on the Metropolitan Water District Board of Directors are Donald L. Dear and Gloria D. Gray.



Harold C. Williams
MSCE, P.E., DTM
TREASURER | DIVISION I

Harold C. Williams was elected to the West Basin Board of Directors in November 2014 to represent the cities of Carson, Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills Estates, Rolling Hills, and portions of San Pedro.

Gloria D. Gray was elected to the West Basin Board of Directors in 2006 and represents the cities of Inglewood, South Ladera Heights, a portion of Lennox and Athens, Howard and Ross Sexton.

Gloria D. Gray
PRESIDENT | DIVISION II
MWD Representative



Carol W. Kwan
VICE PRESIDENT | DIVISION III

Carol W. Kwan was elected to the West Basin Board of Directors in 1996 to represent the cities of Hermosa Beach, Lomita, Manhattan Beach, Redondo Beach and a portion of Torrance.

Scott Houston was elected to the Board of Directors in November 2014 to represent the cities of El Segundo, Culver City, West Hollywood, Malibu, and the Los Angeles County unincorporated areas of Topanga, Marina del Rey, Windsor Hills, View Park, North Ladera Heights, Del Aire, Wiseburn and a portion of Lennox.

Scott Houston
SECRETARY | DIVISION IV

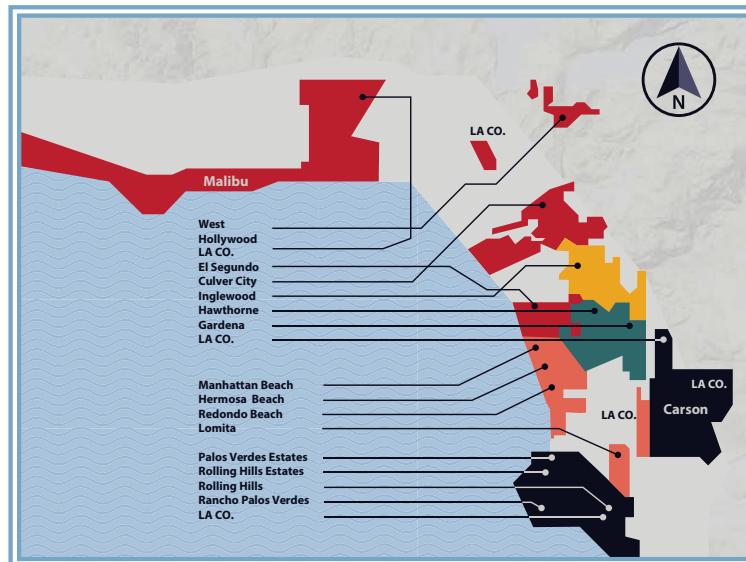


Donald L. Dear
PAST PRESIDENT | DIVISION V
MWD Representative

Donald L. Dear was elected to the West Basin Board of Directors in November 2000 to represent the cities of Gardena, Hawthorne, Lawndale and portions of El Camino Village.

SERVICE AREA AND CUSTOMERS

West Basin Municipal Water District serves a diverse population of nearly one million people in 17 cities and parts of unincorporated coastal Los Angeles County. West Basin has a 3:1 resident-to-business ratio and an average median income of \$67,000. The community income diversity ranges from approximately \$23,000 in Westmont to approximately \$200,000 in Rolling Hills (Source: 2000 census).



CUSTOMERS	Water Purchases		
	Potable	Recycled	Desalinated
California American	✓		
California Water Service	✓	✓	✓
City of El Segundo	✓	✓	
City of Inglewood	✓	✓	
City of Lomita	✓		
City of Manhattan Beach	✓	✓	
City of Torrance		✓	
Golden State Water Company	✓	✓	
Los Angeles County Water Works No.29	✓		
Los Angeles Department of Water & Power		✓	
Water Replenishment District	✓	✓	

HISTORY

As early as 1918, the levels in local groundwater basins were dropping so low that salt water from the ocean was seeping in and contaminating groundwater. Lawns in coastal Los Angeles were dying from salty water, and well water was so salty it was often undrinkable. In the 1940s, studies showed that the local groundwater aquifer was being depleted at a much faster rate than it was being recharged or refilled. Each year, the aquifer was being over drafted by millions of gallons - more water was taken out than was put back in.

At that time, one solution was to supply the region with imported water through Metropolitan Water District of Southern California (MWD). In 1947, West Basin was formed by a vote of the people to serve as a wholesale agency to distribute water throughout its service area. In 1948, West Basin became a member agency of MWD, an agency that imported water from the Colorado River, and later would also import water from Northern California. Since that time, West Basin served its customer agencies and communities solely as a wholesaler of imported water.

As a result of the extreme drought of the late 1980s and early 1990s,

West Basin leaders decided to diversify the agency's water portfolio to include conservation and water reuse to provide a more reliable supply of water for future generations. Early efforts included building the world's most unique water recycling facility that would convert treated wastewater into different types of high-quality recycled water suitable for groundwater recharge, irrigation, municipal, industrial, and commercial uses.

The benefits generated by the water recycling facility include more affordable water rates for customers, a reliable, locally-controlled supply of recycled water, reducing energy use by importing less water from hundreds of miles away, reducing wastewater and biosolids discharged to the ocean and the use of wastewater as a sustainable water resource. The drought of the early 1990s also increased awareness about water conservation and resulted in West Basin's addition of conservation as a new water supply alternative. West Basin currently offers free indoor and outdoor programs for residents and businesses to reduce their consumption of water and maximize water use efficiency.

Today, West Basin is an international water industry leader hosting visitors from around the globe. West Basin is focused on providing value to its customers and delivering water reliability for the region through a diverse supply of water that includes imported, recycled, desalinated and conserved water. All West Basin departments contribute to the agency meeting the goals and objectives of the Board of Directors Strategic Business Plan.



FINANCIAL INFORMATION

ACCOUNTING SYSTEM

As required by Generally Accepted Accounting Principles for enterprise funds, accounts are maintained and financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. West Basin's Finance department is responsible for the overall accounting, finance and administrative functions, which include cash management, treasury and debt management, accumulation and processing of accounting information, financial reporting, information technology and contracts administration.

INTERNAL CONTROLS

West Basin's management is responsible for the establishment and maintenance of internal accounting controls that ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. To ensure that the costs of controls do not exceed the benefits obtained, management uses cost estimates and judgments to attain reasonable assurance as to the adequacy of such controls.

BUDGET PROCESS AND CONTROLS

Public agencies develop budgets as a performance tool to measure accountability to its stakeholders. For West Basin the budget is developed based on meeting the priorities, goals and objectives established by the Board of Directors through its Strategic Business Plan (Plan), which was developed through a series of interviews with the Board of Directors, management and key staff in addition to interviews with key stakeholders. The Plan provides direction for planning, budgeting, implementation, evaluation and reporting. The Plan is a "living" document in that it does not have a termination date, but is constantly changing and evolving as the needs of West Basin change and evolve.

The budget is also used as a communication tool. Interested parties, such as bond holders, credit rating agencies and its customers can review the budget to obtain a wide variety of information on West Basin's short- and long-term strategic planning and financial policies, as well as the current and future fiscal stability. For West Basin, the budget further demonstrates West Basin's commitment to fiscal responsibility and transparency of its operations. The budget shows how the agency will invest its revenues derived from user fees and fixed revenue sources to support its mission and programs.

The General Manager communicates the goals and the current year budget objectives to the managers to ensure the budget includes the financial requirements necessary to achieve these goals and objectives. To ensure completion, the goals are also incorporated into individual staff's performance goals. Furthermore, the high level goals are also included in the monthly board memos to reflect the commitment to meet the Board's directives.

West Basin is not required to adopt a budget and therefore does not appropriate funds. However, as a good business practice, West Basin does prepare, adopt, monitor and report budgeted information.

CREDIT RATING AND DEBT COVERAGE

The latest credit rating from Moody's and Standard & Poor's is Aa2 and AA-, respectively. In order to maintain these ratings, West Basin has internally set budgeted debt coverage goals, updated financial policies and updated rates as appropriate. West Basin's Board of Directors has approved a number of financial policies to effectively manage the agency. Other non-financial policies are maintained by West Basin through its Administrative Code and are reviewed periodically to ensure compliance with legal statutes. These efforts lend to a solid management focus on fiscal policies and metrics and have assisted West Basin to receive strong credit ratings and allows West Basin to obtain low-cost financing for its capital projects. Please refer to Table 16 of the Statistical Section for the 10-year historical information on West Basin's debt coverage.

To maintain its financial strength West Basin developed a Long-Range Financial Model. The model uses the current fiscal year budget, incorporates multiple year revenue and expense assumptions used to address anticipated operating and capital expenditures, and results in a dynamic financial model for West Basin. The capital recycled water expenditures are based on the Capital Improvement Program and estimates for the Ocean-water Desalination program costs. In addition, the model provides the basis for certain criteria to be incorporated into financial policy development, such as debt management, swap and designated fund levels. West Basin continues to monitor its assumptions to actual to ensure it remains a financially healthy organization.

SOURCE OF REVENUE

West Basin primarily receives its source of revenue from imported and recycled water sales. Imported water sales and charges totaled \$137 million for the fiscal year ending June 30, 2015, while recycled water sales amounted to \$40 million for the same period. More detailed information regarding West Basin's revenue is presented in the statistical section-Table 6: Payors-Potable Water Sales and Table 7: Payors-Recycled Water Sales.

WATER RATES

West Basin establishes rates and charges annually through a resolution by the Board of Directors. The statistical section provides more detailed information about the rates under Table 11: Average Water Rates Per Acre-Foot (Last Ten Fiscal Years) and Table 12: Imported Water Rates.

DESIGNATED FUNDS

West Basin maintains two major types of funds, either restricted or unrestricted. Restricted funds consist of custodial accounts and bond reserves that are subject to the conditions of the respective bond financing documents. The unrestricted reserves are then designated by the Board of Directors and are reviewed annually as further described in the board-approved policy.

Designated Funds are a strong indicator of an agency's financial health. West Basin's Designated Funds Policy is sometimes referred to as a Reserve Policy and was designed to ensure West Basin has adequate funds to protect its financial health and the furtherance of West Basin's mission. The Designated Funds Policy was revamped in FY 2013-14 in conjunction with the Long-Range Financial Plan by combining certain funds, revising target levels to be based on a calculation and adding a new fund for Standby Charge Defeasance.

The policy does not specifically state a target amount but staff has established an internal target approach in its Long-Range Financial Plan to fund West Basin's Designated Funds. The policy allows for the fluidity of a target and will change each year based on the anticipated expenditures. The target amounts are based on West Basin's experience, the current operating budget and capital improvement program. The sum of all the core components provides an overall target amount that serves as a trigger for the Board of Directors to consider options when funding levels fall near or below the overall target. If reserve levels exceed the minimum, the Board may consider retiring outstanding debt or reducing future debt by considering funding certain capital projects with cash.

WEST BASIN STAFF SERVICES

West Basin currently employs 43 full-time persons, 25 of which work in the operations, planning, communications and engineering departments and 18 work in accounting or administration.

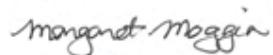
ACKNOWLEDGEMENTS

We would like to thank the members of the Board of Directors for their continued support in the completion of this document and the implementation of projects throughout the year and recognize members of the finance staff who contributed to this report.

Respectfully,



Richard Nagel
General Manager



Margaret Moggia
Chief Financial Officer



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

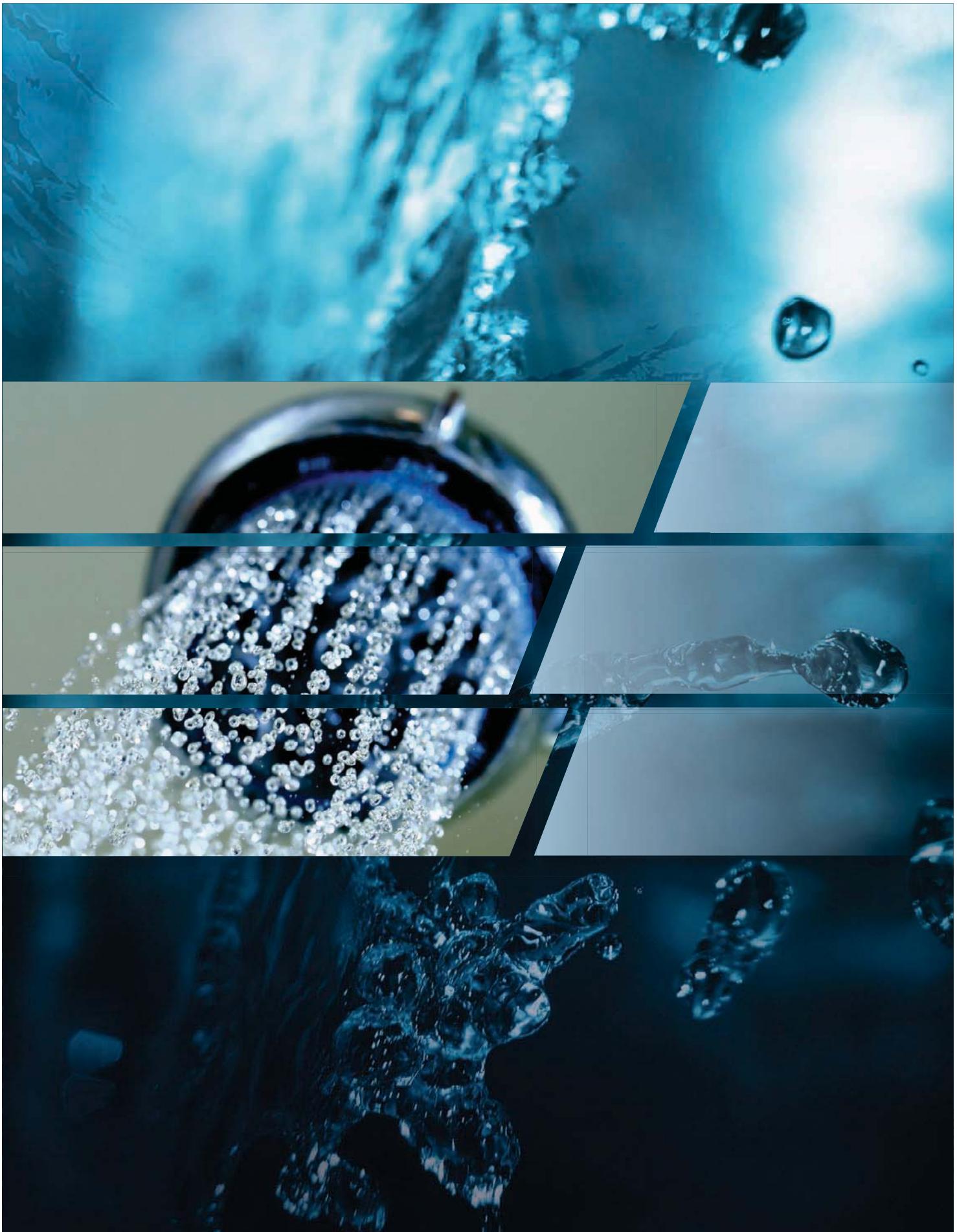
**West Basin Municipal Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

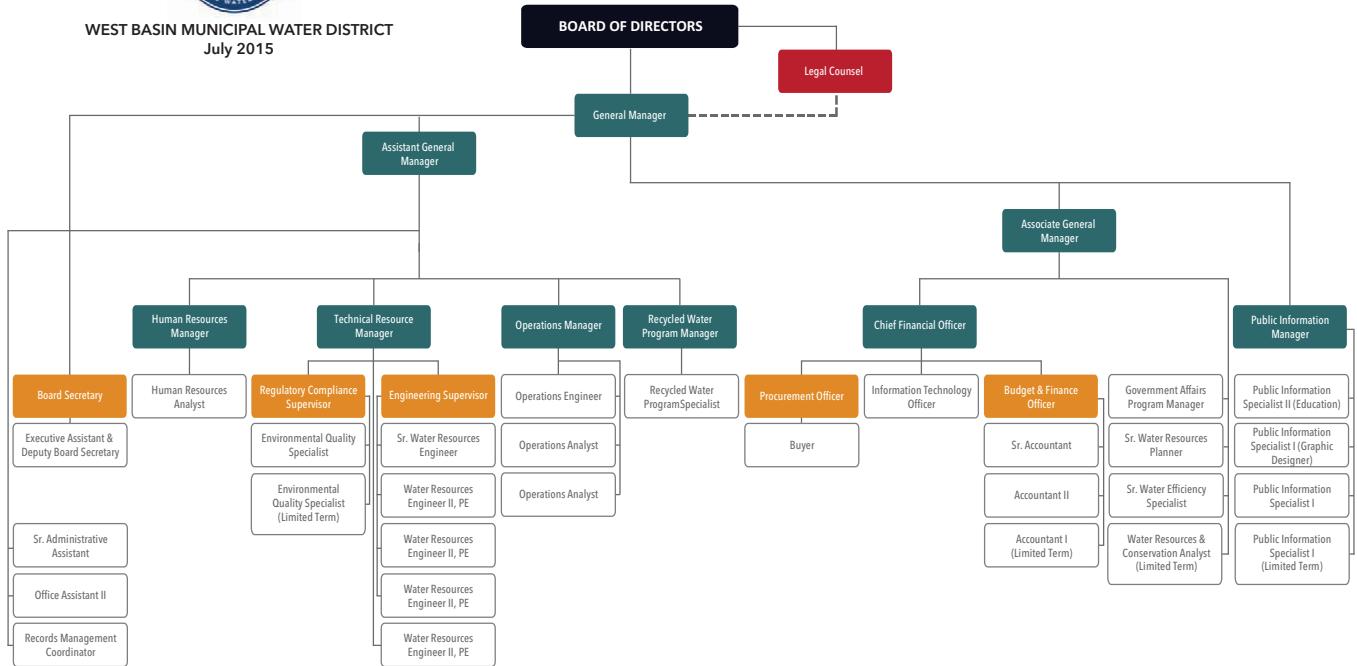
A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

Executive Director/CEO





WEST BASIN MUNICIPAL WATER DISTRICT
July 2015





FINANCIAL SECTION



FINANCIAL SECTION
Comprehensive Annual Financial Report



Board of Directors
West Basin Municipal Water District
Carson, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the West Basin Municipal Water District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's 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 opinions 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 from 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements for the year ended June 30, 2015, reflect certain prior period adjustments as described further in note 11 to the financial statements and Governmental Accounting Standards Board Statement No. 68 as described further in note 11. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The financial statements of the District for the fiscal year ended June 30, 2014, were audited by other auditors whose report dated October 31, 2014, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension required supplementary schedules 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and the statistical section 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering District's internal control over financial reporting and compliance.

Irvine, California
November 13, 2015

**WEST BASIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2015**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the West Basin Municipal Water District (or "West Basin") provides an introduction to the financial statement of West Basin for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the introductory section, the basic financial statements and related notes which follow this section.

MAJOR FINANCIAL ACTIVITIES

- West Basin implemented Government Accounting Standard Board (GASB) Statement No. 68 at the end of fiscal year 2015 for both of their Public Employees' Retirement System (PERS) and Public Agency Retirement Services (PARS) programs. The implementation resulted in Net Pension Asset of \$202.0 thousand for the PARS program, Net Pension Liability of \$1.3 million for the PERS program and the decrease of the Beginning Net Position of \$925.2 thousand for the fiscal year 2015.
- During the year, West Basin made a significant evaluation of its capital asset accounts and identified a total of \$27.1 million capital assets that were either no longer in service or had been disposed of in the prior years. West Basin recorded the disposal of these capital assets in fiscal year 2015 in its financial system. As a result, a prior year adjustment of \$9.2 million was made to reduce the Beginning Net Position of the fiscal year 2015. West Basin also recorded a current year loss on disposition of capital assets of \$849.5 thousand.
- West Basin had positive Change in Net Position of \$1.7 million in fiscal year 2015. However, due to the prior period adjustments of \$925.2 thousand of its pension program cost and \$9.2 million for the capital asset disposals to the Beginning Net Position for the year, West Basin's Ending Net Position for fiscal year 2015 was less than fiscal year 2014.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of West Basin using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of West Basin's Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources with the difference between the four reported as Net Position. Net Position is displayed in the following categories: Net Investment in Capital Assets and Unrestricted Net Position. This statement provides the basis for evaluating the capital structure of West Basin and assessing the liquidity and financial flexibility of West Basin.

The Statement of Revenues, Expenses and Changes in Net Position present information that shows the result of West Basin's financial performance during the year. All of the current year's revenues and expenses are accounted for in this statement. The Statement measures the success of West Basin's operations over the past year and determines whether West Basin has recovered its costs through user fees and other charges.

**WEST BASIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2015 (CONTINUED)**

The Statement of Cash Flows provides information regarding West Basin's cash receipts, cash disbursements and net changes in cash resulting from operating, non-capital financing, capital financing and investing activities. This statement provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period. operating, non-capital financing, capital financing and investing activities. This statement provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements as well as a description of the accounting policies used to prepare the financial statements. It also presents material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements. The Notes to the Financial Statements can be found on pages 36 through 65.

REQUIRED SUPPLEMENTARY INFORMATION

The required supplementary information provides additional information for West Basin's PARS and PERS programs. It can be found on pages 66 through 69.

**WEST BASIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2015 (CONTINUED)**

FINANCIAL ANALYSIS OF WEST BASIN

1) Statement of Net Position

Condensed Statement of Net Position

	2015	2014	Change
Assets			
Current unrestricted assets	\$99,097,652	\$103,675,774	(\$4,578,122)
Current restricted assets	4,507,740	4,501,566	6,174
Capital asset, net	464,434,321	485,434,657	(21,000,336)
Other assets	926,515	-	926,515
Total assets	568,966,228	593,611,997	(24,645,769)
Deferred Outflows Of Resources	13,982,208	14,390,699	(408,491)
Liabilities			
Current liabilities	45,963,998	47,342,673	(1,378,675)
Long term liabilities	304,565,591	321,029,886	(16,464,295)
Total Liabilities	350,529,589	368,372,559	(17,842,970)
Deferred Inflows Of Resources	1,248,190	77,012	1,171,178
Net Position			
Net investment in capital assets	170,046,568	175,455,369	(5,408,801)
Unrestricted	61,124,089	64,097,756	(2,973,667)
Total Net Position	\$231,170,657	\$239,553,125	(\$8,382,468)

Net Position measures West Basin's financial health or financial position. Over time, increases or decreases in West Basin's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, new or changed government legislation, etc. The Condensed Statement of Net Position shows that Assets and Deferred Outflows of West Basin exceeded liabilities and Deferred Inflows by \$231.2 million and \$239.6 million as of June 30, 2015 and 2014, respectively.

A large portion of West Basin's net position (\$170.0 million and \$175.5 million as of June 30, 2015 and 2014, respectively) reflects West Basin's net investment in capital assets (net of accumulated depreciation) less any related debts used to acquire those assets that are still outstanding. West Basin uses these capital assets to provide services to customers; consequently, these assets are not available for future spending.

**WEST BASIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2015 (CONTINUED)**

2) Statement of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenue, Expenses and Changes In Net Position

	2015	2014	Change
Revenue			
Operating revenues			
Water and monitoring	\$136,761,807	\$135,310,145	\$1,451,662
Water recycling revenue	40,386,155	42,151,257	(1,765,102)
Water conservation	735,542	972,298	(236,756)
Desalting revenue	700,631	789,969	(89,338)
Total operating revenues	<u>178,584,135</u>	<u>179,223,669</u>	<u>(639,534)</u>
Non-Operating revenues			
Standby charges	9,740,981	9,683,207	57,774
Investment Income	294,532	234,129	60,403
Other non-operating revenues	727,880	338,051	389,829
Total non-operating revenues	<u>10,763,393</u>	<u>10,255,387</u>	<u>508,006</u>
Total revenue	<u>189,347,528</u>	<u>189,479,056</u>	<u>(131,528)</u>
Expenses			
Operating expenses			
Source of supply and monitoring	116,722,812	118,116,614	(1,393,802)
Water recycling costs	34,511,305	32,682,913	1,828,392
Depreciation and amortization	25,099,267	20,792,901	4,306,366
Public information and education	2,905,785	6,004,376	(3,098,591)
Water policy and conservation	3,163,415	2,302,418	860,997
Desalting operations	870,052	810,526	59,526
Total operating expenses	<u>183,272,636</u>	<u>180,709,748</u>	<u>2,562,888</u>
Non-Operating expenses			
Miscellaneous expenses	849,491	66,107	783,384
Interest expense	11,138,976	10,650,835	488,141
Total non-operating expenses	<u>11,988,467</u>	<u>10,716,942</u>	<u>1,271,525</u>
Total expenses	<u>195,261,103</u>	<u>191,426,690</u>	<u>3,834,413</u>
Net Income (loss) before capital contributions	<u>(5,913,575)</u>	<u>(1,947,634)</u>	<u>(3,965,941)</u>
Capital Contributions	<u>7,662,456</u>	<u>16,446,497</u>	<u>(8,784,041)</u>
Change in Net Position	<u>1,748,881</u>	<u>14,498,863</u>	<u>(12,749,982)</u>
Net position – Beginning of year (as restated, note 10)	<u>229,421,776</u>	<u>225,054,262</u>	<u>4,367,514</u>
Net position – End of year	<u>\$231,170,657</u>	<u>\$239,553,125</u>	<u>(\$8,382,468)</u>

**WEST BASIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2015 (CONTINUED)**

The Statement of Revenues, Expenses and Changes in Net Position shows how West Basin's net position changed during the fiscal year. Net position increased by \$1.7 million and \$10.9 million (with the prior year adjustment of \$3.5 million) for the fiscal years ending June 30, 2015 and 2014, respectively.

A closer examination of the sources of changes in net position reveals that:

- In 2015, West Basin's potable water sales and monitoring revenue increased by \$1.5 million, recycling water sales decreased by \$1.8 million, conservation revenue decreased by \$236.8 thousand and desalting sales decreased by \$89.3 thousand, resulting in the total operating revenues being decreased by \$639.5 thousand. The increase in potable water revenues is the result of the increase in water rates in the year. The decrease in recycling water revenues is the result of a decrease in sales due to some major repairs. The water conservation revenues decrease is due to the reduction of the conservation programs participated in by West Basin in 2015.
- In 2015, West Basin's total non-operating revenues increased by \$508.0 thousand, primarily due to an accrual of the potential legal settlement income of \$420.0 thousand.
- In 2015, West Basin's total operating expenses increased by \$2.6 million, primarily due to the increase in recycling water facilities' operation and maintenance costs and depreciation cost. The aging recycling water facilities have incurred more costs each year for repairs and maintenance. The depreciation expense increased mainly due to the additional capital assets that were completed and placed in-services in the past two years.
- In 2015, West Basin's total non-operating expenses increased by \$1.3 million, primarily due to the increase in interest expense and the loss on disposal of capital assets of \$849.5 thousand.
- The capital contributions include the fixed payments from major recycled water customers, capital grants and cash contribution. In 2015, the total capital contributions decreased by \$8.8 million as a result of a one-time capital contribution of \$8.3 million that was made in fiscal year 2014 only.

**WEST BASIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2015 (CONTINUED)**

3) Capital Assets

On June 30, 2015, West Basin's investment in capital assets totaled \$665.9 million. Capital assets include land, discharge capacity rights, water facilities, potable distribution system, education center, buildings and improvements, furniture, fixtures and equipment and construction in progress. The following is a summary of capital assets:

	2015	2014	Change
Land	\$25,211,646	\$25,211,646	-
Discharge Capacity	621,189	621,189	-
Water Facilities	556,838,034	582,678,678	(25,840,644)
Building and Improvements	4,137,301	4,125,905	11,396
Potable Distribution System	1,241,681	1,241,681	-
Education Center	548,067	548,067	-
Furniture, Fixtures and Equipment	2,133,820	3,019,126	(885,306)
Construction in Progress	75,144,044	63,152,062	11,991,982
Total Capital Assets	\$665,875,782	\$680,598,354	(14,722,572)

In 2015, the value of capital assets in West Basin's Water Facilities decreased by \$25.8 million. Due to an internal review that was completed this year, a total of \$27.1 million capital assets that were either no longer in service or disposed in the prior years were recorded into West Basin's capital asset accounts. As a result, a prior year loss on capital assets of \$9.2 million and the current year loss on capital assets of \$849.5 thousand were both recorded in this fiscal year. West Basin completed the construction of the additional capital assets of \$2.1 million in this year. Within the \$75.1 million Construction in Progress category, the majority of the costs are for Ocean Desalination projects.

Additional information regarding capital assets can be found in Note 4 in Notes to Basic Financial Statements.

4) Long-Term Liabilities

As of June 30, 2015, West Basin had \$318.2 million in long term liabilities, including certificates of participation, refunding revenue bonds, net pension liability and interest rate swaps. Note 5 in the Notes to Basic Financial Statements discloses the detail of all Long-Term debt.

West Basin's net pension liability is recorded as \$1.3 million this year due to the implementation of GASB No. 68. This liability is only for West Basin's PERS program. West Basin's PARS program is recorded as Net pension asset of \$202.0 thousand as the result of the implementation of GASB No. 68. Please see West Basin's Statement of Net Position for details.

West Basin has two outstanding swaps at the end of the fiscal year with the total notional amount of \$25.5 million. These two swaps are associated with 2010A Adjustable Rate Revenue Certificate of Participation. The fair market value of these two swaps has increased by \$0.4 million during the year. The combined values are recorded as \$3.0 million in liabilities on the Statement of Net Position. Note 9 in the Notes to Basic Financial Statements discloses the detail of the swaps.

**WEST BASIN MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2015 (CONTINUED)**

The following is a summary of the Long-Term Liabilities for the years 2015 and 2014:

	2015	2014	Change
Compensated Absences	\$1,248,436	\$1,128,276	\$120,160
Refunding Certificates of Participation	148,446,190	154,879,578	(6,433,388)
Refunding Revenue Bonds	164,235,780	174,875,168	(10,639,388)
Net Pension Liability	1,259,725	-	1,259,725
Interest Rate Swaps	3,049,992	3,426,396	(376,404)
Total Long Term Liabilities	<u><u>\$318,240,123</u></u>	<u><u>\$334,309,418</u></u>	<u><u>(\$16,069,295)</u></u>

5) Prior Year Adjustment

West Basin implemented GASB Statement No. 68 in this year. With the implementation of GASB No. 68, the Beginning Net Position is decreased by \$925.2 thousand. Also, due to the internal review of the capital assets, a prior period adjustment of \$9.2 million was recorded to reduce the capital assets that were either no longer in service or disposed of in the prior years. Please see Note 11 in the Notes to Financial Statement for details.

CONDITION AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any conditions that would have a significant impact on West Basin's financial position, net position or operating results in terms of past, present and future.

CONTACTING WEST BASIN'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers, investors and creditors with an overview of West Basin's financial operations and overall financial condition. If you have questions about this report or need additional financial information, please contact Margaret Moggia, Chief Financial Officer, at West Basin.

WEST BASIN MUNICIPAL WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2015 (With Comparative totals for June 30, 2014)

	<u>ASSETS</u>	2015	2014
CURRENT ASSETS			
Unrestricted assets:			
Cash and cash equivalents (note 2)	\$ 38,529,839	\$ 38,306,958	
Investments (note 2)	30,240,059	29,081,165	
Accounts receivable	29,339,751	35,429,987	
Accrued interest receivable	134,807	112,169	
Inventory	615,645	508,779	
Prepaid expenses	237,551	236,716	
Total unrestricted assets	<u>99,097,652</u>	<u>103,675,774</u>	
Restricted assets (note 3):			
Cash and cash equivalents (note 2)	4,170,615	4,170,711	
Custodial cash (note 2)	<u>337,125</u>	<u>330,855</u>	
Total restricted assets	<u>4,507,740</u>	<u>4,501,566</u>	
TOTAL CURRENT ASSETS	<u>103,605,392</u>	<u>108,177,340</u>	
NONCURRENT ASSETS			
Other receivable	724,515	-	
Capital assets, not depreciable (note 4)	100,976,879	88,984,897	
Capital assets, net of depreciation (note 4)	363,457,442	396,449,760	
Net pension asset (note 6)	<u>202,000</u>	-	
TOTAL NONCURRENT ASSETS	<u>465,360,836</u>	<u>485,434,657</u>	
TOTAL ASSETS	<u>568,966,228</u>	<u>593,611,997</u>	
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension contributions (note 6)	803,127	-	
Deferred outflows - actuarial (note 6)	3,653	-	
Deferred outflows - additional deferral (note 6)	337,526	-	
Deferred amount on refunding	<u>12,837,902</u>	<u>14,390,699</u>	
TOTAL DEFERRED OUTFLOWS	<u>\$ 13,982,208</u>	<u>\$ 14,390,699</u>	

See accompanying notes to financial statements.

**WEST BASIN MUNICIPAL WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2015 (With Comparative totals for June 30, 2014)**

(CONTINUED)

LIABILITIES AND NET POSITION

	2015	2014
CURRENT LIABILITIES		
Accounts payable and accrued expense	26,505,483	28,321,298
Accrued interest payable	5,783,983	5,741,843
Current portion of long-term liabilities (note 5)	<u>13,674,532</u>	<u>13,279,532</u>
TOTAL CURRENT LIABILITIES	<u>45,963,998</u>	<u>47,342,673</u>
LONG-TERM LIABILITIES (note 5)		
Compensated absences	1,248,436	1,128,276
2008B refunding revenue certificates of participation	115,062,822	118,579,578
2010A adjustable rate revenue certification of participation	33,383,368	36,300,000
2011A refunding revenue bonds	36,133,140	36,822,660
2011B refunding revenue bonds	63,907,183	64,232,455
2012A refunding revenue bonds	53,528,646	55,959,262
2013A refunding revenue bonds	10,666,811	17,860,791
Net pension liability (note 6)	1,259,725	-
Interest rate swaps (note 9)	<u>3,049,992</u>	<u>3,426,396</u>
Subtotal	<u>318,240,123</u>	<u>334,309,418</u>
Less: current portion above	<u>(13,674,532)</u>	<u>(13,279,532)</u>
TOTAL LONG-TERM LIABILITIES	<u>304,565,591</u>	<u>321,029,886</u>
TOTAL LIABILITIES	<u>350,529,589</u>	<u>368,372,559</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - actuarial	794,774	-
Deferred change in swap fair value (note 9)	<u>453,416</u>	<u>77,012</u>
TOTAL DEFERRED INFLOWS	<u>1,248,190</u>	<u>77,012</u>
NET POSITION		
Net investment in capital assets	170,046,568	175,455,369
Unrestricted	<u>61,124,089</u>	<u>64,097,756</u>
TOTAL NET POSITION	<u>\$ 231,170,657</u>	<u>\$ 239,553,125</u>

See accompanying notes to financial statements.

WEST BASIN MUNICIPAL WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2015 (With comparative totals for the year ended June 30, 2014)

	2015	2014
OPERATING REVENUES:		
Water and monitoring	\$ 136,761,807	\$ 135,310,145
Water recycling revenue	40,386,155	42,151,257
Water conservation	735,542	972,298
Desalting revenue	700,631	789,969
TOTAL OPERATING REVENUES	178,584,135	179,223,669
OPERATING EXPENSES:		
Source of supply and monitoring	116,722,812	118,116,614
Water recycling costs	34,511,305	32,682,913
Depreciation and amortization	25,099,267	20,792,901
Public information and education	2,905,785	6,004,376
Water policy and conservation	3,163,415	2,302,418
Desalting operations	870,052	810,526
TOTAL OPERATING EXPENSES	183,272,636	180,709,748
OPERATING INCOME (LOSS)	(4,688,501)	(1,486,079)
NONOPERATING REVENUES (EXPENSES):		
Standby charges	9,740,981	9,683,207
Investment income	294,532	234,129
Miscellaneous income	689,906	255,470
Noncapital grants	37,974	82,581
Miscellaneous expense	-	(66,107)
Loss on disposition of assets	(849,491)	-
Interest expense	(11,138,976)	(10,650,835)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,225,074)	(461,555)
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	(5,913,575)	(1,947,634)
CAPITAL CONTRIBUTIONS:		
Capital contributions	7,662,456	16,446,497
CHANGE IN NET POSITION	1,748,881	14,498,863
NET POSITION - BEGINNING OF YEAR (as restated, note 11)	229,421,776	225,054,262
NET POSITION - END OF YEAR	\$ 231,170,657	\$ 239,553,125

See accompanying notes to financial statements.

WEST BASIN MUNICIPAL WATER DISTRICT
STATEMENT OF CASH FLOWS
Year ended June 30, 2015 (with comparative totals for the year ended June 30, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$183,949,856	\$175,059,020
Cash paid to suppliers of goods and services	(141,188,894)	(137,541,956)
Cash paid for arbitrage rebate	-	(227,657)
Cash paid for employee services and benefits	<u>(8,573,970)</u>	<u>(7,436,934)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>34,186,992</u>	<u>29,852,473</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants received	<u>37,974</u>	<u>82,581</u>
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>37,974</u>	<u>82,581</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term liabilities	(15,591,632)	(5,760,000)
Cash paid to bond escrow for refundings	-	(27,990,000)
Acquisition and construction of capital assets	(14,082,899)	(17,252,480)
New issuance of long-term liabilities	-	26,300,000
Interest paid on long-term liabilities	(11,096,836)	(10,477,593)
Capital grants received	-	7,295,692
Capital contributions	<u>7,662,456</u>	<u>9,150,805</u>
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(33,108,911)</u>	<u>(18,733,576)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	26,780,346	27,293,221
Purchase of investments	(27,854,296)	(24,080,125)
Interest received	<u>186,950</u>	<u>911,471</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(887,000)</u>	<u>4,124,567</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	229,055	15,326,045
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>42,808,524</u>	<u>27,482,479</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 43,037,579</u>	<u>\$ 42,808,524</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO AMOUNTS REPORTED ON THE STATEMENT OF NET POSITION:		
Cash and cash equivalents	\$ 38,529,839	\$ 38,306,958
Restricted cash and cash equivalents	4,170,615	4,170,711
Restricted custodial cash	<u>337,125</u>	<u>330,855</u>
Cash and cash equivalents at end of year	<u>\$ 43,037,579</u>	<u>\$ 42,808,524</u>

See accompanying notes to financial statements.

(Continued)

WEST BASIN MUNICIPAL WATER DISTRICT
STATEMENT OF CASH FLOWS
Year ended June 30, 2015 (with comparative totals for the year ended June 30, 2014)

(Continued)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>2015</u>	<u>2014</u>
Operating income (loss)	\$ (4,688,501)	\$ (1,486,079)
Standby charges	9,740,981	9,683,207
Depreciation and amortization	25,099,267	20,792,901
Nonoperating miscellaneous revenue	689,906	255,470
Nonoperating miscellaneous expenses	-	(66,107)
Arbitrage rebate payment	-	(227,657)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	5,365,721	(4,466,136)
(Increase) decrease in inventory	(106,866)	(81,641)
(Increase) decrease in prepaid expense	(835)	(70,016)
(Increase) decrease in net pension asset	(56,000)	-
(increase) decrease in deferred outflows-pension	(363,685)	-
(Increase) decrease in net OPEB asset	-	664,947
Increase (decrease) in accounts payable	(1,815,815)	4,825,956
Increase (decrease) in compensated absences	120,160	27,628
Increase (decrease) in net pension liability	(592,115)	-
Increase (decrease) in deferred inflows actuarial	<u>794,774</u>	<u>-</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 34,186,992</u>	<u>\$ 29,852,473</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Gain (loss) on disposition of assets	\$ (849,491)	\$ -
Unrealized gain (loss) from investments	<u>\$ 84,944</u>	<u>\$ 550,281</u>
Reclassification of deferred outflows associated with swap agreements as a result of debt refunding (see note 9)	<u>\$ -</u>	<u>\$ 2,765,248</u>

See accompanying notes to financial statements.

(1) Summary of significant accounting policies

Organization and description of West Basin - The West Basin Municipal Water District (District) was incorporated on December 17, 1947, which operates under the authority of Division 20 of the California Water Code for the purpose of providing water and related services to the properties within West Basin. West Basin is governed by a five member board of Directors elected by the voters in the area to a four-year term.

The mission of West Basin is to provide a safe and reliable supply of high quality water to the communities we serve. West Basin's customers consist of 9 agencies, private and public, within its 185-square mile service area. West Basin provides drinking and recycled water and water efficiency programs to its customers.

Basis of accounting

West Basin's financial statements are comprised of the Statements of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, the notes to the financial statements and Required Supplementary Information.

West Basin uses an enterprise fund to record its activities. An enterprise fund is a type of Proprietary fund used to account for operations where the costs of providing services to the general public on a continuing basis is financed or recovered primarily through user fees and charges or debt backed by fees and charges.

West Basin uses an "accrual basis of accounting", where revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

West Basin distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with water operations. Revenues not meeting this definition are reported as non-operating revenues.

Estimates - The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments.

Cash and cash equivalents - For purposes of the statements of cash flows, West Basin considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Investments - Investments are stated at their fair value which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Inventory - Inventory consists primarily of chemicals and spare parts used at the treatment plant and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(1) Summary of significant accounting policies (Continued)

Capital assets - Capital assets are classified into two major criteria of the business:

Capital assets used to support General Administration must meet (2) conditions:

1. Each individual item has a cost of \$3,000 or more or a group of same type assets has a cost of \$5,000 or more; and
2. Useful life of at least three years

Capital assets used to support Infrastructure and Other Construction Projects must meet (2) conditions:

1. Each individual item or component unit has a cost of \$10,000 or more; and
2. Useful life of at least three years

All purchased or constructed capital assets are reported at historical cost. Contributed assets are reported at fair market value on the date received. Replacements, refurbishments and other capital outlays that significantly extend the useful life of an asset by at least three years and the cost of the individual project is \$10,000 or more are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

	Useful Life
Water facilities	3 - 75 year
Buildings and improvements	3 - 40 year
Furniture, fixtures and equipment	3 - 10 year

Depreciation aggregated \$25,027,614 for the year ended June 30, 2015.

Construction in progress includes demonstration facilities that were constructed to test and validate the desalination methodologies to be used in the completed facility. These costs are considered by management to be integral and necessary to the successful completion and installation of the desalination facilities.

Amortization - Bond premiums and the deferred amount on refunding are being amortized on the straight line method over periods not to exceed debt maturities. Amortization expense aggregated \$71,653 for the year ended June 30, 2015.

Classifications of liabilities - Certain liabilities which are currently payable have been classified as restricted because they will be funded from restricted assets.

Compensated Absences - Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees.

(1) Summary of significant accounting policies (Continued)

Prioryear data - Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived. West Basin has reclassified certain prior year information to conform with current year presentations.

Capital contributions - Capital contributions of \$7,662,456 include capital grants, capital contributions and capital recovery charges for the fiscal year ended June 30, 2015.

Capital grants and contributions - West Basin receives grants from LADWP and other entities/agencies for several ongoing projects.

Capital-recovery charges (recycling operations) - West Basin receives fixed payments from major recycled water customers, which are intended to cover the cost of recycled water facilities owned by West Basin, but that were exclusively constructed to meet their recycling needs.

Risk management - West Basin is a member of the Association of California Water Agencies Joint Powers Insurance Authority ("Insurance Authority"). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The ACWA-JPIA board is composed of representatives from a number of water districts, including the West Basin Municipal Water District.

At June 30, 2015, West Basin participated in the self-insurance programs of the Insurance Authority as follows:

Property loss - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$150,000,000 (total insurable value of \$255,170,468). West Basin has a \$25,000 deductible for buildings, personal property and fixed equipment and a \$1,000 deductible on mobile equipment.

General liability - The Insurance Authority has pooled self-insurance up to \$2,000,000 per occurrence and has purchased excess insurance coverage up to \$58,000,000.

Auto liability - The Insurance Authority has pooled self-insurance up to \$2,000,000 per occurrence and has purchased excess insurance coverage up to \$58,000,000.

Public officials' liability - The Insurance Authority has pooled self-insurance up to \$2,000,000 and has purchased excess insurance coverage up to \$58,000,000.

Fidelity bond - The Insurance Authority has pooled self-insurance up to \$100,000. West Basin has a \$1,000 deductible.

At June 30, 2015, West Basin also had insurance coverage with Alliant Insurance for crime up to \$3,000,000 with a \$2,500 deductible.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(1) Summary of significant accounting policies (Continued)

Pensions - For purposes of measuring the net pension liability or asset, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office and PARS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at the CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For the CalPERS report, the following timeframes are used:

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	June 30, 2013 to June 30, 2014

For the PARS report, the following timeframes are used:

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	June 30, 2013 to June 30, 2014

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. West Basin has four items that qualify for reporting in this category: the deferred outflows on pension contributions, the deferred outflows - actuarial, the deferred outflows - additional deferral and the deferred charges on debt refundings.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as inflow of resources (revenue) until that time. West Basin has two items that qualify for reporting in this category, deferred inflow - actuarial and deferred change in swap fair value.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(2) Cash and investments

Cash and investments held by West Basin were comprised of the following at June 30, 2015:

	Maturity in Year			
	1 Year or Less	1 - 5 Years	More than 5 Years	Total
Local agency investment fund	\$32,094,760	\$ -	\$ -	\$32,094,760
Money market mutual funds	4,571,156	-	-	4,571,156
Deposits with financial institutions	6,371,664	-	-	6,371,664
Investments:				
United States agency securities	2,749,795	5,661,631	-	8,411,426
United States treasury securities	5,071,483	5,634,352	-	10,705,835
Corporate notes	2,939,622	7,243,345	-	10,182,967
Commercial Paper	939,830	-	-	939,830
Total cash and investments	<u>\$54,738,310</u>	<u>\$18,539,328</u>	<u>\$ -</u>	<u>\$73,277,638</u>

Financial Statement Classification:

Unrestricted assets:		
Cash and cash equivalents		\$38,529,839
Investments		30,240,059
Restricted assets:		
Cash and cash equivalents		4,170,615
Custodial cash		337,125
Total Cash and Investments		<u>\$73,277,638</u>

Investments authorized by the California government code and West Basin's investment policy -
The table below identifies the investment types that are authorized for West Basin by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of West Basin, rather than the general provision of the California Government Code or West Basin's investment policy:

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(2) Cash and investments (Continued)

<u>Authorized Investment Type</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer*</u>
U.S. treasury obligations	Yes	5 year	None	None
U.S. agency securities	Yes	5 year	None	None
Bankers acceptances	Yes	180 days	15%	15%
California municipal obligations	Yes	5 year	10%	5%
State municipal obligations	Yes	5 year	10%	5%
Commercial paper	Yes	270 days	25%	10%
Certificates of deposit	Yes	5 year	30%	5%
Repurchase agreements	No	1 year	None	None
Reverse repurchase agreements	No	92 days	20% of base value	None
Medium-term notes	Yes	5 year	30%	5%
Mutual funds	No	N/A	20%	10%
Money market mutual funds	Yes	N/A	20%	10%
Mortgage pass-through securities	No	5 year	20%	None
LAIF	Yes	N/A	None	None
Supranationals	Yes	5 year	30%	None

*Based on State law or investment policy requirements, whichever is more restrictive.

Investments authorized by debt agreements - Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or West Basin's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Investment in One Issuer</u>
Cash	None	None	None
U.S. treasury obligations	None	None	None
U.S. agency securities	None	None	None
Bankers acceptances	360 days	None	None
Commercial paper	270 days	None	None
Money market mutual funds	N/A	None	None
Guaranteed investment contracts	30 year	None	None
Certificate of deposit	360 days	None	None
LAIF	None	None	None
State Municipal Obligations	None	None	None

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(2) Cash and investments (Continued)

Disclosures relating to interest rate risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

In accordance with its Investment Policy, West Basin manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of West Basin's investments to market interest rate fluctuations is provided in the previous table that shows the distribution of West Basin's investments by maturity as of June 30, 2015.

Disclosure relating to 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. In accordance with its Investment Policy, West Basin only purchases investments that are rated "A" or higher by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year end for each investment under current assets and restricted assets.

<u>Investment</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
		<u>Standard & Poor's</u>	
U.S. agency securities	N/A		AA+
U.S. treasury securities	N/A		AA+
LAIF	N/A		Not Rated
Money market mutual funds	N/A		AAA-m
Corporate notes	A	A-, A, A+, AA-, AA and AA+, AAA	
Commercial paper	A-1		A-1
Held by bond trustee:			
Money market mutual funds	AAA		AAAm

Concentration of credit risk - Concentration of credit is the risk of loss attributed to the magnitude of West Basin's investment in a single issue.

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal National Mortgage Association	U.S. agency securities	\$2,331,436
Federal Home Loan Mortgage Association	U.S. agency securities	3,237,880
Federal Home Loan Bank	U.S. agency securities	<u>2,842,110</u> <u>\$8,411,426</u>

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(2) Cash and investments (Continued)

Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, West Basin will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker) West Basin will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and West Basin's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in state investment pool - West Basin is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of West Basin's investment in this pool is reported in the accompanying financial statements at amounts based upon West Basin's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF which are recorded on an amortized cost basis. The weighted average maturity of the LAIF portfolio as of June 30, 2015, is 239 days.

(3) Restricted assets

Restricted assets were provided by, and are to be used for, the following at June 30, 2015:

Funding source	Use	Amount
Refunding Revenue Bonds	Reserve Requirement	\$4,170,615
Custodial Account	Custodial costs	337,125
		<u>\$4,507,740</u>

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(4) Capital assets

The investment in capital assets consists of the following at June 30, 2015:

	Balance at July 1, 2014*	Additions	Deletions	Balance at June 30, 2015
Capital assets, not being depreciated:				
Land - Recycling facilities	\$ 23,541,078	\$ -	\$ -	\$23,541,078
Land - Carson	1,670,568	-	-	1,670,568
Discharge Capacity	621,189	-	-	621,189
Construction-in-progress	<u>63,152,062</u>	<u>13,666,026</u>	<u>(1,674,044)</u>	<u>75,144,044</u>
Total capital assets, not being depreciated	<u>88,984,897</u>	<u>13,666,026</u>	<u>(1,674,044)</u>	<u>100,976,879</u>
Capital assets, being depreciated:				
Building - Carson	2,343,574	-	-	2,343,574
Building improvement	1,782,331	11,396	-	1,793,727
Potable distribution system	1,241,681	-	-	1,241,681
Ocean desalination education center	548,067	-	-	548,067
Recycling facilities	552,375,161	2,018,617	(1,614,322)	552,779,456
Groundwater desalting facility	4,040,565	34,562	(16,549)	4,058,578
Machinery and equipment	1,884,404	14,525	-	1,898,929
Furniture and fixtures	<u>223,076</u>	<u>11,815</u>	<u>-</u>	<u>234,891</u>
Total capital assets, being depreciated	<u>564,438,859</u>	<u>2,090,915</u>	<u>(1,630,871)</u>	<u>564,898,903</u>
Less accumulated depreciation:				
Building - Carson	(648,389)	(93,743)	-	(742,132)
Building improvement	(259,770)	(123,813)	-	(383,583)
Potable distribution system	(217,294)	(62,084)	-	(279,378)
Ocean desalination education center	(213,137)	(60,897)	-	(274,034)
Recycling facilities	(173,373,618)	(24,194,012)	767,643	(196,799,987)
Groundwater desalting facility	(1,585,571)	(214,584)	9,102	(1,791,053)
Machinery and equipment	(698,336)	(261,468)	-	(959,804)
Furniture and fixtures	<u>(194,112)</u>	<u>(17,378)</u>	<u>-</u>	<u>(211,490)</u>
Total accumulated depreciation	<u>(177,190,227)</u>	<u>(25,027,979)</u>	<u>776,745</u>	<u>(201,441,461)</u>
Total capital assets, being depreciated, net	<u>387,248,632</u>	<u>(22,937,064)</u>	<u>(854,126)</u>	<u>363,457,442</u>
Total capital assets, net	<u>\$476,233,529</u>	<u>\$(9,271,038)</u>	<u>\$(2,528,170)</u>	<u>\$464,434,321</u>

* Balance at July 1, 2014, as restated. See footnote 11 for additional information.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(5) Long-term debt

The following amounts of long term liabilities were outstanding June 30, 2015:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at July 30, 2015</u>	<u>Current Portion</u>
2008B Refunding Revenue Certificate of Participation	118,579,578	-	(3,516,756)	115,062,822	3,590,000
2010A Adjustable Rate Revenue Certificates of Participation	36,300,000	-	(2,916,632)	33,383,368	-
2011A Refunding Revenue Bonds	36,822,660	-	(689,520)	36,133,140	375,000
2011B Refunding Revenue Bonds	64,232,455	-	(325,272)	63,907,183	-
2012A Refunding Revenue Bonds	55,959,262	-	(2,430,616)	53,528,646	2,115,000
2013A Refunding Revenue Bonds	<u>17,860,791</u>	<u>-</u>	<u>(7,193,980)</u>	<u>10,666,811</u>	<u>6,990,000</u>
Subtotal	329,754,746	-	(17,072,776)	312,681,970	13,070,000
Compensated Absences	<u>1,128,276</u>	<u>733,294</u>	<u>(613,134)</u>	<u>1,248,436</u>	<u>604,532</u>
Total	<u>\$330,883,022</u>	<u>\$ 733,294</u>	<u>\$(17,685,910)</u>	<u>\$313,930,406</u>	<u>\$13,674,532</u>

2008B refunding revenue certificates of participation - In May 2008, the Financing Corporation issued \$128,665,000 Refunding Revenue Certificates of Participation ("2008B Refunding Revenue Certificates") to assist West Basin in financing and refinancing certain facilities of West Basin previously financed and refinanced from the proceeds of the 2003B Adjustable Rate Revenue Certificates, to purchase a reserve fund financial guaranty insurance policy for deposit in the Reserve Fund, and to pay costs of delivery of the 2008 Refunding Revenue Certificates.

The 2008B Refunding Revenue Certificates have interest rates ranging from 3.0% to 5.0% with maturities through August 2031. This liability is presented in the accompanying statement of net position net of unamortized discounts and premiums as follows:

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(5) Long-term debt (Continued)

Bonds outstanding	\$113,185,000
Unamortized premium	<u>1,877,822</u>
Net liability	<u>\$115,062,822</u>

2010A adjustable rate revenue certificates of participation - In April 2013, U.S. Bank National Association agreed to extend up to \$40,000,000 authorization credit to West Basin on a revolving basis through the purchase of West Basin Municipal Water District Adjustable Rate Revenue Certificates of Participation, Series 2010 (the "Certificate"), evidencing undivided interests in Installment Payments to be paid by West Basin under an Installment Purchase Agreement dated June 1, 2010 (the "Installment Purchase Agreement"), by and between West Basin and the Financing Corporation, prior to the commitment termination date (no later than April 25, 2016). The interest paid on the utilized portion of the Certificate is based on fixed rate and adjusted LIBOR rate of .19% at June 30, 2015.

2011A refunding revenue bonds - In September 2011, West Basin issued \$34,190,000 Refunding Revenue Bonds ("2011A Refunding Revenue Bonds") to assist West Basin in refinancing a portion of certain facilities of West Basin previously financed and refinanced from the proceeds of the 2003A Refunding Revenue Certificates of Participation, to refinance certain facilities of West Basin previously financed from the proceeds of the State of California loan, and to pay costs of delivery of the 2011A Refunding Revenue Bonds.

The 2011A Refunding Revenue Bonds have interest rates ranging from 2.5% to 5.0% with maturities through August 2024. This liability is presented in the accompanying statement of net position net of unamortized discounts and premiums as follows:

Bonds outstanding	\$33,140,000
Unamortized premium	<u>2,993,140</u>
Net liability	<u>\$36,133,140</u>

2011B refunding revenue bonds - In November 2011, West Basin issued \$60,275,000 Refunding Revenue Bonds ("2011B Refunding Revenue Bonds") to assist West Basin in refinancing a portion of certain facilities of West Basin previously financed and refinanced from the proceeds of the 2003A Refunding Revenue Certificates of Participation, to refinance certain facilities of West Basin previously financed from the proceeds of the 2010A Adjustable Rate Revenue Certificates of Participation, to fund capitalized interest, to fund a reserve fund and to pay costs of delivery of the 2011B Refunding Revenue Bonds.

The 2011B Refunding Revenue Bonds have interest rates ranging from 4.0% to 5.0% with maturities through August 2036. This liability is presented in the accompanying statement of net position net of unamortized discounts and premiums as follows:

Bonds outstanding	\$60,275,000
Unamortized premium	<u>3,632,183</u>
Net liability	<u>\$63,907,183</u>

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(5) Long-term debt (Continued)

2012A refunding revenue bonds - In April 2012, West Basin issued \$50,325,000 Refunding Revenue Bonds ("2012A Refunding Revenue Bonds") to assist West Basin in refinancing a portion of certain facilities of West Basin previously financed from the proceeds of the 2003A Refunding Revenue Certificates of Participation, to refinance certain facilities of West Basin previously financed from the proceeds of the 2010A Adjustable Rate Revenue Certificates of Participation, to fund capitalized interest, to fund a portion of a reserve fund and to pay costs of delivery of the 2012A Refunding Revenue Bonds.

The 2012A Refunding Revenue Bonds have interest rates ranging from 3.0% to 5.0% with maturities through August 2029. This liability is presented in the accompanying statement of net position net of unamortized discounts and premiums as follows:

Bonds outstanding	\$48,270,000
Unamortized premium	<u>5,258,646</u>
Net liability	<u>\$53,528,646</u>

2013A refunding revenue bonds - In May 2013, West Basin issued \$17,165,000 Refunding Revenue Bonds ("2013A Refunding Revenue Bonds") to refund all of the outstanding West Basin Municipal Water District Refunding Revenue Certificates of Participation, Series 2003A, and to pay costs of delivery of the 2013A Refunding Revenue Bonds.

The 2013A Refunding Revenue Bonds have interest rates ranging from 2.0% to 4.0% with maturities through August 2016. This liability is presented in the accompanying statement of net position net of unamortized discounts and premiums as follows:

Bonds outstanding	\$10,305,000
Unamortized premium	<u>361,811</u>
Net liability	<u>\$10,666,811</u>

Debt Coverage - West Basin has pledged revenues, net of specified operating expenses, as security for debt service associated with indebtedness incurred to finance various capital facilities of West Basin. The bonds are payable solely from net revenues and are payable through fiscal year 2037. For the year ended June 30, 2015, debt coverage (net revenues divided by senior debt service) for senior debt was approximately 2.19. Debt coverage (net revenues divided by total debt service) for all debt was approximately 1.45.

Debt Service Requirements - The Certificates of Participation and Refunding Revenue Bonds (not including the 2010 Adjustable rate revenue certificates of participation) debt service requirements subsequent to June 30, 2015, are as follows:

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(5) Long-term debt (Continued)

Certificates of Participation **Refunding Revenue Bonds**

	Total COP's		Hedging Derivatives, Net	Total Refunding Rev Bonds		
	Principal	Interest		Principal	Interest	Total
2015/16	\$ 3,590,000	\$ 5,429,981	\$ 836,338	\$ 9,480,000	\$ 7,096,400	\$ 26,432,719
2016/17	3,775,000	5,286,381	741,788	5,515,000	6,720,950	22,039,119
2017/18	3,825,000	5,135,381	661,098	6,105,000	6,500,350	22,226,829
2018/19	3,960,000	4,982,381	575,569	6,345,000	6,256,150	22,119,100
2019/20	4,125,000	4,823,981	485,230	6,580,000	6,012,700	22,026,911
2020/21	4,280,000	4,653,825	401,525	6,810,000	5,794,250	21,939,600
2021/22	4,450,000	4,477,275	296,370	7,125,000	5,493,750	21,842,395
2022/23	6,530,000	4,254,775	244,961	7,480,000	5,137,500	23,647,236
2023/24	7,135,000	3,928,275	200,534	7,780,000	4,776,000	23,819,809
2024/25	7,490,000	3,571,525	155,342	8,150,000	4,387,000	23,753,867
2025/26	7,865,000	3,197,025	107,979	8,720,000	4,010,500	23,900,504
2026/27	8,260,000	2,803,775	59,086	8,915,000	3,574,500	23,612,361
2027/28	8,670,000	2,390,775	7,572	9,435,000	3,149,250	23,652,597
2028/29	9,105,000	1,957,275	-	9,910,000	2,677,500	23,649,775
2029/30	9,555,000	1,506,250	-	10,410,000	2,182,000	23,653,250
2030/31	10,035,000	1,028,500	-	4,080,000	1,661,500	16,805,000
2031/32	10,535,000	526,750	-	4,285,000	1,457,500	16,804,250
2032/33	-	-	-	4,500,000	1,243,250	5,743,250
2033/34	-	-	-	4,725,000	1,018,250	5,743,250
2034/35	-	-	-	4,960,000	782,000	5,742,000
2035/36	-	-	-	5,210,000	534,000	5,744,000
2036/37	-	-	-	5,470,000	273,500	5,743,500
	\$113,185,000	\$59,954,130	\$4,773,392	\$151,990,000	\$80,738,800	\$410,641,323

(6) Defined benefit pension plans

Plan Description - All qualified permanent and probationary employees are eligible to participate in West Basin's cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2013, Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2013, actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(6) Defined benefit pension plans (Continued)

	Tier I	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-60	52-67
Required employee contribution rates	8%	8%
Required employer contribution rates	15.909%	6.308%

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014, (the measurement date) the active employee contribution rate is 7.761 percent of annual pay and the average employer's contribution rate is 15.909 percent of annual payroll for Tier I employees. For PEPRA employees the active employee contribution rate is 6.308 percent annual pay and the average employer's contribution rate is 6.700 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Actuarial Methods and Assumptions used to determine Total Pension Liability

For the measurement period ending June 30, 2014, (the measurement date) the total pension liability was determined by rolling forward the June 30, 2013, total pension liability. The June 30, 2013, and June 30, 2014, total pension liability were based on the following actuarial methods and assumptions:

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(6) Defined benefit pension plans (Continued)

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses: includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all funds

All other actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes. Refer to page 9 of this report, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to

(6) Defined benefit pension plans (Continued)

the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10¹	Real Return Years 11+²
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

1 An expected inflation of 2.5% used for this period

2 An expected inflation of 3.0% used for this period

(6) Defined benefit pension plans (Continued)

Allocation of Net Pension Liability and Pension Expense to Individual Employers

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportional allocations of individual plan amounts as of the valuation date are used where not available.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the Miscellaneous Risk Pool (risk pool) as a whole on the valuation date (June 30, 2013). The risk pool's fiduciary net position (FNP) subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date.

Note: for purposes of FNP in this step (2) and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014, less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4).

The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The plan's proportion of aggregate employer contributions is equal to the plan's proportion of FNP calculated in (4). The plan's proportionate share of risk pool pension expense is developed as the sum of the related proportionate shares of the components of the aggregate pension expense.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(6) Defined benefit pension plans (Continued)

The following table shows the Plan's proportionate share of the net pension liability over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD)	8,433,066	6,581,226	1,851,840
Balance at: 6/30/2014 (MD)	8,934,915	7,675,190	1,259,725
Net Changes during 2013-14	501,849	1,093,964	(592,115)

West Basin's proportionate share of the net pension liability as of June 30, 2014, was .02024%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.5%)	Current Discount Rate (7.5%)	Discount Rate + 1% (8.5%)
Plan's Net Pension Liability	2,445,055	1,259,725	276,013

Subsequent Events - There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses - Under GASB 68, deferred inflows and deferred outflows of resources related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

(6) Defined benefit pension plans (Continued)

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive and retired).

The EARSL for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (June 30, 2013), the NPL is \$1,851,840.

For the measurement period ending June 30, 2014, (the measurement date) West Basin recognized a pension expense of \$373,556 for the Plan (the pension expense for the risk pool for the measurement period is \$239,824,465).

As of June 30, 2014, West Basin reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	711,101	-
Differences between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(527,197)
Adjustment due to Differences in Proportions	3,653	(234,577)
Total	\$714,754	\$ (761,774)

In addition to the figures shown in the table above, each employer is required to recognize an employer-specific type of deferred inflows and deferred outflows. This is derived from the difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions. This deferral and the corresponding amortization amount are calculated separately by each employer. The employer's pension expense is adjusted for the amortization of this additional deferral. This item is required to be amortized over the plan's Expected Average Remaining Service Lives (EARSL). At June 30, 2015, the additional deferred outflow is \$337,526.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(6) Defined benefit pension plans (Continued)

Amounts reported as deferred outflows and deferred inflows of resources in the previous chart, including the employer-specific item, will be recognized in future pension expense as follows:

Measurement period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2015	\$ (93,729)
2016	(93,729)
2017	(101,340)
2018	(131,797)
2019	-
Thereafter	-

In addition to the above amounts, \$711,101 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

PARS:

West Basin has established a defined benefit, single-employer retirement plan that provides a pension benefit for full time elected or appointed Directors:

Tier I: Members retire from West Basin after July 1, 2002, and assumed office prior to January 1, 2013, who are at least age 50 with 5 or more years of continuous service, who have not been a CalPERS member prior to January 1, 2003.

Tier II: Members retire from West Basin after July 1, 2002, and assumed office prior to January 1, 2013, who have assumed office on or after January 1, 1995, who are at least age 55 with 12 or more years of continuous service, and who are not eligible for another District retiree benefit.

Tier III: Members assumed office on or after January 1, 2013, who are at least age 52 with 5 or more years of continuous service, and who have not been a CalPERS member prior to January 2003.

This plan is administered for West Basin through a third party administrator, PARS. Copies of PARS' annual financial report may be obtained from its executive office at 4350 Von Karman Ave. Suite 100, Newport Beach, California 92660.

The pension benefit for Tier I members starts at 2% of the highest average annual salary for a one year period of employment with West Basin at age 50, increases by 0.1% for each year after age of 50, capped at 3% at 60. For Tier II members, the benefit is increased by a 2% annual Cost of Living Adjustment (COLA) after retirement with the annual Supplemental benefit of \$5,000. West Basin contributes to each benefit on behalf of the eligible directors. For Tier III members, the benefit starts at 1% of the highest average annual compensation paid during any 36 consecutive months, capped at 2.5% at age 67. The Tier III members contribute up to 50% of the normal cost which was 7% as of June 30, 2015.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(6) Defined benefit pension plans (Continued)

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

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	1
Active employees	5
Total	<u>7</u>

Contribution Description

West Basin's funding policy is to make the contribution as determined by the Plan's actuary, expressed as a percentage of total Director's payroll. The Plan's annual pension cost for the fiscal year ending June 30, 2015, is based on an actuarial valuation as of June 30, 2014. For the fiscal year ending June 30, 2015, West Basin's annual pension cost is \$165,000 or 51.8% of the projected total Director payroll. West Basin contributed \$85,906 to the plan.

Actuarial Valuation Date:	June 30, 2014
Asset Valuation Method:	Smoothed market value
Discount rate:	5.5%
Mortality:	Post-retirement mortality rates are from the CalPERS' 1997-2011 Experience Study
General Inflation:	3%
Aggregate payroll Increase:	3%
Termination:	None assumed
Salary Scale:	Individual payroll increases are the lesser of 5% and inflation
Retirement Age:	Employees will immediately retire upon the later of eligibility for benefits (which is usually the expiration of the third term on the Board), or end of the current term on the Board

Actuarial Methods

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) method. The Present Value of Projected Benefits (PVPB) is the present value of all future benefits for current plan participants. The Actuarial Accrued Liability (AAL) represents the portion of the PVPB attributable to past service. The AAL is recognized over service through the date a participant is expected to commence benefits.

(6) Defined benefit pension plans (Continued)

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) method. The Present Value of Projected Benefits (PVPB) is the present value of all future benefits for current plan participants. The Actuarial Accrued Liability (AAL) represents the portion of the PVPB attributable to past service. The AAL is recognized over service through the date a participant is expected to commence benefits.

The initial unfunded AAL for the original multiple employer plan was amortized over 20 years as of July 1, 2002, as a level percentage of expected payroll. Subsequent gains or losses are amortized over 15 years, and plan amendments, methods and assumption changes are amortized over 20 years. The maximum combined amortization period is 30 years. Effective June 30, 2006, the plan was split into two plans. At that time, all West Basin Municipal Water District bases were combined into a single fresh start base amortized over 16 years, which was the remaining period of the initial UAL. Currently, 8 years remain on this base.

Plan funded status based on the excess of

- 1) Actuarial Accrued Liability
over
- 2) Plan assets

Actuarial assets are equal to market value assets. This is a change from the prior valuation, in which actuarial assets recognized asset gains/losses over 5 years.

The plan is assumed to be ongoing for cost purposes. This does not imply that an obligation to continue the plan exists.

Discount Rate

The discount rate used to measure the total pension liability was 5.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, the actuary stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 5.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 5.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 30 basis points. An investment return excluding administrative expenses would have been 5.78 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(6) Defined benefit pension plans (Continued)

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (c) = (a) - (b)
Balance at: 6/30/2014	\$924,000	\$1,070,000	\$(146,000)
Changes Recognized for the Measurement Period:			
Service Cost	73,000		73,000
Interest on the Total Pension Liability	55,000		55,000
Differences between Expected and Actual Experience			
Contributions from the Employer		115,000	(115,000)
Contributions from Employees			
Investment Income		102,000	(102,000)
Administrative Expense		(33,000)	33,000
Benefit Payments, including Refunds of Employee Contributions			
Net Changes during 2013-14	\$128,000	\$184,000	\$(56,000)
Balance at: 6/30/2015	\$1,052,000	\$1,254,000	\$(202,000)

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(6) Defined benefit pension plans (Continued)

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 5.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.50 percent) or 1 percentage-point higher (6.50 percent) than the current rate:

	1% Decrease (4.50%)	Discount Rate (5.50%)	1% Increase (6.50%)
Net Pension Liability	\$ (69,000)	\$ (202,000)	\$ (311,000)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (June 30, 2013), the NPA is \$146,000. For the measurement period ending June 30, 2014, (the measurement date) West Basin recognized pension contributions of \$115,000 for the Plan.

As of June 30, 2014, West Basin reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$92,026	-
Differences between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(33,000)
Total	\$92,026	(\$33,000)

As of June 30, 2015, West Basin reported \$92,026 as deferred outflows of resources related to employer contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2016	\$(8,000)
2017	(8,000)
2018	(8,000)
2019	(8,000)
2020	-
Thereafter	-

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(7) Other postemployment benefits (OPEB)

Plan Description: West Basin Municipal Water District provides postretirement medical benefits to employees who retire directly from West Basin under CalPERS under a single-employer defined benefit post-employment benefits plan. To be eligible for District-paid healthcare benefits, retirees must be at least age 55 with 10 years of District service at retirement, or meet the eligibility requirement of age 50 and the Rule of 75 (age plus CalPERS service equals 75, with a minimum of 5 years District service). For eligible retirees, West Basin pays the full medical and dental premiums, plus a reimbursement for out-of-pocket medical, dental, and vision expenses up to the active employees' reimbursement caps. Benefit provisions are established and amended by the Board of Directors.

District's Funding Policy: Based on the actuarial report, West Basin contributes Annual Required Contribution of the Employer required contribution of the employer (ARC) to the California Employer's Retirement Benefit Trust (CERBT) administered by CalPERS.

CERBT holds irrevocable employer contributions in a trust restricted for benefits under this program. Separate financial statements are published by CERBT to conform to GASB Statement No. 43. Copies of CERBT annual financial report can be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

Annual OPEB Cost and Net OPEB Obligation. West Basin's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (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 following table shows the components of West Basin's annual OPEB cost for the current fiscal year, the amount actually contributed to the plan, and changes in West Basin's net OPEB obligation for these benefits:

Annual required contribution	\$ 440,774
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	440,774
Contributions made (including retiree premiums paid)	(440,774)
Increase (decrease) in net OPEB obligation	
Net OPEB obligation (asset) - beginning of year	-
Net OPEB obligation (asset) - end of year	-

This table summarizes West Basin's annual OPEB costs, annual OPEB contribution, cash directly paid to retired employees, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation from FY 2013 to FY 2015.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(7) Other postemployment benefits (OPEB) (Continued)

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Contributed/ Paid</u>	<u>% of Annual OPEB Contributed/Paid</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2013	\$475,703	\$487,300	102%	\$(-664,947)
6/30/2014	4,413,859	3,748,912	85%	
6/30/2015	440,774	440,774	100%	

Funding Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the plan was 51% funded. The table below shows the Funding Progress.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> <u>(a)</u>	Actuarial Accrued Liability (AAL)			UAAL as a % of Covered Payroll	
		<u>Entry Age</u> <u>(b)</u>	<u>Unfunded AAL (UAAL)</u> <u>(b-a)</u>	<u>Funded Ratio</u> <u>(a/b)</u>	<u>Covered Payroll</u> <u>(c)</u>	<u>Covered Payroll</u> <u>(b-a)/c</u>
7/1/09	\$1,084,341	\$2,456,093	\$1,371,752	44%	\$3,285,222	41.76%
7/1/11	2,180,681	4,466,071	2,285,390	49%	3,647,096	62.66%
7/1/13	3,272,335	6,362,579	3,090,244	51%	3,976,526	77.71%

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, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

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 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 assets, consistent with the long-term perspective of the calculations.

(7) Other postemployment benefits (OPEB) (Continued)

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Method. The actuarial assumptions included a 7.5% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and annual cost trend rate of 9.5% for medical plan premiums initially, reduced by decrements of 0.5% per year to an ultimate rate of 5% after the ninth year. The plan values its assets at market value. All the rates included a 3.25% inflation assumption. West Basin's amortization period of the UAAL is one year. It is assumed West Basin's payroll will increase 3.25% per year.

(8) Commitments and contingencies

West Basin has entered into various contracts for the purchase of material, construction of the utility plant, professional and nonprofessional services. Certain amounts are based on the contractor's estimated cost to complete. At June 30, 2015, the total unpaid amount on these contracts is approximately \$27,217,000. These commitments may be funded from restricted assets.

The accompanying financial statements include a liability in the amount of \$3.6 million for the possible settling of pricing adjustments associated with prior delivered water. Negotiations between the parties are ongoing and final amounts pertaining to this matter are not known at this time.

(9) Swap transaction agreements

In June 2004, District entered into a swap transaction in the original notional amount of \$22,875,000 for the purpose of hedging the variable interest rate that related to one of West Basin's Adjustable Rate Refunding Certificates of Participation at the time. This swap was executed and confirmed on June 8, 2004. In 2008, District refinanced this Adjustable Rate Refunding Revenue Certificates of Participation and the swap was amended and restated as of June 6, 2008, for the original notional amount of \$22,875,000. The agreement is scheduled to terminate August 1, 2027 unless terminated earlier. Under the amended and restated swap transaction, West Basin pays a fixed rate of 3.662% and receives 65% of the British Bankers Association - London Interbank offered rate (BBA - LIBOR). The fair market value of this swap was (\$2,191,427) based on the market interest rates as of June 30, 2015.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2015, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (amounts in thousands):

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

(9) Swap transaction agreements(Continued)

Business-type activities	Changes in Fair Value		Fair Value at June 30, 2015		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>

Cash flow hedges:

Pay-fixed interest rate swap	Deferred inflow	\$ (270)	Debt	\$ (2,191)	\$15,275
Pay-fixed interest rate swap	Deferred inflow	\$ (106)	Debt	\$ (859)	\$10,250

The fair value of each of the above interest rate swap agreements has been reported as a liability in the accompanying statement of net position. Swap agreements that have a strong correlation to the debt agreement of West Basin to which they relate and that meet the hedge accounting criteria of GASB No. 53 have been accounted for as cash flow hedges. Under hedge accounting, the changes in fair value associated with cash flow hedges are recorded on the statement of net position as deferred outflows of financial resources (an asset).

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of West Basin's hedging derivative instruments outstanding at June 30, 2015, along with the credit rating of the associated counterparty (amounts in thousands).

<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating*</u>
Pay-fixed interest rate swap	Hedge of the variable rate interest exposure relating to the Refunding Revenue Certificates of Participation Series 2010A.	\$15,275	5/22/08	8/01/27	Pay 3.662%; receives 65% of the BBA-LIBOR	A
Pay-fixed interest rate swap	Hedge of the variable rate interest exposure relating to the Refunding Revenue Certificates of Participation Series 2010A.	\$10,250	5/22/08	8/01/21	Pay 3.515%; receive floating rate of 65% of BBA-LIBOR	A

* S&P rating of subordinated debt for Citibank, N.A.

(9) Swap transaction agreements (Continued)

Credit risk. West Basin is exposed to credit risk on hedging derivative instruments. To minimize its exposure to loss related to credit risk, it is West Basin's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty, or its guarantor, not have credit ratings from two nationally recognized rating agencies in at least the two highest rating categories. Collateral posted is to be in the form of cash, U.S. Treasury Securities or Agency Securities rated "Aaa" or "AAA" by two of the nationally recognized rating agencies held by a third-party custodian.

Interest rate risk. West Basin is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swaps, as LIBOR decreases, West Basin's net payment on the swap increases. In addition, on its basis interest rate swap, as LIBOR decreases or the SIFMA swap index increases, West Basin's net payment on the swap increases.

Basis risk. West Basin is exposed to basis risk on its interest rate swaps. For its pay-fixed and receive-variable interest rate swaps, the variable-rate payments received by West Basin on these hedging derivative instruments are based on 65% of one-month LIBOR index, reset every month. At each reset of its hedged variable rate debt, West Basin can choose the period until the next reset, and the interest rate on the debt is then based on 70% of the LIBOR index with a tenure that best approximates the chosen period. As of June 30, 2015, West Basin chose a reset period of one month for its hedged variable-rate debt, and 70% of one-month LIBOR was approximately 0.13%.

Termination risk. West Basin or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In such event, West Basin may either receive or owe a payment to the counterparty. The amount and the direction of the payment are dependent on swap interest rates and ratios and it reflects the value of the swap at the time of such termination. The fair value of the swaps at June 30, 2015, suggests that a payment of \$3,049,992 would be required if the two swaps were terminated on that date.

The interest rate swap agreements are associated with the 2010A Adjustable Rate Revenue Certificates of Participation. Independent consultants engaged by West Basin have determined that these swaps served as an effective hedge as of June 30, 2015, with respect to the 2010A Adjustable Rate Revenue Certificates of Participation. From June 30, 2014, the liability associated with the fair value of the swaps decreased by \$376,404 to a Deferred Inflow of \$453,416 as of June 30, 2015. This decrease in swap fair value resulted in an adjustment of deferred inflows that are associated with the hedging of the 2010A Certificates of Participation to account for the changes in fair value that took place from June 30, 2014, to the date of the Statement of Net Position (June 30, 2015).

(10) Agreements Associated with West Basin's Recycled Water Program

For West Basin's recycled water program, West Basin has entered into agreements with various entities that desire to use the recycled water that is produced by West Basin's recycled water treatment facilities.

WEST BASIN MUNICIPAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30,2015

(10) Agreements Associated with West Basin's Recycled Water Program (Continued)

These agreements entitle those parties to purchase a prescribed amount of recycled water. In return for access to such water, these parties have agreed to pay for the water actually supplied to that user at a rate annually established by West Basin for its recycled water customers.

Because of the significant contingencies associated with each of these agreements and in accordance with the revenue recognition criteria established for voluntary nonexchange transactions, capital contribution revenue and a related receivable was not accrued at the inception of the agreement.

(11) Prior Period Adjustments

The accompanying financial statements reflect the implementation of GASB Statement No. 68 which requires the reporting of the net pension liability of West Basin's defined pension plans in the financial statements and is applied retroactively by restating the net position as of the beginning of the fiscal year. During the fiscal year, West Basin performed a review of its capital asset records which resulted in an additional prior period adjustment. The beginning net position as restated is as follows:

Beginning Net Position	\$ 239,553,125
GASB Statement No. 68	(925,219)
Capital Assets	<u>(9,206,130)</u>
Beginning Net Position (as restated)	<u>\$ 229,421,776</u>

**WEST BASIN MUNICIPAL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015
Last Ten Years***

PERS

Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date

	Miscellaneous Plan 6/30/2014	PEPRA 6/30/14
Plan's Proportion of the Net Pension Liability (Asset)	.02024%	0%
Plan's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,259,717	\$8
Plan's Covered-Employee Payroll	\$ 4,269,427	\$65,922
Plan's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	29.51%	0.01%
Plan's Proportion of the Fiduciary Net Position	\$7,675,150	\$40
Plan's Share of Risk Pool FNP	.05097%	0%
Plan's Proportionate Share of the Fiduciary Net Position as a percentage of the Plan's Total Pension Liability	85.90%	83.33%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 207,549	\$1

Notes to Schedule:

Benefit Changes: None
Changes of Assumptions: None

*Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

WEST BASIN MUNICIPAL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015
Last Ten Years*

Schedule of Plan Contributions - PERS

	Miscellaneous Plan Fiscal Year 2014-15	PEPRA Fiscal Year 2014-15
Actuarially Determined Contribution	\$ 711,101	14,607
Contributions in Relation to the Actuarially Determined Contribution	(711,101)	(14,607)
Contribution Deficiency (Excess)	\$ -	-
 Covered-Employee Payroll	4,269,427	65,922
 Contributions as a Percentage of Covered-Employee Payroll	15.25%	22.16%

Notes to Schedule:

Valuation date: June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18 years
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	Varies by entry age and service
 Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement Age	67 yrs.
Mortality	RP-2000 Healthy Annuitant Mortality Table

WEST BASIN MUNICIPAL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015
Last Ten Years*

Defined Benefit Pension Plan - PARS

Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period

Measurement Period	2013-14
TOTAL PENSION LIABILITY	
Service Cost	\$ 73,000
Interest	55,000
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	-
Net Change in Total Pension Liability	<u>128,000</u>
Total Pension Liability - Beginning	<u>924,000</u>
Total Pension Liability - Ending (a)	<u><u>\$ 1,052,000</u></u>
PLAN FIDUCIARY NET POSITION	
Contributions - Employer	\$ 115,000
Contributions - Employee	-
Investment Income	102,000
Administrative Expense	(33,000)
Benefit Payments, Including Refunds of Employee Contributions	-
Other Changes in Net Fiduciary Position	-
Net Change in Fiduciary Net Position	<u>184,000</u>
Plan Fiduciary Net Position - Beginning	<u>1,070,000</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 1,254,000</u></u>
Plan Net Pension Liability - Ending (a) - (b)	<u><u>\$ (202,000)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	119.2%
Covered-Employee Payroll	143,680
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	140.6%

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms specific to the plan 690.
 Changes of Assumptions: There were no changes in assumptions.

*Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

**WEST BASIN MUNICIPAL WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30,2015
Last Ten Years***

Schedule of Plan Contributions - PARS

	Fiscal Year 2014-15
Actuarially Determined Contribution	\$ 92,026
Contributions in Relation to the Actuarially Determined Contribution	<u>(92,026)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
 Covered-Employee Payroll	 143,680
Contributions as a Percentage of Covered-Employee Payroll	64.0%

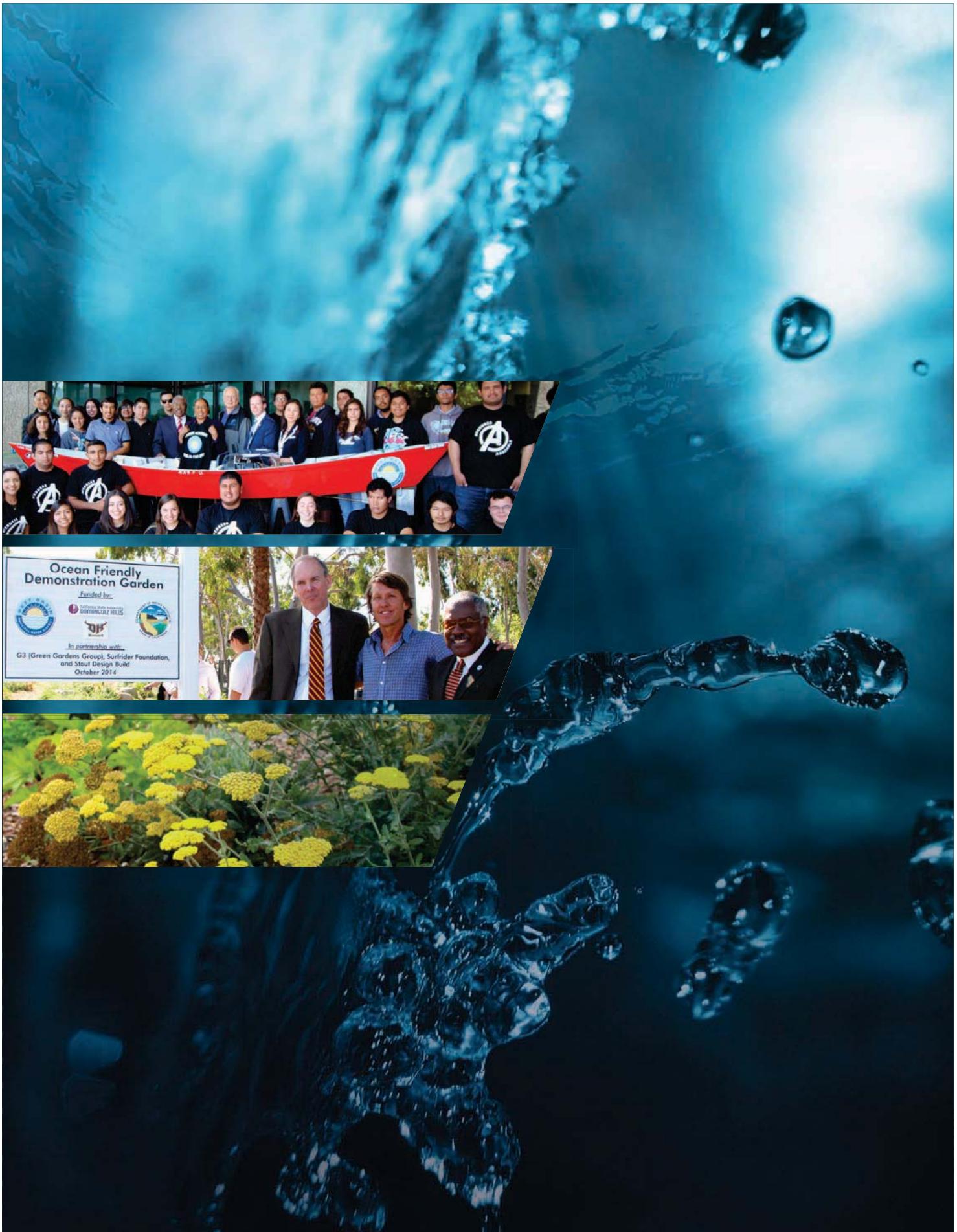
Notes to Schedule:

Valuation date: June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	5.0%, average, including inflation of 3.0%
 Investment rate of return	 5.5%, net of pension plan investment expense, including inflation
Retirement Age	67 yrs.
Mortality	CalPERS 1997-2011 Experience Study

*Fiscal year 2015 was the first year of implementation, therefore only one year is shown.



STATISTICAL SECTION

STATISTICAL SECTION

Comprehensive Annual Financial Report



WEST BASIN MUNICIPAL WATER DISTRICT STATISTICAL SECTION

This part of West Basin's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about West Basin's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how West Basin's financial performance has changed over time

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Table 2: Changes in Net Position Last Ten Fiscal Years	75
Table 3: Operating Revenues by Source Last Ten Fiscal Years.....	77
Table 4: Operating Expenses by Source Last Ten Fiscal Years	78
Table 5: Capital Contributions by Source Last Ten Fiscal Years.....	80

Revenue Capacity

These schedules contain information to help the reader understand West Basin's revenue sources

Table 6: Payors-Potable Water Sales for the Current Year And Nine Years Prior.....	81
Table 7: Payors-Recycled Water Sales for the Current Year And Nine Years Prior.....	82
Table 8: All Water Sold in Acre-Feet Last Ten Fiscal Years.....	83
Table 9: All Water Sales to Customers in Acre-Feet Last Ten Fiscal Years.....	85
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Table 11: Average Water Rates Per Acre-Foot Last Ten Fiscal Years.....	88
Table 12: Imported Water Rates for the Years Ended June 30, 2014 & 2015.....	89

Debt Capacity

These schedules present information to help the reader assess the affordability of West Basin's current levels of outstanding debt and the District's ability to issue additional debt in the future

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Table 14: Annual Debt Payment to Expenses Last Ten Fiscal Years	91
Table 15: Standby Charge and Capital Fixed Payments Last Ten Fiscal Years	92
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Demographic Information

These schedules offer demographic and economic information to help the reader understand the environment within which West Basin's financial activities take place

Table 17: Ten Largest Employers Within West Basin Service Area Calendar Year 2014 and Seven Years Prior.....	95
Table 18: Population and Economic Statistics Last Ten Calendar Years.....	96
Demographics	97
Recycled Water Users for the Fiscal Year Ended June 30, 2015	98

Operating Information

These schedules contain information about West Basin's operations and infrastructure data to help the reader understand how West Basin's financial report relates to the services the West Basin provides and the activities it performs.

General Operating Information Fiscal Year Ended June 30, 2015	99
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WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 1: NET POSITION
Last Ten Fiscal Years (In Thousands)

Fiscal Year Net Investment Ended June 30	In Capital Assets (3)	Unrestricted	Total Net Position (3)
2006	\$92,636	\$95,923	\$188,559
2007	108,085	89,200	197,285
2008	123,492	79,476	202,968
2009	135,653	66,928	202,581
2010	138,496	55,514	194,010 (1)
2011	142,314	58,122	200,436 (2)
2012	152,042	62,585	214,627
2013	174,081	54,470	228,551
2014	175,455	64,098	239,553 (4)
2015	170,047	61,124	231,171 (5)

- (1) Fiscal Year 2010 beginning Net Position was restated for two reasons:
 (1) Due to fewer contributions from the U.S. Army Corps of Engineers there was a deduction of \$3.6M in Construction-In-Progress account (2) Per GASB No. 53, the fair value of \$15.7M nonhedged swap at the end of the Fiscal Year 2009 was required to be recorded in Fiscal Year 2010.
- (2) Fiscal Year 2011 beginning Net Position was restated in Fiscal Year 2012 to reflect the deduction of \$1.2M in the Construction-In-Progress account from Fiscal Year 2008.
- (3) In Fiscal Year 2013, West Basin adopted GASB No. 63, which reflects the name change on this table.
- (4) In Fiscal Year 2014, West Basin adopted GASB No. 65, resulting in a prior year adjustment of \$3.5M to write off all bond issuance costs.
- (5) Fiscal Year 2015 beginning Net Position was restated for two reasons: Due to the implementation of GASB No. 68, prior year adjustment of \$0.9M liability was recorded and due to the internal review of the capital asset accounts, a prior year adjustment of \$9.2M was made to reduce capital assets account no longer in service.

WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 2: CHANGES IN NET POSITION
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Operating Revenue (Loss)			Nonoperating Revenue (loss)				Nonoperating Revenue (loss)				Income (Loss) Before Contributions	Capital Contributions	Change in Net Position
	Operating Revenues (1)	Operating Expenses (2)	Operating Revenue (Loss) (3)	Standby Charges (4)	Investment Income (5)	Realized Gain (Swap Termination) (6)	Grant Income Misc Inc (Exp) (7)	Interest Expense (8)	Change in fair value of swap (nonhedged) (9)	Total Nonoperating Revenue (Loss) (10)				
2006	\$95,486	\$104,191	(\$8,705)	\$9,785	\$2,230	-	(\$1,588)	(\$10,593)	-	(\$166)	(\$8,871)	\$16,359	\$7,488	
2007	105,289	113,094	(7,805)	9,659	4,555	-	1,081	(9,101)	-	6,194	(1,611)	10,337	8,726	
2008	106,072	115,260	(9,188)	9,365	3,581	-	207	(9,808)	-	3,345	(5,843)	10,332	4,489	
2009	107,704	119,924	(12,220)	9,701	3,093	-	243	(13,848)	-	(811)	(13,032)	9,069	(3,963)	
2010	130,623	138,786	(8,163)	9,679	1,426	-	(808)	(12,498)	5,702	3,501	(4,662)	15,319	10,657	
2011	134,352	144,604	(10,252)	9,899	1,216	-	567	(12,038)	5,033	4,675	(5,577)	13,196	7,619	
2012	146,147	147,932	(1,785)	9,632	1,323	4,916	546	(11,002)	-	5,413	3,631	10,560	14,191	
2013	164,216	162,390	1,826	9,805	2,872	-	100	(9,209)	-	3,566	5,395	8,528	13,923	
2014	179,224	180,710	(1,486)	9,683	234	-	272	(10,651)	-	(462)	(1,948)	16,447	14,499	
2015	178,584	183,273	(4,689)	9,741	295	-	(122)	(11,139)	-	(1,225)	(5,914)	7,663	1,749	

(1) Fiscal Year 2010 beginning Net Position was restated for two reasons:

(1) Due to fewer contributions from the U.S. Army Corps of Engineers there was a deduction of \$3.6M in Construction-In-Progress account

(2) Per GASB No. 53, the fair value of \$15.7M nonhedged swap at the end of the Fiscal Year 2009 was required to be recorded in Fiscal Year 2010.

(2) Fiscal Year 2011 beginning Net Position was restated in Fiscal Year 2012 to reflect the deduction of \$1.2M in the Construction-In-Progress account from Fiscal Year 2008.

(3) In Fiscal Year 2013, West Basin adopted GASB No. 63, which reflects the name change on this table.

(4) In Fiscal Year 2014, West Basin adopted GASB No. 65, resulting in a prior year adjustment of \$3.5M to write off all bond issuance costs.

(5) Fiscal Year 2015 beginning Net Position was restated for two reasons: Due to the implementation of GASB No. 68, prior year adjustment of \$0.9M liability was recorded and due to the internal review of the capital asset accounts, a prior year adjustment of \$9.2M was made to reduce capital assets account no longer in service.

(6) Effective Fiscal Year 2010, per GASB No. 53, a swap agreements did not conform to the hedge accounting criteria referred to as investment derivatives. The changes in fair value associated with investment derivative are reported as a gain or loss in the statement of revenues, expenses and changes in net position. West Basin terminated this type of the swap in Fiscal Year 2012.

(7) Further detail is shown on Table 5 - "Capital Contributions by Source" with explanations of the nature of these contributions.

(8) In Fiscal Year 2013, West Basin sold a \$12.1M guaranteed investment contract (GIC) investment for the 2003A Refunding Revenue Certificates of Participation debt serivce reserve fund and realized a gain of \$2.0M.



WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 3: OPERATING REVENUES BY SOURCE
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Water Sales (4)				Total
	Water and Monitoring (1)	Water recycling (2)	Desalting (3)	Conservation (4)	
2006	\$79,299	\$15,680	-	\$507	\$95,486
2007	84,978	19,627	65	619	105,289
2008	82,404	22,890	352	426	106,072
2009	82,569	23,599	566	970	107,704
2010	101,365	28,012	334	912	130,623
2011	106,427	26,382	802	741	134,352
2012	114,974	29,258	1,074	841	146,147
2013	129,607	32,629	879	1,101	164,216
2014	135,310	42,151	790	973	179,224
2015	136,762	40,386	700	736	178,584

- (1) Includes non-interruptible, seasonal storage, seawater barrier and Capacity Charge (CC). In Fiscal Year 2010, non-interruptible and seawater barrier water rates increased 21% over the prior year. In Fiscal Year 2015, the monitoring revenues were grouped within this line item.
- (2) Includes recycled sales and incentives from Metropolitan Water District of Southern California Local Resource Programs (LRP) which offers \$250 incentive per acre-foot of the recycled water sold. Explanation of the fluctuations in recycled water sales is on Table 10 - "Recycled Water Sales in Acre-Feet".
- (3) Includes desalting water sales and incentives from Metropolitan Water District of Southern California Groundwater Recovery Program (GRP) which offers \$250 incentive per acre-foot of the desalting water sold. This incentive ended in Fiscal Year 2013.
- (4) Monitoring revenue was grouped with Conservation in the prior years. In Fiscal Year 2015, it was reclassified to group with Potable revenue.

WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 4: OPERATING REVENUES BY SOURCE
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Source of Supply	Source of Monitoring	Water Recycling Costs (1)	Desalting Operations (2)	Public Information and Education (5)
2006		\$73,089	\$14,899	\$72	\$2,487
2007		77,828	17,317	137	2,309
2008		75,470	20,709	440	3,123
2009		76,153	21,528	481	4,476
2010		92,276	23,477	551	4,360
2011		94,855	25,277	668	4,643
2012		99,019	23,595	901	4,940
2013		110,530	27,103	892	4,731
2014		118,117	32,683	811	6,004
2015		116,723	34,512	870	2,906

(1) Includes water purchases from Metropolitan Water District of Southern California, Capacity Charges, and Readiness-to-Serve. MWD increases are passed on to West Basin customers. In Fiscal Year 2010, Metropolitan Water District of Southern California's water rate increased 21% over the prior year. Explanation of the fluctuations in source of supply is on Table 8 - "All Water Sold in Acre-Feet". In Fiscal Year 2015, monitoring program costs were grouped in this line item.

(2) Represents West Basin's costs to operate and maintain its recycling facilities.

(3) Represents West Basin's costs to operate and maintain its brackish desalting facility.



WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 4: OPERATING REVENUES BY SOURCE
Last Ten Fiscal Years (In Thousands)

(Continued)

Fiscal Year Ended June 30	General and Administrative (4)	Water Policy and Conservation (5)	Depreciation and Amortization	Total Operating Expenses
2006	\$3,350	\$1,985	\$8,309	\$104,191
2007	1,997	3,163	10,343	113,094
2008	-	2,195	13,323	115,260
2009	-	1,096	16,190	119,924
2010	-	1,044	17,078	138,786
2011	-	893	18,268	144,604
2012	-	1,194	18,283	147,932
2013	-	1,612	17,522	162,390
2014	-	2,302	20,793	180,710
2015	-	3,163	25,099	183,273

- (4) Increases/decreases in general and administrative (G&A) expenses were in accordance with budgeted amounts. In Fiscal Year 2006 and 2007, the increase in G&A expenses relate to significant legal expenses. Starting in Fiscal Year 2008, the District changed its allocation methodology and began allocating all G&A costs to other direct programs this line item.
- (5) The fluctuation in Fiscal Year 2008 and Fiscal Year 2013 was the result of organizational restructuring. In Fiscal Year 2015, monitoring expense was reclassified to be grouped with source of supply.



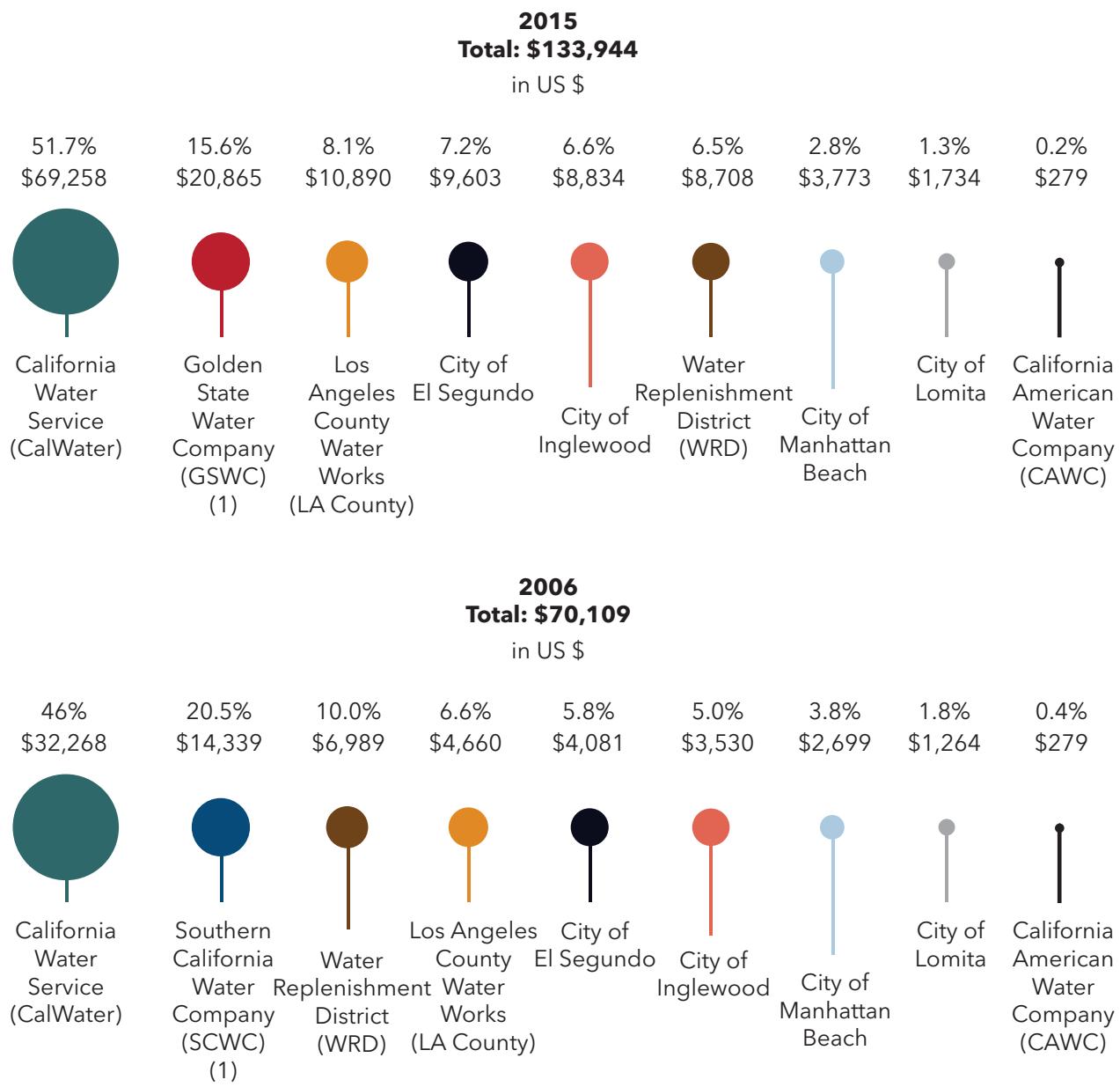
WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 5: CAPITAL CONTRIBUTIONS BY SOURCE
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30	Recycling Operations (1)	U.S. Army Corps of Engineers (2)	California Department of Water Resources (3)	Other (4)	Total
2006	\$7,574	\$7,151	\$1,546	\$88	\$16,359
2007	7,426	1,160	-	1,751	10,337
2008	8,229	2,061	-	42	10,332
2009	7,140	1,068	409	452	9,069
2010	7,172	7,572	126	449	15,319
2011	6,887	4,628	1,239	442	13,196
2012	7,241	2,398	94	827	10,560
2013	7,360	-	-	1,168	8,528
2014	7,296	-	-	9,151	16,447
2015	7,240	-	-	423	7,663

- (1) Recycling Operations - West Basin receives fixed payments from major recycled water customers, which are intended to cover the capital costs of recycled water facilities that were partially constructed for them. The fixed payments will continue to Fiscal Year 2025, as the existing contracts expire.
- (2) U.S. Army Corps of Engineers - 75% of the construction costs related to the Harbor-South Bay Water Recycling Project are from a grant with the U.S. Army Corps of Engineers. Prior period adjustments were made for Fiscal Year 2008 and 2009 to reflect the correct contributions. To date, the total contributions received was \$35M.
- (3) California Department of Water Resources (DWR) - West Basin received grants from the California Department of Water Resources to assist with the design and construction of the 3rd expansion to the Edward C. Little Water Recycling Facility and seawater desalination projects.
- (4) Other - West Basin received contributions from other agencies such as Los Angeles Department of Water & Power, Tesoro (formerly BP), Southern California Edison (SCE) and Metropolitan Water District of Southern California. In Fiscal Year 2007, SCE provided a \$1.7M incentive to West Basin for the installation of solar panels. In Fiscal Year 2014, West Basin received a capital reimbursement of \$8.3M from NRG for the facilities and pipelines built to meet their recycled water demand.

WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 6: PAYORS - POTABLE WATER SALES
For the Current Year and Nine Years Prior (In Thousands)

Table below shows potable water sales to principal customers of West Basin (excluding the Meter Charges, Capacity Charges and late penalties).



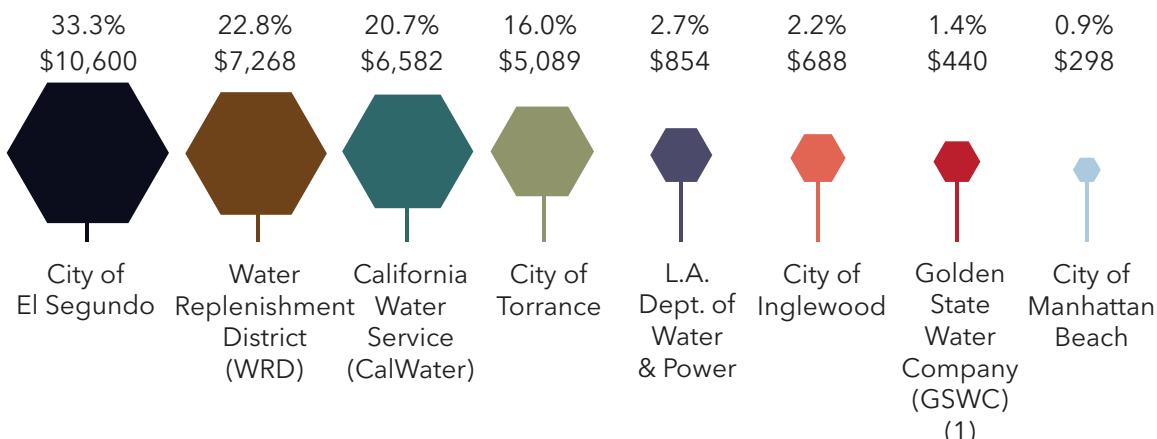
(1) In Fiscal Year 2006 Southern California Water Company changed their name to Golden State Water Company.

WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 7: PAYORS - RECYCLED WATER SALES
For the Current Year and Nine Years Prior (In Thousands)

Table below shows recycled water sales to principal customers of West Basin (excluding LRP rebate).

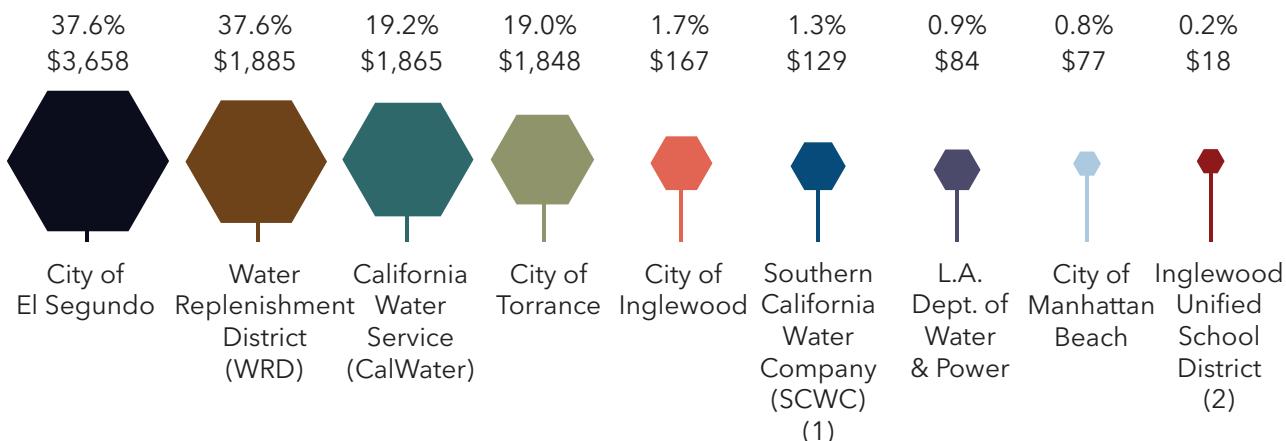
2015
Total: \$131,819

in US \$



2006
Total: \$9,731

in US \$



(1) In Fiscal Year 2006 Southern California Water Company changed their name to Golden State Water Company.

(2) In Fiscal Year 2010 Inglewood Unified School District purchased recycled water directly through the City of Inglewood and no longer is a direct customer to West Basin.

WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 8: ALL WATER SOLD IN ACRE-FEET
Last Ten Fiscal Years

This table presents a summary of imported water purchases by the retail agencies from Metropolitan Water District of Southern California (MWD) through West Basin, desalinated water delivered to California Water Service Company Dominguez by West Basin, recycled water delivered to the retail agencies by West Basin and groundwater pumped by retail agencies from the West Coast Basin for the last ten fiscal years.

Potable Water								
Fiscal Year Ended June 30	Non-Interruptible (1)	Ground-water (2)	Saltwater Barrier (3)	Seasonal Water (4)	Total Potable Water (5)	Recycled (6)	Desalting	All Water Deliveries
2006	129,258	36,792	13,722	745	180,517	23,653	-	204,170
2007	134,800	36,424	11,162	1,982	184,368	29,250	89	213,706
2008	127,927	38,785	7,609	-	174,321	32,209	467	206,997
2009	114,294	43,835	9,774	-	167,903	29,908	682	198,493
2010	108,261	44,405	13,054	-	165,720	30,680	285	196,685
2011	102,611	44,215	13,534	-	160,360	26,419	882	187,661
2012	105,309	38,152	8,057	-	151,518	27,659	958	180,135
2013	108,550	43,303	11,320	-	163,173	29,962	825	193,960
2014	111,659	42,294	9,285	-	163,238	36,720	817	200,775
2015	105,540	39,096	7,354	-	151,990	35,251	690	187,931

- (1) The decline in non-interruptible potable sales in Fiscal Year 2015 is the result of a statewide mandate to reduce consumption due to the prolonged drought.
- (2) Groundwater does not represent water deliveries of West Basin. This information is included in the table above only for analysis. West Basin's deliveries of non-interruptible, saltwater barrier, and seasonal water are affected by the amount of groundwater pumped.
- (3) In Fiscal Year 2009 to 2014, recycled water sales have fluctuated due to poor source water or well and pipeline repairs performed by Los Angeles County. Reduction in potable barrier is expected with an increase in recycled water deliveries to the West Coast Barrier.
- (4) In Fiscal Year 2006 and 2007 MWD offered more seasonal water, therefore increasing deliveries of this type of water. In December 2012, MWD discontinued the Seasonal Storage Program.
- (5) In Fiscal Year 2009 to 2014, recycled water sales have fluctuated due to poor source water and other operational constraints. In Fiscal Year 2014, recycled water sales increased due to West Basin completion of the Phase V construction. The decrease in Fiscal Year 2015 was due to rehabilitation of the biofors and reduced capacity at one of the refineries.
- (6) Throughout Fiscal Years 2005-2007, the Desalter underwent a number of capital projects to address aging infrastructure and water quality issues. Some additional repairs were necessary in Fiscal Year 2015.



WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 9: ALL WATER SALES TO CUSTOMERS IN ACRE-FEET
 Last Ten Fiscal Years

The following table presents a summary of all water sales by West Basin to each retail agency for the last ten fiscal years.
 Water sales include desalinated, non-interruptible, recycled, seasonal storage and seawater barrier.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
California American Water Company (CAWC)	682	2,272	1,725	1,436	809	712	902	1,019	667	238
California Water Service (CalWater)	69,099	74,498	73,917	68,164	65,422	61,127	62,797	65,185	70,679	70,361
City of El Segundo	15,767	17,062	16,950	17,773	19,666	16,522	17,848	17,144	16,681	17,387
City of Inglewood	7,816	8,882	8,339	7,817	7,173	7,545	8,327	9,021	9,028	8,174
City of Lomita	2,576	2,720	2,583	2,420	2,290	2,096	2,336	2,275	1,788	1,463
City of Manhattan Beach	6,419	6,037	5,566	5,073	3,565	3,359	3,757	3,863	3,849	3,496
City of Torrance	6,409	6,037	6,389	5,876	6,445	5,765	6,352	6,634	6,529	5,270
Golden State Water Company (GSWC)	29,689	28,270	22,935	18,280	16,634	16,352	15,399	11,637	16,516	12,622
Inglewood Unified School District (3)	57	68	56	63	56	-	-	-	-	-
Los Angeles County Water Works (LA County)	9,533	10,836	10,654	9,886	8,750	8,331	8,802	9,234	10,090	9,182
L.A. Dept. of Water & Power	257	335	360	444	619	763	876	966	998	886
Water Replenishment District (WRD) (1)	18,174	20,266	18,738	17,426	20,851	20,854	14,587	23,679	21,657	19,757
Total (2)	167,378	177,283	168,212	154,658	152,280	143,446	141,983	150,657	158,481	148,835

(1) Sales decreased due to replacement of the pressure reducing valves during Fiscal Year 2005 and well and pipeline repairs in Fiscal Year 2012.

(2) Overall sales decreased from Fiscal Year 2008 to 2012 and again in Fiscal Year 2015 due to local residents' responses towards conservation/water efficiency programs to address drought conditions.

(3) In Fiscal Year 2010, Inglewood Unified School District purchased recycled water directly from the City of Inglewood and no longer is a direct customer to West Basin.



WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 10: RECYCLED WATER SALES IN ACRE-FEET
Last Ten Fiscal Years

Table below shows recycled water accounts and sales for the last ten fiscal years identified by the four largest purchasers and others.

Fiscal Year Ended June 30,	Number of Accounts (1)	Chevron Refinery (1)	Mobil Refinery (1)	Tesoro Refinery (1)	Total Refineries (2)	West Coast Barrier (3)	Title 22 Irrigation	Total
2006	210	7,004	6,130	3,191	16,325	4,383	2,945	23,653
2007	214	7,661	5,742	2,951	16,354	9,104	3,792	29,250
2008	217	7,366	6,047	4,091	17,504	11,129	3,576	32,209
2009	310	8,478	5,578	4,759	18,815	7,652	3,441	29,908
2010	340	8,492	6,146	4,708	19,346	7,797	3,537	30,680
2011	359	6,163	5,538	3,973	15,674	7,320	3,425	26,419
2012	376	6,397	6,060	5,019	17,476	6,530	3,653	27,659
2013	390	7,146	6,348	5,208	18,702	6,622	4,638	29,962
2014	394	7,891	6,167	5,572	19,630	12,372	4,718	36,720
2015	404	8,635	4,887 (4)	5,024	18,546	12,403	4,302	35,251

(1) Chevron refinery is located in the city of El Segundo, ExxonMobil refinery is located in Torrance, and Tesoro (Formerly BP Amoco) is located in Carson.

(2) Recycled Water Sales include deliveries to refineries for nitrification, boiler feed, industrial reverse osmosis, and ultra industrial reverse osmosis. In Fiscal Year 2011, sales to all refineries were decreased due to water quality issues.

(3) Sales declined in Fiscal Year 2005 and 2006 due to barrier operating issues and poor source water quality. In October 2006, West Basin began injecting additional recycled water into the West Coast Barrier (up to 75%). Recycled water sales decreased in Fiscal Year 2009 to 2011 due to poor source water quality. In Fiscal Year 2014, sales increased due to the completion of the Phase V project.

(4) Sales to the Mobil Refinery decreased in Fiscal Year 2015 due to refurbishment of the biofilters.

WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 11: AVERAGE WATER RATES PER ACRE-FOOT
Last Ten Fiscal Years

Type of Water	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<i>Purchased from MWD (1)</i>										
Non-interruptible	\$ 541	\$ 560	\$ 591	\$650	\$773	\$898	\$994	\$1,063	\$1,132	\$1,188
Saltwater Barrier	541	560	591	650	773	898	994	1,063	1,132	1,188
Seasonal Storage-	362	382	411	454	547	645	721	865	-	-
<i>West Basin Recycled Water (2)</i>										
recycled- T22	\$ 312	\$337	\$367	\$438	\$600	\$686	\$775	\$840	\$908	\$955
recycled- T22 SA	354	379	409	480	642	728	817	882	950	997
recycled- Barrier	430	421	440	458	501	540	553	565	578	586
recycled- Industrial	568	596	633	722	913	914	1003	1,068	1,136	1,183
recycled- Ultra	750	788	837	954	1195	1270	1359	1,424	1,492	1,539
recycled- Nitrified	292	317	347	418	577	666	755	820	888	935
<i>West Basin Desalting Plant (3)</i>										
Desalinated Water	\$ 472	\$ 491	\$ 517	\$608	\$723	\$746	\$792	\$840	\$978	\$1,019

(1) Purchased from MWD

Water rates are comprised of three components: MWD's commodity charge, West Basin's reliability service charge, and the Readiness-to-Serve (RTS) Charge. The rates presented above represent the average rates for the period due to MWD changing its rates effective January 1st each year. In December 2012, MWD discontinued the Seasonal Storage Program.

* MWD - Metropolitan Water District of Southern California

* LT - Long-term

(2) West Basin Recycled Water

Rates exclude MWD's Local Resources Program incentive of \$250 per acre-foot of recycled water sold. For T22 water sales within and outside West Basin's service area, rate decreases as the volume of recycled water purchases increases. Rates shown above are for purchases of 0 - 25 AF per month.

(3) West Basin Desalting Plant

Rates exclude MWD's Groundwater Recovery Program incentive of \$250 per acre-foot of desalting water sold. This incentive ended in Fiscal Year 2013.

West Basin adopts its water rates annually by resolution.

WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 12: IMPORTED WATER RATES
For The Years Ended June 30, 2014 And 2015

Tables below delineate the fiscal years ended June 30, 2014 and 2015, water rates for West Basin and Metropolitan Water District of Southern California (MWD).

	MWD	eadiness-to-Serve Charge	West Basin Service Charge	eliability	otal
Fiscal Year Ended June 30, 2014					
<i>July 1, 2013 to December 31, 2013</i>					
Non-Interruptible	Barrier (tier 1)	\$794	\$135	\$107	\$1,036
Non-Interruptible	Barrier (tier 2)	920	135	107	1,162
Seasonal Storage	long-term (1)	651	N A	107	758
<i>January 1, 2014 to June 30, 2014</i>					
Non-Interruptible	Barrier (tier 1)	\$847	\$135	\$107	\$1,089
Non-Interruptible	Barrier (tier 2)	997	135	107	1,239
Seasonal Storage	long-term (1)	N A	N A	N A	N A
Fiscal Year Ended June 30, 2015					
<i>July 1, 2014 to December 31, 2014</i>					
Non-Interruptible	Barrier (tier 1)	\$890	\$112	\$169	\$1,171
Non-Interruptible	Barrier (tier 2)	1,032	112	169	1,313
<i>January 1, 2015 to June 30, 2015</i>					
Non-Interruptible	Barrier (tier 1)	\$923	\$112	\$169	\$1,204
Non-Interruptible	Barrier (tier 2)	1,055	112	169	1,336

(1) The Seasonal Storage Program was discontinued on December 31, 2012.



WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 13: OUTSTANDING DEBT TO CAPITAL ASSETS
Last Ten Fiscal Years (In Thousands)

Table below provides an overview of the ratio of the total capital assets to debt outstanding as of fiscal year-end. Total long-term (LT) debt includes certificates of participation, state loan and refunding revenue bonds.

Fiscal Year Ended June 30	OUTSTANDING DEBT				CAPITAL ASSETS			Debt Capital Assets
	Certificates of Participation Revenue Bonds	State loan	Total Debt	Capitalized Assets	Construction- in-Progress	Total Capital Assets		
	(3)			(1)	(2)			
2006	326,340	2,857	329,197	381,143	73,251	454,394	0.72	
2007	315,290	2,593	317,883	387,074	89,738	476,812	0.67	
2008	302,600	2,319	304,919	477,099	18,932	496,031	0.61	
2009	293,400	2,036	295,436	483,019	29,362	512,381	0.58	
2010	294,395	1,743	296,138	496,722	39,395	536,117	0.55	
2011	300,050	1,440	301,490	507,066	59,081	566,147	0.53	
2012	327,023	-	327,023	520,501	103,279	623,780	0.52	
2013	338,686	-	338,686	527,816	135,530	663,346	0.51	
2014	329,755	-	329,755	590,272	63,152	653,424	0.50	
2015	312,682	-	312,682	590,732	75,144	665,876	0.47	

(1) Amounts exclude accumulated depreciation and capital assets of the Financing Authority through Fiscal Year 2007. See details at "General Operating Information". In Fiscal Year 2015, \$27.1 million of capitalized assets were disposed or no longer in service.

(2) Amounts include all of West Basin's Construction-in-Progress projects. Adjustments were made in Fiscal Year 2008 and 2009 to reflect the decreases in value of contributed projects from the U.S. Army Corps of Engineers.

(3) Beginning with Fiscal Year 2012, premiums on outstanding revenue bonds and certificates of participation have been included in the outstanding debt along with the outstanding principal balances.



WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 14: ANNUAL DEBT PAYMENTS TO EXPENSES
Last Ten Fiscal Years (In Thousands)

Fiscal Year Ended June 30,	Principal Payments (1)	Interest Payments (1)	Total Debt Payment (2)	Operating Expenses (3)	Ratio Debt to Expenses
2006	\$8,351	\$10,593	\$18,944	\$95,882	0.20
2007	11,315	9,170	20,485	102,751	0.20
2008	11,839	9,374	21,213	101,937	0.21
2009	9,483	12,766	22,249	103,734	0.21
2010	9,298	12,773	22,071	121,708	0.18
2011	10,448	11,989	22,437	126,336	0.18
2012	11,073	10,317	21,390	129,649	0.16
2013	12,410	8,612	21,022	144,868	0.15
2014	5,760	10,478	16,238	159,917	0.10
2015	15,592	11,097	26,689	158,174	0.17

(1) Data obtained from the Statement of Cash Flows.

(2) In Fiscal Year 2014, the Debt Payment decreased due to refunding of the 2003A Refunding Revenue Certificates of Participation.

(3) Excludes depreciation and amortization.



WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 15: STANDBY CHARGE AND CAPITAL FIXED PAYMENTS
Last Ten Fiscal Years (In Thousands)

Standby Charges and Capital Fixed Payments are both revenues to West Basin. West Basin uses them to pay the debts incurred for the constructions and improvements of its recycled water facilities. For the past ten years, majority of West Basin's bonds were issued to finance the recycled water projects. The table below shows the information on these revenues as compared to debt service.

Fiscal Year Ended June 30,	Standby Charge (1)	Capital Fi ed Payments (2)	Total	Debt Payment (3)	of Debt Service
2006	\$9,785	\$7,574	\$17,359	\$18,944	92
2007	9,659	7,426	17,085	20,485	83
2008	9,365	8,229	17,594	21,213	83
2009	9,701	7,140	16,841	22,249	76
2010	9,679	7,172	16,851	22,071	76
2011	9,899	6,887	16,786	22,437	75
2012	9,632	7,241	16,873	21,390	79
2013	9,805	7,360	17,165	21,022	82
2014	9,683	7,296	16,979	16,238	105
2015	9,741	7,240	16,981	26,689	64

- (1) Approved annually by the Board, the Standby Charge is imposed by West Basin on land owners within its service area. The charge is collected by means of the property owner's tax bill through the County of Los Angeles. The Standby Charge was designed to help drought-proof the area through construction of recycled water distribution and treatment facilities.
- (2) Capital Fixed Payments are paid by Tesoro (formerly BP Amoco), Chevron, Exxon Mobil Oil and Los Angeles Department of Water and Power, and are used to repay the cost of the treatment and distribution facilities that were constructed for delivery of recycled water to these entities. Amounts are based on contractual terms. These fixed revenues are reported as Capital Contributions in the basic financial statements, see table 5- "Capital Contribution By Source".
- (3) Beginning in Fiscal Year 2006, the debt payments increased due to West Basin paying both interest and principal for its subordinate bonds. In Fiscal Year 2008 West Basin experienced higher interest rates on its variable rate debt. During Fiscal Year 2013, West Basin refunded its 2003A Refunding Revenue Certificates of Participation which resulted in a lower debt payment in Fiscal Year 2014. Breakdown is shown on Table 14 "Annual Debt Service to Expenses".

WEST BASIN MUNICIPAL WATER DISTRICT

TABLE 16: DEBT COVERAGE

LAST TEN FISCAL YEARS (In thousands, Except for Debt Coverage)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Changes in Net Position (1)	\$7,488	\$8,726	\$4,489	(\$3,963)	10,657	\$7,619	\$14,191	\$13,923	\$14,499	\$1,749
Add: Interest Expense	10,593	9,101	9,808	13,848	12,498	12,038	11,002	9,209	10,651	11,139
Add: Depreciation/Amortization	8,309	10,343	13,323	16,190	17,078	18,268	18,283	17,522	20,793	25,099
Less: Non-cash items (2)	(4,671)	(2,517)	(2,827)	(1,446)	(11,579)	(9,109)	(6,805)	(133)	(550)	764
Net Revenues for Coverage	<u>\$21,719</u>	<u>\$25,653</u>	<u>\$24,793</u>	<u>\$24,629</u>	<u>\$28,654</u>	<u>\$28,816</u>	<u>\$36,671</u>	<u>\$40,521</u>	<u>\$45,393</u>	<u>\$38,751</u>
Parity Debt Service (3)	16,094	16,185	16,345	16,595	16,078	16,517	16,115	17,790	17,205	17,695
Reserve Fund Earnings	(1,177)	(825)	(799)	(767)	(762)	(762)	(763)	(681)	170	(1)
Total Net Senior Debt Service	<u>\$14,917</u>	<u>\$15,360</u>	<u>\$15,546</u>	<u>\$15,828</u>	<u>\$15,316</u>	<u>\$15,755</u>	<u>\$15,352</u>	<u>\$17,109</u>	<u>\$17,375</u>	<u>\$17,694</u>
Debt Coverage	1.46	1.67	1.54	1.51	1.82	1.78	2.34	2.33	2.62	2.19
Subordinate Debt Service (3)	7,246	8,445	6,157	6,897	7,624	7,968	8,817	9,056	8,993	9,017
Reserve Fund Earnings	(1)	(2)	(12)	(2)						
Total Net Subordinate Debt Service	<u>\$7,245</u>	<u>\$8,443</u>	<u>\$6,145</u>	<u>\$6,895</u>	<u>\$7,624</u>	<u>\$7,968</u>	<u>\$8,817</u>	<u>\$9,056</u>	<u>\$8,993</u>	<u>\$9,017</u>
Debt Coverage (4)	0.94	1.22	1.50	1.17	1.66	1.54	2.33	2.51	3.13	2.34
All-in Debt Coverage	0.98	1.09	1.14	1.09	1.26	1.22	1.52	1.55	1.73	1.45
Cash Available for Additional Subordinate Debt Service, Capital Projects and Other Purposes	(\$443)	\$1,850	\$3,102	\$1,906	\$5,714	\$5,093	\$12,502	\$14,356	\$19,025	\$12,040

(1) See Table 2 -"Changes in Net Position" for more detail.

(2) Non-cash items represent grant funding from the U.S Army Corps of Engineer, unrealized gains/losses, change in fair value of swap instruments, loss on disposition of assets and nonroutine litigation settlements.

(3) In Fiscal Year 2012, parity and subordinate debt service was reduced by capitalized interest.

(4) Subordinate debt coverage in Fiscal Year 2006 did not meet the required legal covenant 1.15 due to a significant decrease in recycled water barrier sales as a result of poor water quality and LA county well issues. In addition, West Basin had higher than anticipated legal costs of approximately \$1.8M.



WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 17: TEN LARGEST EMPLOYERS WITHIN WEST BASIN SERVICE AREA
CALENDAR YEAR 2014 AND EIGHT YEARS PRIOR

Employer	2014		2006	
	Number of Employees (1)	Rank (an)	Number of Employees (2)	Rank (an)
Northrop Grumman Corporation	9,230	1	7,675	2
aytheon Company	5,422	2	8,594	1
Boeing Satellite Systems Inc.	5,042	3	5,960	3
Sony Pictures Entertainment	3,200	4	2,018	5
Aerospace Corporation	2,560	5	2,847	4
Direc tions Inc.	2,384	6	1,268	8
Palos verdes Peninsula Unified School District	1,970	7	1,800	6
Mattel, Inc.	1,791	8	1,737	7
Accenture	1,211	9	753	10
Chevron Products Company USA Inc.	1,137	10	1,062	9

Total Employment Within West Basin's Service Area (3): Not Available

Percentage of Each Employer of Total Employment Within West Basin Service Area (3): Not Available

(1) Most current available data.

(2) Employer information is not readily available prior to 2006.

(3) West Basin service area includes 17 cities and part of unincorporated coastal Los Angeles County, the total employment within our service area is not available therefore West Basin can not provide each employer's percentage of the total employment.



WEST BASIN MUNICIPAL WATER DISTRICT
TABLE 18: POPULATION AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

Calendar Year	West Basin Population (1)	A County Population (2)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment rate (2)
2006	839,385	9,737,955	385,724,212	39,610	4.8
2007	839,134	9,700,359	400,366,343	41,273	5.1
2008	838,888	9,735,147	417,454,378	42,881	7.5
2009	840,260	9,787,400	394,980,563	40,356	11.6
2010	853,377	9,826,773	410,674,615	41,791	12.5
2011	857,545	9,889,056	420,913,463	42,564	12.7
2012	861,545	9,951,690	455,788,782	45,800	11.2
2013	865,882	1,017,068	466,098,988	46,530	10.2
2014	870,219	10,069,036	-	-	7.8
2015	874,219	-	-	-	6.2

(1) Data obtained from Water Policy and Resource Development Department.

(2) Data obtained from the State of California Employment Development Department for Los Angeles County. The 2015 information is as of September. Other information for Calendar year 2014 through 2015 is not available.



**WEST BASIN MUNICIPAL WATER
DISTRICT
DEMOGRAPHICS**

Service Area

Estimated Total Population Served Area	874,219 185 square miles
Division I - Represented by Director Harold C. Williams Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills Estates, Rolling Hills and Carson	
Division II - Represented by Director Gloria D. Gray Inglewood, South Ladera Heights, a portion of Lennox, Athens, Howard and Ross-Sexton	
Division III - Represented by Director Carol W. Kwan Hermosa Beach, Lomita, Manhattan Beach, Redondo Beach and a portion of Torrance	
Division IV - Represented by Director Scott Houston Culver City, Del Aire, El Segundo, Malibu, North Ladera Heights, Topanga, View Park, West Hollywood, Windsor Hills and a portion of Lennox	
Division V - Represented by Director Donald L. Dear Gardena, Hawthorne, Lawndale and El Camino Village	

Number of Direct Customers

11

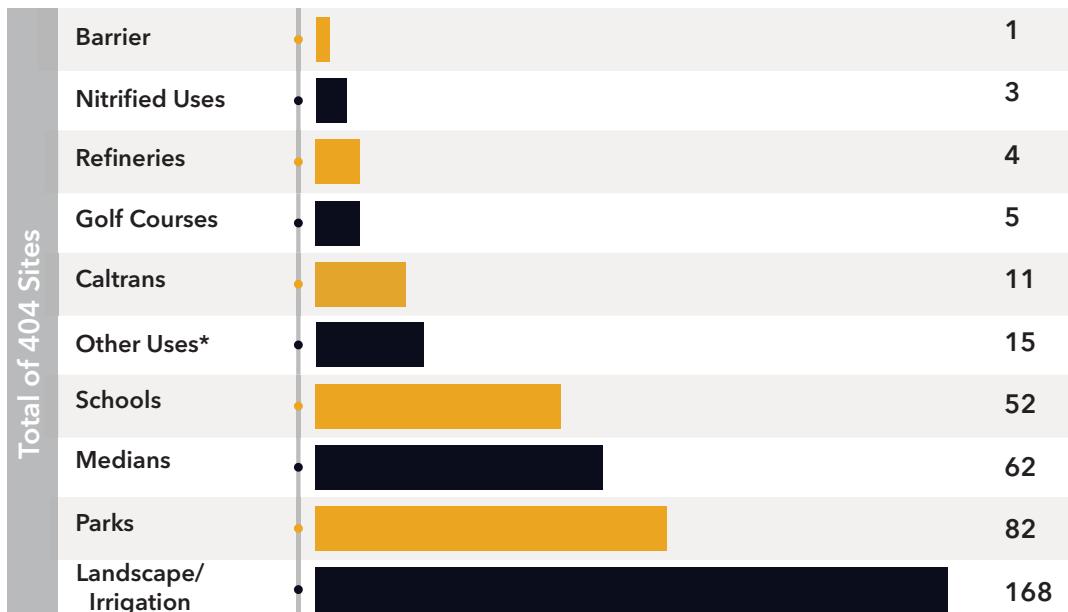
West Basin's customers are comprised of cities and retail water agencies that purchase potable non-interruptible water and recycled water for further sales to the end-user or use in the seawater barrier.

Annual Water Deliveries

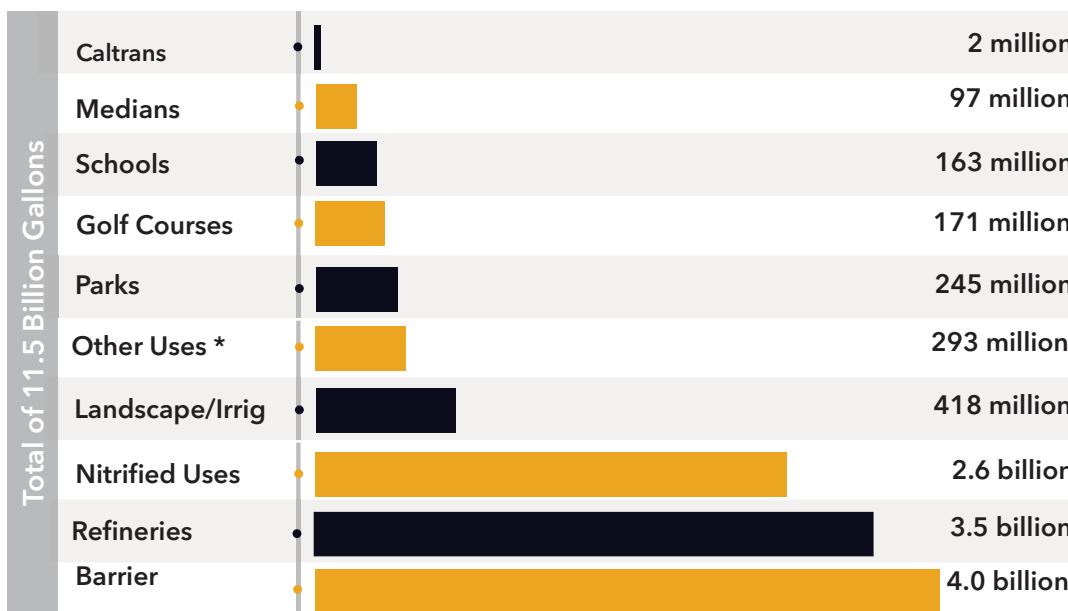
Potable Water (including desalting & groundwater)	152,680 acre-feet
Recycled Water	35,251 acre-feet

**WEST BASIN MUNICIPAL WATER DISTRICT
RECYCLED WATER USERS
For The Fiscal Year Ended June 30 2015**

• • • • • **Number of Sites** • • • • •



• • • • • **Water Usage** • • • • •



* Other Uses:
Cemetery use
Multi-industrial / irrigation use
Construction use
College use
Draining / Sump Pumps use

1 Acre-Foot = 325,900 gallons

**WEST BASIN MUNICIPAL WATER DISTRICT
GENERAL OPERATING INFORMATION
FISCAL YEAR ENDED JUNE 30, 2015**

Number of Budgeted Full-Time Personnel

2006	30	2011	36
2007	33	2012	36
2008	33	2013	38
2009	33	2014	40
2010	34	2015	41

Prior to FY 2007, West Basin had shared staff with Central Basin Municipal Water District. Staff time was allocated each fiscal year between each entity based on the budgeted level of effort.

Certifications and Licenses Held by District Employees

Professional Engineer	
Certified Public Accountant	10
Licensed attorneys	3
Masters Degree	1
State Water Certification:	14
Distribution Operator	
Treatment Plant Operator	3
	4

Capital Assets (In Thousands)

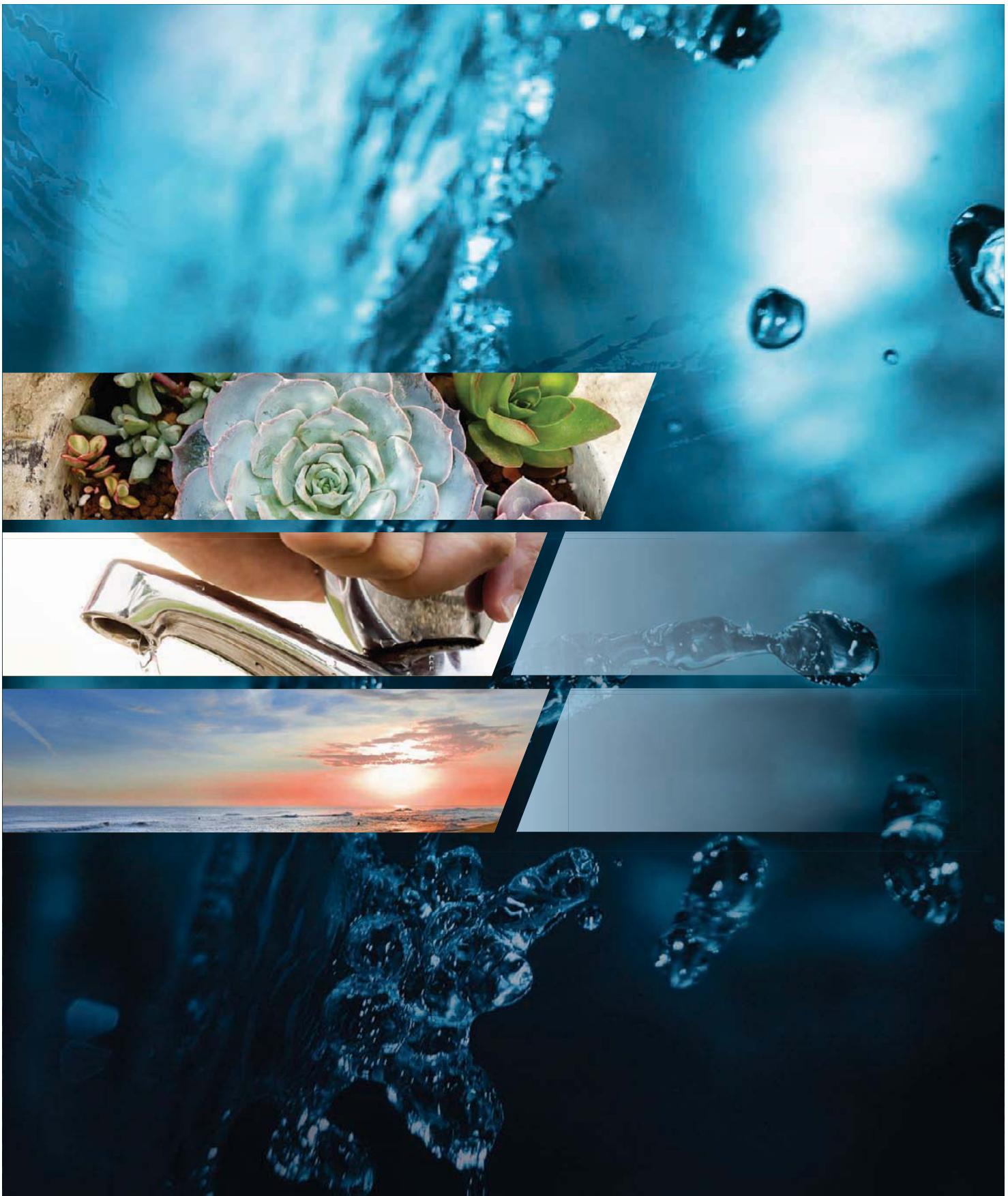
	Recycling Facilities	Desalting	Machinery Equipment	Construction-in-Progress	Admin. Facility	West Basin Capital Assets	Financing Authority	Total Capital Assets
	(1)			(1)	(2)		(2)	(3)
2006	\$376,702	\$3,544	\$897	\$73,251	-	\$454,394	\$2,082	\$456,476
2007	382,421	3,697	956	89,738	-	476,812	2,082	478,894
2008	468,377	3,697	1,011	18,932	4,014	496,031	-	496,031
2009	474,281	3,700	1,025	29,362	4,014	512,382	-	512,382
2010	486,401	3,794	2,491	39,395	4,035	536,116	-	536,116
2011	493,065	5,299	3,761	59,081	4,941	566,147	-	566,147
2012	506,311	4,904	3,775	103,279	5,511	623,780	-	623,780
2013	513,437	4,904	3,911	135,530	5,564	663,346	-	663,346
2014	576,537	4,041	3,349	63,152	6,345	653,424	-	653,424
2015	576,941	4,059	3,376	75,144	6,356	665,876	-	665,876

(1) Adjustments were made in Fiscal Year 2008 and 2009 to reflect the decreases in value of contributed projects from the U.S. Army Corps of Engineers.

(2) West Basin fully acquired ownership of its administrative facility in August 2008, previously a shared cost under the Financing Authority.

(3) Excludes accumulated depreciation. Total Capital Assets decreased in Fiscal Year 2014 as a result of a prior period adjustment in Fiscal Year 2015 due to the write-off of \$27M of capital assets that were either disposed or no longer in service.







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APPENDIX B

DEFINITIONS AND SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of the provisions thereof.

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Definitions. Unless the context otherwise requires, the terms defined in the Indenture will, for all purposes of the Indenture and of any indenture supplemental thereto and of any certificate, opinion or other document therein mentioned, have the meanings therein specified, to be equally applicable to both the singular and plural forms of any of the terms therein defined.

Accountant's Report. The term "Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Authorized Representative. The term "Authorized Representative" means, with respect to the District, its President, Vice President, Secretary, General Manager, Chief Financial Officer or any other person designated as an Authorized Representative of the District by a Certificate of the District signed by its President, Vice President, Secretary, General Manager or Chief Financial Officer and filed with the Trustee.

Bond Counsel. The term "Bond Counsel" means Stradling Yocca Carlson & Rauth, a Professional Corporation, or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Code.

Bonds. The term "Bonds" means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are payable from Net Revenues on a parity with the 2016A Bonds and which are secured by a pledge of and lien on Revenues as described in the Indenture, including but not limited to the 2011A Bonds, the 2011B Bonds and the 2012A Bonds.

Bond Year. The term "Bond Year" means the period beginning on the date of issuance of the 2016A Bonds and ending on August 1, 2017, and each successive one year or, during the last period prior to maturity, shorter period thereafter until there are no Outstanding 2016A Bonds.

Business Day. The term "Business Day" means: (i) a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State, or in any other state in which the Office of the Trustee is located, are closed; or (ii) a day on which the New York Stock Exchange is not closed.

Certificate; Direction; Request; Requisition. The terms "Certificate," "Direction," "Request" and "Requisition" of the District mean a written certificate, direction, request or requisition signed in the name of the District by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument will include the statements provided for therein.

Closing Date. The term "Closing Date" means the date on which the 2016A Bonds are delivered to the original purchaser thereof.

Code. The term "Code" means the Internal Revenue Code of 1986, as amended.

Continuing Disclosure Certificate. The term “Continuing Disclosure Certificate” means the Continuing Disclosure Certificate, dated the Closing Date, by the District, as originally executed or as it may be from time to time amended or supplemented in accordance with its terms.

Contracts. The term “Contracts” means all contracts of the District previously or later authorized and executed by the District, the payments under which are payable from Net Revenues on a parity with the 2016A Bonds and which are secured by a pledge and lien on Revenues as described in the Indenture, including the 2010A Installment Purchase Agreement, the 2004A Swap Agreement and the 2007A Swap Agreement; and excluding contracts entered into for operation and maintenance of the Water System.

Corporation. The term “Corporation” means the West Basin Financing Corporation, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California.

Date of Operation. The term “Date of Operation” means, with respect to any uncompleted component of a Parity Project, the estimated date by which such uncompleted component of a Parity Project will have been completed and, in the opinion of an engineer, will be ready for operation by or on behalf of the District.

Debt Service. The term “Debt Service” means, for any period of calculation, the sum of: (1) the interest payable during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009), or any future similar program); (2) those portions of the principal amount of all outstanding serial Bonds maturing in such period; (3) those portions of the principal amount of all outstanding term Bonds required to be redeemed or paid in such period; and (4) those portions of the Contracts required to be made during such period, (except to the extent that the interest evidenced and represented thereby is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program)); but less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Bonds or Contracts; provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service will, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of (i) the then current variable interest rate borne by such Bonds or Contracts plus 1%, and (ii) the highest variable rate borne over the preceding 24 months by outstanding variable rate debt issued by the District or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued; provided further that if any series or issue of such Bonds or Contracts have 25% or more of the aggregate principal amount of such series or issue due in any one year, Debt Service will be determined for the period of determination as if the principal of and interest on such series or issue of such Bonds or Contracts were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of 25 years from the date of calculation; and provided further that, as to any such Bonds or Contracts or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Contracts or portions thereof, such accreted discount will be treated as interest in the calculation of Debt Service; and provided further that if the Bonds or Contracts constitute Paired Obligations, the interest rate on such Bonds or Contracts will be the resulting linked rate or the effective fixed interest rate to be paid by the District with respect to such Paired Obligations but only if the applicable Paired Obligations satisfies the requirement set forth in the Indenture; and provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service will be deducted from the amount of principal due at the final maturity of the Bonds and Contracts for which such debt service reserve fund was established and to the extent the amount in such debt service reserve fund is in excess of such amount of principal, such excess will be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted.

Depository; DTC. The term “Depository” or “DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as securities depository for the 2016A Bonds.

District. The term “District” means West Basin Municipal Water District, a municipal water district duly organized and existing under and by virtue of the laws of the State.

Event of Default. The term “Event of Default” means any of the events specified in the Indenture.

Federal Securities. The term “Federal Securities” means any direct, noncallable 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), or noncallable obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

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

Indenture. The term “Indenture” means the Indenture of Trust, dated as of August 1, 2016, by and between the District and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

Independent Certified Public Accountant. The term “Independent Certified Public Accountant” means any firm of certified public accountants appointed by the District, each of whom is independent of the District pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the District, which may, for purposes of the certification described in the definition of “Paired Obligations” be an interest rate swap adviser, and who, or each of whom: (1) is in fact independent and not under domination of the District; (2) does not have any substantial interest, direct or indirect, with the District; and (3) is not connected with the District as an officer or employee thereof, but who may be regularly retained to make reports thereto.

Information Services. The term “Information Services” means the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the District may specify in a certificate to the Trustee and as the Trustee may select.

Initial Rating Requirement. The term “Initial Rating Requirement” means the rating requirement described in the Indenture.

Interest Account. The term “Interest Account” means the account by that name in the Payment Fund established pursuant to the Indenture.

Interest Payment Date. The term “Interest Payment Date” means February 1 and August 1 of each year, commencing February 1, 2017.

Investment Agreement. The term “Investment Agreement” means an investment agreement by a provider, supported by appropriate opinions of counsel, provided that, without limiting the foregoing, any such Investment Agreement will: (i) be from a provider rated by S&P or Moody’s at “A-“ or “A3”, respectively, or above; (ii) require the District to terminate such agreement and immediately reinvest the proceeds thereof in other Permitted Investments if the rating assigned to the provider by S&P or Moody’s falls to “BBB+” or “Baa1”, respectively, or below; and (iii) expressly permit the withdrawal, without penalty, of any amounts necessary at any time to fund any deficiencies on account of debt service requirements with respect to the 2016A Bonds, together with such amendments as may be approved by the District and the Trustee from time to time.

Letter of Representations. The term “Letter of Representations” means the letter of the District and the Trustee delivered to and accepted by the Depository on or prior to delivery of the 2016A Bonds as book entry bonds setting forth the basis on which the Depository serves as depository for such book entry bonds, as originally

executed or as it may be supplemented or revised or replaced by a letter from the District and the Trustee delivered to and accepted by the Depository.

Minimum Rating Requirement. The term “Minimum Rating Requirement” means the rating requirement described in the Indenture.

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc. or any successor thereto.

Net Proceeds. The term “Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys fees) incurred in the collection of such proceeds.

Net Revenues. The term “Net Revenues” means, for any Fiscal Year, the Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year. When held by the Trustee in any funds or accounts established under the Indenture, Net Revenues will include all interest or gain derived from the investment of amounts in any of such funds or accounts.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

Office. The term “Office” means with respect to the Trustee, the principal corporate trust office of the Trustee in Los Angeles, California, or such other or additional offices as may be specified in writing by the Trustee to the District, except that with respect to presentation of 2016A Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

Operation and Maintenance Costs. The term “Operation and Maintenance Costs” means costs spent or incurred for maintenance and operation of the Water System determined 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 Water System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys, consultants or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than Debt Service) required to be paid by it to comply with the terms of the Indenture or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

Opinion of Counsel. The term “Opinion of Counsel” means a written opinion of counsel (including but not limited to counsel to the District) selected by the District. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel will include the statements provided for in the Indenture.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to 2016A Bonds, means (subject to the provisions of the Indenture) all 2016A Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (i) 2016A Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) 2016A Bonds with respect to which all liability of the District has been discharged in accordance with the Indenture, including 2016A Bonds (or portions thereof) described therein; and (iii) 2016A Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2016A Bonds have been authenticated and delivered by the Trustee pursuant to the Indenture.

Owner; 2016A Bond Owner. The term “Owner” or “2016A Bond Owner,” whenever used in the Indenture with respect to a 2016A Bond, means the person in whose name the ownership of such 2016A Bond is registered on the Registration Books.

Paired Obligation Provider. The term “Paired Obligation Provider” means a party to a Paired Obligation other than the District.

Paired Obligations. The term “Paired Obligations” means any Bond or Contract (or portion thereof) designated as Paired Obligations in the resolution, indenture or other document authorizing the issuance or execution and delivery thereof, which are simultaneously issued or executed and delivered: (i) the principal of which is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts; and (ii) the interest rates which, taken together, are reasonably expected to result in a fixed interest rate obligation of the District for the term of such Bond or Contract, as certified by an Independent Financial Consultant in writing, and which comply with the provisions of the Indenture.

Parity Project. The term “Parity Project” means any additions, betterments, extensions or improvements to the District’s Water System designated by the Board of Directors of the District as a Parity Project, the acquisition and construction of which is to be paid for with the proceeds of any Contracts or Bonds.

Participants. The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book entry certificates as securities depository.

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

Permitted Investments. The term “Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein. The Trustee is entitled to rely upon the written investment direction of the District as a representation that such investment constitutes a legal investment under the laws of the State.

(a) for all purposes, including but not limited to defeasance investments in refunding escrow accounts: (1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below); or (2) direct obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury, including REFCORP Interest STRIPS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; and

(b) for all purposes other than defeasance investments in refunding escrow accounts: (1) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including the Export – Import Bank; Farmers Home Administration; General Services Administration; U.S. Maritime Administration; Government National Mortgage Association (GNMA); U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration; (2) bonds, notes or other evidences of indebtedness rated at least “AA-” or “Aa3” by the applicable Rating Agency issued by Fannie Mae or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years; (3) U.S. dollar denominated deposit accounts, certificates of deposit, federal funds and banker’s acceptances with domestic commercial banks (including the Trustee) which are either insured by the Federal Deposit Insurance Corporation or have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank); (4) commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by S&P and “P-1” by Moody’s and which matures not more than 270 days after the date of purchase; (5) investments in a money market fund rated “AAm”, “AAAm” or “AAAm-G” or better by S&P, including such funds for which the Trustee or an affiliate acts as investment advisor or provides other services; (6) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and which are rated, based on the escrow, in the highest rating category of S&P and Moody’s; (7) any Investment Agreement; and (8) the Local Agency Investment Fund.

Principal Account. The term “Principal Account” means the account by that name in the Payment Fund established pursuant to the Indenture.

Rating. The term “Rating” means any currently effective rating on the 2016A Bonds issued by a Rating Agency.

Rating Agencies. The term “Rating Agencies” means S&P and Moody’s.

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

Record Date. The term “Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) day of the calendar month preceding such Interest Payment Date, whether or not such day is a Business Day.

Redemption Date. The term “Redemption Date” means the date fixed for an optional redemption prior to maturity of the 2016A Bonds.

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

Redemption Price. The term “Redemption Price” means, with respect to any 2016A Bond (or portion thereof), the principal amount of such 2016A Bond (or portion) plus the interest accrued to the applicable Redemption Date and the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such 2010 Bond and the Indenture.

Registration Books. The term “Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the 2016A Bonds pursuant to the Indenture.

Responsible Officer of the Trustee. The term “Responsible Officer of the Trustee” means any officer within the corporate trust division (or any successor group or department of the Trustee) including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time will be such officers, respectively, with responsibility for the administration of the Indenture.

Revenue Fund. The term “Revenue Fund” means the fund by that name continued pursuant to the Indenture.

Revenues. The term “Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including, without limiting the generality of the foregoing: (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System; plus (2) the proceeds of any stand-by or water availability charges; plus (3) the earnings on and income derived from the investment of the amounts described in clauses (1) and (2) and the general unrestricted funds of the District, but excluding in all cases: (i) customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District; (ii) any proceeds of taxes restricted by law to be used by the District to pay bonds later issued; and (iii) amounts reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program).

S&P. The term “S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, or any successor thereto.

Securities Depositories. The term “Securities Depositories” means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a Written Request of the District deliver to the Trustee.

State. The term “State” means the State of California.

Supplemental Indenture. The term “Supplemental Indenture” means any indenture later duly authorized and entered into between the District and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized thereunder.

Tax Certificate. The term “Tax Certificate” means the Tax Certificate dated the Closing Date, concerning certain matters pertaining to the use and investment of proceeds of the 2016A Bonds issued by the District on the date of issuance of the 2016A Bonds, including any and all exhibits attached thereto.

Trustee. The term “Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, or its successor as Trustee under the Indenture as provided therein.

2004A Swap Agreement. The term “2004A Swap Agreement” means, collectively: (i) the International Swaps and Derivatives Association, Inc., Master Agreement, dated as of June 7, 2004, by and between Citibank, N.A., New York, and the District; (ii) the Schedule to the Master Agreement, dated as of June 7, 2004, by and between Citibank, N.A., New York, and the District; (iii) the Credit Support Annex to the Schedule to the Master Agreement, dated as of June 7, 2004, by and between Citibank, N.A., New York, and the District, (iv) the Confirmation to the Schedule to the Master Agreement, dated as of June 8, 2004, by and between Citibank, N.A., New York, and the District; and (v) the Amended and Restated Confirmation to the Schedule to the Master Agreement, dated as of May 22, 2008, by and between Citibank, N.A., New York, and the District.

2007A Swap Agreement. The term “2007A Swap Agreement” means, collectively: (i) the International Swaps and Derivatives Association, Inc., Master Agreement, dated as of June 7, 2004, by and between Citibank, N.A., New York, and the District; (ii) the Schedule to the Master Agreement, dated as of June 7, 2004, by and between Citibank, N.A., New York, and the District; (iii) the Credit Support Annex to the Schedule to the Master Agreement, dated as of June 7, 2004, by and between Citibank, N.A., New York, and the District, (iv) the Confirmation to the Schedule to the Master Agreement, dated as of April 26, 2005, by and between Citibank, N.A., New York, and the District; and (v) the Amended and Restated Confirmation to the Schedule to the Master Agreement, dated as of May 22, 2008, by and between Citibank, N.A., New York, and the District.

2008B Installment Purchase Agreement. The term “2008B Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of April 1, 2008, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

2010A Installment Purchase Agreement. The term “2010A Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of June 1, 2010, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

2011A Bonds. The term “2011A Bonds” means the West Basin Municipal Water District Refunding Revenue Bonds, Series 2011A.

2011B Bonds. The term “2011B Bonds” means the West Basin Municipal Water District Refunding Revenue Bonds, Series 2011B.

2012A Bonds. The term “2012A Bonds” means the West Basin Municipal Water District Refunding Revenue Bonds, Series 2012A.

2013A Bonds. The term “2013A Bonds” means the West Basin Municipal Water District Refunding Revenue Bonds, Series 2013A.

2016A Bonds. The term “2016A Bonds” means the West Basin Municipal Water District Refunding Revenue Bonds, Series 2016A, issued by the District and at any time Outstanding pursuant to the Indenture.

Valuation Date. “Valuation Date” means the fifth Business Day preceding the date of redemption.

Value. The term “Value” which will be determined as of the end of each month, means that the value of any investments will be calculated as follows: (a) for the purpose of determining the amount of any fund, all Permitted Investments credited to such fund will be valued at fair market value. The Trustee will determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation, Bank of America Merrill Lynch and Morgan Stanley Smith Barney. (b) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest. (c) As to any investment not specified above: market value, or, if the market value is not ascertainable by the District or the Trustee, at cost.

Water Service. The term “Water Service” means the water distribution service made available or provided by the Water System.

Water System. The term “Water System” means the whole and each and every part of the water system of the District, including the portion thereof existing on the date of the Indenture, and including all additions, betterments, extensions and improvements to such water system or any part thereof later acquired or constructed, but not including any retail water distribution facilities unless the Board of Directors of the District determines by resolution that such facilities will be included in the Water System for purposes of the Indenture.

Written Consent of the District; Written Order of the District; Written Request of the District; Written Requisition of District. The terms “Written Consent of the District,” “Written Order of the District,” “Written Request of the District” and “Written Requisition of the District” mean, respectively, a written consent, order, request or requisition signed by or on behalf of the District by the President or General Manager or its Chief Financial Officer or by the Secretary or by any two persons (whether or not members of the Board of Directors) who are specifically authorized by resolution of the District to sign or execute such a document on its behalf.

Content of Certificates and Opinions. Every certificate or opinion provided for in the Indenture except the certificate of destruction provided for therein, with respect to compliance with any provision thereof will include: (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions in the Indenture relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the District may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an Independent Certified Public Accountant or Independent Financial Consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an Independent Certified Public Accountant or Independent Financial Consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the District) upon a certificate or opinion of or representation by an officer of the District, unless such counsel or Independent Certified Public Accountant or Independent Financial Consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person’s certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the District, or the same counsel or Independent Certified Public Accountant or Independent Financial Consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of the Indenture, but different officers, counsel or Independent Certified Public Accountants or Independent Financial Consultants may certify to different matters, respectively.

THE 2016A BONDS

Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the 2016A Bonds, which will upon reasonable notice and at reasonable times be open to inspection during regular business hours by the District and the Owners; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2016A Bonds as provided in the Indenture. The person in whose name any 2016A Bond is registered will be deemed the Owner thereof for all purposes of the Indenture, and payment of or on account of the interest on and principal and Redemption Price of by such 2016A Bonds will be made only to or upon the order in writing of such registered Owner, which payments will be valid and effectual to satisfy and discharge liability upon such 2016A Bond to the extent of the sum or sums so paid.

2016A Bonds Mutilated, Lost, Destroyed or Stolen. If any 2016A Bond becomes mutilated, the District, at the expense of the Owner of said 2016A Bond, will execute, and the Trustee will thereupon authenticate and deliver, a new 2016A Bond of like tenor, series and authorized denomination in exchange and substitution for the 2016A Bonds so mutilated, but only upon surrender to the Trustee of the 2016A Bond so mutilated. Every mutilated 2016A Bond so surrendered to the Trustee will be canceled by it and upon the Written Request of the District delivered to, or upon the order of, the District. If any 2016A Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee is given, the District, at the expense of the Owner, will execute, and the Trustee will thereupon authenticate and deliver, a new 2016A Bond of like tenor, series and authorized denomination in lieu of and in substitution for the 2016A Bond so lost, destroyed or stolen (or if any such 2016A Bond has matured or be about to mature, instead of issuing a substitute 2016A Bond, the Trustee may pay the same without surrender thereof). The District may require payment by the Owner of a sum not exceeding the actual cost of preparing each new 2016A Bond issued under the Indenture and of the expenses which may be incurred by the District and the Trustee in the premises. Any 2016A Bond issued under the provisions of the Indenture in lieu of any 2016A Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the District whether or not the 2016A Bond so alleged to be lost, destroyed, or stolen be at any time enforceable by anyone, and will be entitled to the benefits of the Indenture with all other 2016A Bonds secured by the Indenture. Notwithstanding any other provision of the Indenture, in lieu of delivering a new 2016A Bond for a 2016A Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may make payment of such 2016A Bond upon receipt of indemnity satisfactory to the Trustee.

Book Entry System.

(a) Election of Book Entry System. Prior to the issuance of the 2016A Bonds, the District may provide that such 2016A Bonds will be initially issued as book entry 2016A Bonds. If the District elects to deliver any 2016A Bonds in book entry form, then the District will cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such 2016A Bonds in an authorized denomination corresponding to that total principal amount of the 2016A Bonds designated to mature on such date. Upon initial issuance, the ownership of each such 2016A Bond will be registered in the 2016A Bond Registration Books in the name of the Nominee, as nominee of the Depository, and ownership of the 2016A Bonds, or any portion thereof may not thereafter be transferred except as provided in the Indenture.

With respect to book entry 2016A Bonds, the District and the Trustee have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book entry 2016A Bonds. Without limiting the immediately preceding sentence, the District and the Trustee have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book entry 2016A Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the 2016A Bond Registration Books, of any notice with respect to book entry 2016A Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry 2016A Bonds to be redeemed in the event that the District redeems the 2016A Bonds in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount of principal of, premium, if any, or interest on book entry 2016A Bonds. The District and the Trustee may treat and consider the person in whose name each book entry 2016A Bond is registered in the 2016A Bond Registration

Books as the absolute Owner of such book entry 2016A Bond for the purpose of payment of principal of, premium and interest on such 2016A Bond, for the purpose of giving notices of redemption and other matters with respect to such 2016A Bond, for the purpose of registering transfers with respect to such 2016A Bond, and for all other purposes whatsoever. The Trustee will pay all principal of, premium, if any, and interest on the 2016A Bonds only to or upon the order of the respective Owner, as shown in the 2016A Bond Registration Books, or his respective attorney duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the 2016A Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the 2016A Bond Registration Books, will receive a 2016A Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the 2016A Bonds. Upon delivery by the Depository to the District and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee in the Indenture will refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book entry 2016A Bonds for the Depository's book entry system, the District and the Trustee (if required by the Depository) will execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations will not in any way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in such book entry 2016A Bonds other than the Owners, as shown on the 2016A Bond Registration Books. By executing a Letter of Representations, the Trustee will agree to take all action necessary at all times so that the Trustee will be in compliance with all representations of the Trustee in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the District and the Trustee will take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book entry 2016A Bonds for the Depository's book entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book entry 2016A Bonds; or (ii) the District determines that continuation of the book entry system is not in the best interest of the beneficial owners of the 2016A Bonds or the District, then the District will discontinue the book entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District will prepare or direct the preparation of a new single, separate, fully registered 2016A Bond for each of the maturity dates of such book entry 2016A Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in clause (e) below. If the District fails to identify another qualified securities depository to replace the Depository, then the 2016A Bonds will no longer be restricted to being registered in such 2016A Bond Registration Books in the name of the Nominee, but will be registered in whatever name or names the Owners transferring or exchanging such 2016A Bonds designate, in accordance with the provisions of the Indenture.

(d) Payments To Depository. Notwithstanding any other provision of the Indenture to the contrary, so long as all Outstanding 2016A Bonds are held in book entry form and registered in the name of the Nominee, all payments of principal of, redemption premium, if any, and interest on such 2016A Bond and all notices with respect to such 2016A Bond will be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions in the Indenture.

(e) Transfer of 2016A Bonds to Substitute Depository. (i) The 2016A Bonds will be initially issued as provided in the Indenture. Registered ownership of such 2016A Bonds, or any portions thereof, may not thereafter be transferred except: (A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) below ("Substitute Depository"); provided that any successor of DTC or Substitute Depository will be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any Substitute Depository, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the District that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository is qualified under any applicable laws to provide the services proposed to be provided by it; or (C) to any person as provided below, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the District that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) above, upon receipt of all Outstanding 2016A Bonds by the Trustee, together with a Written Request of the District to the Trustee designating the Substitute Depository, a single new 2016A Bond, which the District prepares or cause to be prepared, will be issued for each maturity of 2016A Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such Written Request of the District. In the case of any transfer pursuant to clause (C) above, upon receipt of all Outstanding 2016A Bonds by the Trustee, together with a Written Request of the District to the Trustee, new 2016A Bonds, which the District will prepare or cause to be prepared, will be issued in such denominations and registered in the names of such persons as are requested in such Written Request of the District, subject to the limitations of the Indenture, provided that the Trustee is not required to deliver such new 2016A Bonds within a period of less than sixty (60) days from the date of receipt of such Written Request from the District.

(iii) In the case of a partial redemption or an advance refunding of any 2016A Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) will make an appropriate notation on such 2016A Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee will not be liable for such Depository's failure to make such notations or errors in making such notations and the records of the Trustee as to the Outstanding principal amount of such 2016A Bonds will be controlling.

(iv) The District and the Trustee are entitled to treat the person in whose name any 2016A Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District; and the District and the Trustee have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2016A Bonds. Neither the District nor the Trustee have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any 2016A Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the 2016A Bonds.

ISSUANCE OF 2016A BONDS

Validity of 2016A Bonds. The validity of the authorization and issuance of the 2016A Bonds is not dependent on and will not be affected in any way by any proceedings taken by the District or the Trustee with respect to any other agreement. The recital contained in the 2016A Bonds that the same are issued pursuant to the Constitution and laws of the State are conclusive evidence of the validity and of compliance with the provisions of law in their issuance.

REDEMPTION OF 2016A BONDS

Selection of 2016A Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2016A Bonds, the Trustee will select the 2016A Bonds for redemption as a whole or in part on any date as directed by the District and by lot within each maturity in integral multiples of \$5,000 in accordance with the Indenture. The Trustee will promptly notify the District in writing of the numbers of the 2016A Bonds or portions thereof so selected for redemption.

Partial Redemption of 2016A Bonds. Upon surrender of any 2016A Bond redeemed in part only, the District will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the District, a new 2016A Bond or 2016A Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2016A Bonds surrendered and of the same series, interest rate and maturity.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the 2016A Bonds (or portions thereof) so called for redemption being held by the Trustee, on the Redemption Date designated in such notice, the 2016A Bonds (or portions thereof) so called for redemption will become due and payable, interest on the 2016A Bonds so called for redemption will cease to accrue, said 2016A Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2016A Bonds will have no rights in

respect thereof except to receive payment of the Redemption Price thereof. The Trustee will, upon surrender for payment of any of the 2016A Bonds to be redeemed on their Redemption Dates, pay such 2016A Bonds at the Redemption Price. All 2016A Bonds redeemed pursuant to the provisions of the Indenture will be canceled upon surrender thereof.

REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Pledge and Assignment; Revenue Fund. (a) All of the Revenues, all amounts held in the Revenue Fund described in the Indenture and any other amounts (including proceeds of the sale of the 2016A Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund) have been irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2016A Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues will not be used for any other purpose while the 2016A Bonds remain Outstanding; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted in the Indenture. Such pledge, together with the pledge created by all other Contracts and Bonds, constitutes a first lien on and security interest on Revenues and, subject to application of Revenues and all amounts on deposit therein as permitted in the Indenture, the Revenue Fund and other funds and accounts created thereunder for the payment of the principal of and interest, and the premium, if any, on the 2016A Bonds and all Contracts and Debt Service on Bonds in accordance with the terms thereof, and will attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and will be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the District, irrespective of whether such parties have notice of the Indenture.

(b) In order to carry out and effectuate the pledge and lien contained in the Indenture, the District has agreed and covenanted that all Revenues will be received by the District in trust and deposited when and as received in a special fund designated as the "Revenue Fund," which fund has been continued and which fund the District has agreed and covenanted to maintain and to hold separate and apart from other funds so long as the 2016A Bonds and any Contracts or Debt Service on Bonds remain unpaid. Moneys in the Revenue Fund will be used and applied by the District as provided in the Indenture. All moneys in the Revenue Fund will be held in trust and applied, used and withdrawn for the purposes set forth in the Indenture.

The District will, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Revenue Fund will be set aside by the District at the following times for the transfer to the following respective special funds in the following order of priority:

(i) Interest and Principal Payments. Not later than the fifth Business Day prior to each Interest Payment Date, the District will, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Payment Fund the payments of interest and principal on the 2016A Bonds due and payable on such Interest Payment Date. The District will also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(ii) Reserve Funds. On or before each Interest Payment Date the District will, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement with respect thereto.

(iii) Surplus. Moneys on deposit in the Revenue Fund on any date when the District reasonably expects such moneys will not be needed for the payment of Operation and Maintenance Costs or any of the purposes described in clauses (b)(i) or (b)(ii) may be expended by the District at any time for any purpose permitted by law.

(iv) Investments. All moneys held by the District in the Revenue Fund will be invested in Permitted Investments and the investment earnings thereon will remain on deposit in such fund, except as otherwise provided in the Indenture.

Allocation of Revenues. There has been established with the Trustee the Payment Fund, which the Trustee has covenanted to maintain and hold in trust separate and apart from other funds held by it so long as any principal of and interest on the 2016A Bonds remain unpaid. Except as directed in the Indenture, all payments of interest and principal on the 2016A Bonds received by the Trustee pursuant thereto will be promptly deposited by the Trustee upon receipt thereof into the Payment Fund; except that all moneys received by the Trustee and required to be deposited in the Redemption Fund will be promptly deposited therein. All payments of interest and principal on the 2016A Bonds deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee will also establish and hold an Interest Account and a Principal Account within the Payment Fund.

The Trustee will transfer from the Payment Fund and deposit into the following respective accounts, the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the Business Day preceding each Interest Payment Date, the Trustee will deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all 2016A Bonds then Outstanding. No deposit need be made into the Interest Account so long as there is in such fund moneys sufficient to pay the interest becoming due and payable on such date on all 2016A Bonds then Outstanding.

(b) Not later than the Business Day preceding each date on which the principal of the 2016A Bonds becomes due and payable under the Indenture, the Trustee will deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2016A Bonds coming due and payable on such date. No deposit need be made into the Principal Account so long as there is in such fund moneys sufficient to pay the principal becoming due and payable on such date on all 2016A Bonds then Outstanding.

Application of Interest Account. All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2016A Bonds as it becomes due and payable (including accrued interest on any 2016A Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

Application of Principal Account. All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the 2016A Bonds at maturity, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such 2016A Bonds, upon written direction of the District, the Trustee will apply such amounts to the purchase of 2016A Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as will be directed pursuant to a Written Request of the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2016A Bonds.

Application of Redemption Fund. There has been established with the Trustee a special fund designated as the "Redemption Fund." All amounts in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of the 2016A Bonds to be redeemed on any Redemption Date pursuant to the Indenture; provided, however, that at any time prior to selection for redemption of any such 2016A Bonds, upon written direction of the District, the Trustee will apply such amounts to the purchase of 2016A Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as will be directed pursuant to a Written Request of the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2016A Bonds.

Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture will be invested by the Trustee solely in Permitted Investments. Such investments will be directed by the District pursuant to a Written Request of the District filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which directions will be promptly confirmed to the Trustee in writing). In the absence of any such directions from the District, the Trustee will invest any such moneys in Permitted Investments described in clause (b)(5) of the definition thereof; provided, however, that any such investment will be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee has received a written direction from the District specifying a specific money market fund and, if no such written direction from the District is so received, the Trustee will hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund will be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture will be deposited in the Interest Account unless otherwise provided in the Indenture. For purposes of acquiring any investments thereunder, the Trustee may commingle funds (other than the Rebate Fund) held by it thereunder upon the Written Request of the District. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee will incur no liability for losses arising from any investments made pursuant to the Indenture.

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

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

The District will invest, or cause to be invested, all moneys in any fund or accounts established with the Trustee as provided in the Tax Certificate.

For investment purposes, the Trustee may commingle the funds and accounts established under the Indenture, but will account for each separately. In making any valuations of investments thereunder, the Trustee may utilize and rely on computerized securities pricing services that may be available to the Trustee, including those available through the Trustee accounting system.

Rebate Fund.

(a) Establishment. The Trustee will establish a fund for the 2016A Bonds designated the "Rebate Fund." Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2016A Bonds will not be adversely affected, the District will cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Indenture and the Tax Certificate. All money at any time deposited in the Rebate Fund will be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the 2016A Bonds will be governed by the Indenture and the Tax Certificate, unless and to the extent that the District delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2016A Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding anything to the contrary contained in the Indenture or in the Tax Certificate, the Trustee: (i) will be deemed conclusively to have complied with the provisions thereof if it follows all Requests of the District; and (ii) will have no liability or responsibility to enforce compliance by the District with the terms of the Tax Certificate; and (iii) may rely conclusively on the District's calculations and determinations and certifications relating to rebate matters; and (iv) will have no responsibility to independently make any calculations or determinations or to review the District's calculations or determinations thereunder.

(i) Annual Computation. Within 55 days of the end of each Bond Year (as such term is defined in the Tax Certificate), the District will calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking

into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½% Penalty”) has been made), for such purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “Rebatable Arbitrage”). The District will obtain expert advice as to the amount of the Rebatable Arbitrage to comply with the Rebate Fund provisions of the Indenture.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year, upon the Written Request of the District, an amount will be deposited to the Rebate Fund by the Trustee from any Net Revenues legally available for such purpose (as specified by the District in the aforesaid Written Request), if and to the extent required so that the balance in the Rebate Fund will equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) above. In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon Written Request of the District, the Trustee will withdraw the excess from the Rebate Fund and then credit the excess to the Payment Fund.

(iii) Payment to the Treasury. The Trustee will pay, as directed by Written Request of the District, to the United States Treasury, out of amounts in the Rebate Fund: (A) Not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and (B) Not later than 60 days after the payment of all the 2016A Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District will calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant the Indenture will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T (prepared by the District), or will be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the 2016A Bonds and the payments described in clause (a) above being made may be withdrawn by the District and utilized in any manner by the District.

(c) Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the Rebate Fund requirements of the Indenture will survive the defeasance or payment in full of the 2016A Bonds.

Application of Funds and Accounts When No 2016A Bonds are Outstanding. On the date on which all 2016A Bonds are retired under the Indenture or provision made therefor pursuant thereto and after payment of all amounts due the Trustee thereunder, all moneys then on deposit in any of the funds or accounts (other than the Rebate Fund) established with the Trustee pursuant to the Indenture will be withdrawn by the Trustee and paid to the District for use by the District at any time for any purpose permitted by law.

PARTICULAR COVENANTS

Punctual Payment. The District will punctually pay or cause to be paid the principal and interest to become due in respect of all of the 2016A Bonds, in strict conformity with the terms of the 2016A Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Net Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of 2016A Bonds. The District will not directly or indirectly extend or assent to the extension of the maturity of any of the 2016A Bonds or the time of payment of any claims for interest by the purchase of such 2016A Bonds or by any other arrangement, and in case the maturity of any of the 2016A Bonds or the time of payment of any such claims for interest will be extended, such 2016A Bonds or claims for interest will not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full for the principal of all of the 2016A Bonds then Outstanding and of all claims for interest thereon which have not been so extended. Nothing in the Indenture limits the right of the District to issue Bonds for the purpose of refunding any Outstanding 2016A Bonds, and such issuance will not be deemed to constitute an extension of maturity of 2016A Bonds.

Against Encumbrances. The District will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as provided in the Indenture. The District may at any time, or from time to time, execute Contracts or issue Bonds as permitted in the Indenture. The District may also at any time, or from time to time, incur evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of lien on Revenues on any moneys in the Revenue Fund as may from time to time be deposited therein, provided that such pledge and lien will be subordinate in all respects to the pledge of and lien thereon provided in the Indenture.

Power to Issue 2016A Bonds and Make Pledge and Assignment. The District is duly authorized pursuant to law to issue the 2016A Bonds and to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned under the Indenture in the manner and to the extent provided in the Indenture. The 2016A Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the District in accordance with their terms, and the District and the Trustee will at all times, subject to the provisions of the Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the 2016A Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. (a) The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries are made of all transactions made by it relating to the proceeds of 2016A Bonds and all funds and accounts established by it pursuant to the Indenture. Such books of record and account will be available for inspection by the District upon reasonable prior notice during business hours and under reasonable circumstances. (b) The District will keep appropriate accounting records in which complete and correct entries are made of all transactions relating to the Water System, which records will be available for inspection by the Trustee (which has no duty to inspect such records) at reasonable hours and under reasonable conditions. (c) The District will prepare and file with the Trustee annually within two hundred seventy (270) days of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2016) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon. The Trustee has no duty to review such financial statements.

Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of the portion of interest on the 2016A Bonds will not be adversely affected for federal income tax purposes, the District has covenanted to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income with respect to the 2016A Bonds and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the 2016A Bonds or of any other moneys or property which would cause the 2016A Bonds to be "private activity bonds" within the meaning of Section 141 of the Code;

(b) Arbitrage. The District will make no use of the proceeds of the 2016A Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the 2016A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The District will make no use of the proceeds of the 2016A Bonds or take or omit to take any action that would cause the 2016A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to preserve the exclusion of interest on the 2016A Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The District will make no use of the proceeds of the 2016A Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2016A Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2016A Bonds for federal income tax purposes; and

(f) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the District in connection with the issuance of the 2016A Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

The foregoing tax covenants are not applicable to, and nothing contained in the Indenture prevents the District from causing the Trustee to issue revenue bonds or to execute and deliver contracts payable on a parity with the 2016A Bonds, the interest with respect to which has been determined by Bond Counsel to be subject to federal income taxation.

Waiver of Laws. The District will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time later in force that may affect the covenants and agreements contained in the Indenture or in the 2016A Bonds, and all benefit or advantage of any such law or laws has been expressly waived by the District to the extent permitted by law.

Further Assurances. The District will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the 2016A Bonds of the rights and benefits provided in the Indenture.

Budgets. On or prior to the fifteenth day of each Fiscal Year, the District will certify to the Trustee that the amounts budgeted for payment of the principal of and interest on the 2016A Bonds are fully adequate for the payment of all such payments for such Fiscal Year. If the amounts so budgeted are not adequate for the payment of the principal of and interest on the 2016A Bonds due under the Indenture, the District will take such action as may be necessary to cause such annual budget to be amended, corrected or augmented so as to include therein the amounts required to be raised by the District in the then ensuing Fiscal Year for the payment of the principal of and interest on the 2016A Bonds due under the Indenture and will notify the Trustee of the proceedings then taken or proposed to be taken by the District.

Observance of Laws and Regulations. To the extent necessary to assure its performance under the Indenture, the District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or later imposed on the District by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or later acquired by the District, respectively, including its right to exist and carry on its business, to the end that such contracts, rights and franchises will be maintained and preserved, and will not become abandoned, forfeited or in any manner impaired.

Compliance with Contracts. The District will neither take nor omit to take any action under any contract if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the District to pay principal of or interest on the 2016A Bonds; and 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 other contracts affecting or involving the Water System, to the extent that the District is a party thereto.

Prosecution and Defense of Suits. The District will promptly, upon request of the Trustee or any 2016A Bond Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water System or any part thereof, whether now existing or later developing, prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and indemnify and save the Trustee (including all of its employees, officers and directors), the Trustee and every 2016A Bond Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The District will defend against every suit, action or proceeding at any time brought against the Trustee (including all of its employees, officers and directors) or any 2016A Bond Owner upon any claim arising out of the receipt, application or disbursement of any of the payments of principal of or interest on the 2016A Bonds or involving the rights of the Trustee or any 2016A Bond Owner under the Indenture; provided that the Trustee or any 2016A Bond Owner at such party's election may appear in and defend any such suit, action or proceeding. The District will indemnify and hold harmless the Trustee and the 2016A Bond Owners against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement, and indemnify and hold harmless the 2016A Bond Owners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation (including pre-litigation activities) to which any of them may become a party by reason of ownership of 2016A Bonds. The District will promptly reimburse any 2016A Bond Owner in the full amount of any attorneys' fees or other expenses which such Owner may incur in litigation or otherwise in order to enforce such party's rights under the Indenture or the 2016A Bonds, provided that such litigation is concluded favorably to such party's contentions therein.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificate to be executed and delivered by the District in connection with the issuance of the 2016A Bonds. Notwithstanding any other provision of the Indenture, failure of the District to comply with the Continuing Disclosure Certificate will not be considered an Event of Default; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with the foregoing obligation. "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2016A Bonds (including persons holding 2016A Bonds through nominees, depositories or other intermediaries).

Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Revenues for the payment of the principal of and interest on the 2016A Bonds, or which would otherwise impair the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the District to pay the principal of and interest on the 2016A Bonds and if the proceeds of such sale are deposited in the Revenue Fund.

Nothing in the Indenture restricts the ability of the District to sell any portion of the Water System if such portion is immediately repurchased by the District and if such arrangement cannot by its terms result in the purchaser of such portion of the Water System exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Water System.

Against Competitive Facilities. To the extent that it can so legally obligate itself, the District has covenanted that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any water system competitive with the Water System.

Maintenance and Operation of the Water System. The District will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

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 the Revenues or the funds or accounts created under the Indenture or on any funds in the hands of the District pledged to pay the principal of or interest on the 2016A Bonds or to the Owners prior or superior to the lien under the Indenture.

Insurance. (a) The District will procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers in such amounts and against such risks (including damage to or destruction of the Water System) as are usually covered in connection with facilities similar to the Water System so long as such insurance is available from reputable insurance companies.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof will be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The District will begin such reconstruction, repair or replacement promptly after such damage or destruction occurs, and will continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same will be completed and the Water System will be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Water System, and/or the cost of the construction of additions, betterments, extensions or improvements to the Water System, then the excess Net Proceeds will be applied in part to the redemption of 2016A Bonds as provided in the Indenture and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of 2016A Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the District to retire the entire obligation evidenced by the Indenture prior to the final due date of the 2016A Bonds as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the District may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System, and/or not to construct other additions, betterments, extensions or improvements to the Water System; and thereupon such Net Proceeds will be applied to the redemption of 2016A Bonds as provided in the Indenture and to the retirement of such Bonds and Contracts.

(b) The District will procure and maintain such other insurance as it deems advisable or necessary to protect its interests and the interests of the 2016A Bond Owners, which insurance will afford protection in such amounts and against such risks as are usually covered in connection with municipal water systems similar to the Water System.

(c) Any insurance required to be maintained by paragraph (a) above and, if the District determines to procure and maintain insurance pursuant to paragraph (b) above, 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 water systems similar to the Water System and is, in the opinion of an accredited actuary, actuarially sound.

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

Collection of Rates and Charges. The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service and providing for the billing thereof and for a due date and a delinquency date for each bill.

Eminent Domain Proceeds. If all or any part of the Water System is taken by eminent domain proceedings, the Net Proceeds thereof will be applied as follows:

(a) If: (1) the District files with the Trustee a certificate showing: (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings; (ii) a general description of the additions, betterments, extensions or improvements to the Water System proposed to be acquired and constructed by the District from such Net Proceeds; and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements; and (2) the District, on the basis of such certificate filed with the Trustee, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations under the Indenture will not be substantially impaired (which determination will be final and conclusive), then the District will promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds will be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose will be deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds will be applied by the District in part to the redemption of 2016A Bonds as provided in the Indenture and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of 2016A Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Enforcement of Contracts. The District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or later entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the District to pay principal of and interest on the 2016A Bonds.

EVENTS OF DEFAULT AND REMEDIES OF 2016A BOND OWNERS

Events of Default. The following events will be Events of Default under the Indenture: (a) Default by the District in the due and punctual payment of the principal of any 2016A Bonds, the principal of any Bonds or the principal with respect to any Contract, when and as the same become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise. (b) Default by the District in the due and punctual payment of any installment of interest on any 2016A Bonds, any installment of interest on any Bond or any installment of interest with respect to any Contract, when and as the same become due and payable. (c) Default by the District in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the 2016A Bonds, or required by any Bond or indenture relating thereto or by any Contract, if such default continues for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, has been given to the District by the Trustee or by the Owners of not less than a majority in aggregate principal amount of 2016A Bonds Outstanding, a majority in principal amount of such Bond outstanding, or a majority in principal amount outstanding with respect to such Contract, as applicable; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such sixty (60) day period and corrective action is instituted by the District within such sixty (60) day period and diligently pursued in good faith until the default is corrected such default will not be an Event of Default. (d) The District files 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 will 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 assumes custody or control of the District or of the whole or any substantial part of its property. (e) Payment of the principal of any Bond or with respect to any Contract is accelerated in accordance with its terms.

Remedies Upon Event of Default. If any Event of Default specified clauses (d) or (e) occur and are continuing, the Trustee will, and for any other Event of Default, the Trustee may, and, at the written direction of the Owners of not less than a majority in aggregate principal amount of the 2016A Bonds at the time Outstanding, will,

in each case, upon notice in writing to the District, declare the principal of all of the 2016A Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and be immediately due and payable, anything in the Indenture or in the 2016A Bonds contained to the contrary notwithstanding. Nothing contained in the Indenture permits or requires the Trustee to accelerate payments due under the Indenture if the District is not in default of its obligation thereunder.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due has been obtained or entered, the District deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the 2016A Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective 2016A Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, or deposits with the applicable trustee with respect to any Contract a sum sufficient to pay all the principal and installments of interest with respect to such Contract payment of which is overdue, with interest on such overdue principal at the rate borne by such Contract to the extent permitted by law, and the reasonable charges and expenses of the applicable trustee with respect to such Contract, or deposits with the applicable trustee with respect to any Bond a sum sufficient to pay all the principal of and installment of interest on such Bond payment of which is overdue, with interest on such overdue principal at the rate borne by such Bonds to the extent permitted by law, and the reasonable charges and expenses of the applicable trustee with respect to such Bonds, and any and all other Events of Default known to the Trustee or the applicable trustee with respect to such Contract or Bonds (other than in the payment of principal of and interest on the 2016A Bonds, payment of principal and interest with respect to such Contract or payment of principal and interest on such Bond, as applicable, due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate have been made therefor, then, and in every such case the Trustee will on behalf of the Owners of all of the 2016A Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment will extend to or affect any subsequent Event of Default, or impair or exhaust any right or power consequent thereon.

Application of Revenues and Other Funds After Default. If an Event of Default occurs and is continuing, all Revenues held or thereafter received by the Trustee and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (other than amounts held in the Rebate Fund) will be applied in the following order: (i) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the 2016A Bonds, Contract or Bonds and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture; (ii) To the payment of Operation and Maintenance Costs; and (iii) To the payment of the principal of and interest then due on the 2016A Bonds (upon presentation of the 2016A Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid), in accordance with the provisions of the Indenture, the payment of the principal and interest then due with respect to such Contract in accordance with the provisions thereof and the payment of the principal of and interest then due on such Bonds in accordance with the provisions thereof and of any indenture related thereto, in the following order of priority: First: To the payment to the persons entitled thereto of all installments of interest then due on the 2016A Bonds, with respect to such Contract or on such Bonds, as applicable, in the order of the maturity of such installments, and, if the amount available is not sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and Second: To the payment to the persons entitled thereto of the unpaid principal of any 2016A Bonds, principal with respect to such Contract or principal of any Bonds, as applicable, which have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount available is not sufficient to pay in full all the 2016A Bonds, all amounts due under such Contract or all the Bonds, as applicable, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and Third: If there exists any remainder after the foregoing payments, such remainder will be paid to the District.

Trustee to Represent 2016A Bond Owners. The Trustee has been irrevocably appointed (and the successive respective Owners of the 2016A Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Owners of the 2016A Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the 2016A Bonds or the Indenture and applicable provisions of law. Upon the

occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the 2016A Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the 2016A Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, will proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it deems most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the 2016A Bonds or the Indenture or any law; and upon instituting such proceeding, the Trustee will be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the 2016A Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2016A Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of all the Owners of such 2016A Bonds, subject to the provisions of the Indenture.

2016A Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2016A Bonds then Outstanding have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction to direct the method of conduct in all remedial proceedings taken by the Trustee under the Indenture, provided that such direction will not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee has the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to 2016A Bond Owners not parties to such direction.

Suit by Owners. No Owner of any 2016A Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture with respect to the 2016A Bonds, unless: (a) such Owners have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than 50% in aggregate principal amount of the 2016A Bonds then Outstanding have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Owners of a majority in aggregate principal amount of the 2016A Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are, in every case, conditions precedent to the exercise by any Owner of 2016A Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of 2016A Bonds have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of 2016A Bonds, or to enforce any right under the 2016A Bonds, the Indenture, or applicable law with respect to the 2016A Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding 2016A Bonds, subject to the provisions of the Indenture.

Absolute Obligation of the District. Nothing in the Indenture or in the 2016A Bonds affects or impairs the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the 2016A Bonds to the respective Owners of the 2016A Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues and other assets therein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2016A Bonds.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or to the Owners of the 2016A Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given under the Indenture or now or later existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the 2016A Bonds to exercise any right or power arising upon the occurrence of any Event of Default will impair any such right or power or be construed to be a waiver of any such Event of Default or an acquiescence therein.

THE TRUSTEE

Duties, Immunities and Liabilities of Trustee. (a) The Trustee will, prior to an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture and no implied covenants or duties will be read into the Indenture against the Trustee. The Trustee will, during the existence of any Event of Default (which has not been cured or waived), 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) The District may remove the Trustee at any time, unless an Event of Default has occurred and is then continuing, and will 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 the 2016A Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee ceases to be eligible in accordance with the Indenture, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of 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 will promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the District and by giving the 2016A Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any 2016A Bond Owner (on behalf of himself and all other 2016A Bond 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 will signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, will 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 District or the request of the successor Trustee, such predecessor Trustee will 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 pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the District will 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 the Indenture, the District will mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which is then rating the 2016A Bonds and to the 2016A Bond Owners at the addresses shown on the Registration Books. If the District fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee will cause such notice to be mailed at the expense of the District.

(e) Any Trustee appointed under the provisions of the Indenture in succession to the Trustee will be a trust company, banking association or bank having the powers of a trust company, having a combined capital and surplus of at least Seventy Five Million Dollars (\$75,000,000), and subject to supervision or examination

for federal or state authority. If such bank, 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 the Indenture the combined capital and surplus of such trust company, banking association or bank will 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 ceases to be eligible in accordance with the provisions of the Indenture, the Trustee will resign immediately in the manner and with the effect specified therein.

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

Liability of Trustee. (a) The recitals of facts in the Indenture and in the 2016A Bonds are statements of the District, and the Trustee does not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or the 2016A Bonds, nor will the Trustee incur any responsibility in respect thereof, other than as expressly stated in the Indenture in connection with the respective duties or obligations therein or in the 2016A Bonds assigned to or imposed upon it. The Trustee is, however, responsible for its representations contained in its certificate of authentication on the 2016A Bonds. The Trustee is not 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 2016A Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository 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 2016A Bond Owners, whether or not such committee represents the Owners of a majority in principal amount of the 2016A Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made in good faith by a responsible officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee is not 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 a majority (or such other percentage provided for in the Indenture) in aggregate principal amount of the 2016A 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 is not 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.

(e) The Trustee will not be deemed to have knowledge of any Default or Event of Default under the Indenture or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default thereunder unless and until a Responsible Officer of the Trustee has actual knowledge of such event or the Trustee has been notified in writing, in accordance with the Indenture, of such event by the District or the Owners of not less than 50% of the 2016A Bonds then Outstanding. Except as otherwise expressly provided in the Indenture, the Trustee is not bound to ascertain or inquire as to the performance or observance by the District of any of the terms, conditions, covenants or agreements in the Indenture of any of the documents executed in connection with the 2016A Bonds, or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee is not responsible for the validity, effectiveness or priority of any collateral given to or held by it.

(f) No provision of the Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties under the Indenture, or in the exercise of any of its rights or powers.

(g) The Trustee is 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 Indenture, unless such Owners have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee under the Indenture will be construed to impose a duty to exercise such power, right or remedy.

(h) Whether or not expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of the Indenture.

(i) The Trustee has no responsibility or liability with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2016A Bonds.

(j) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(k) The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and will not be answerable for the conduct of the same if appointed by it with reasonable care.

(l) The Trustee will not be considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Water System, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(m) The Trustee agrees to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee has received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions will be deemed controlling. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District has agreed to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(n) The Trustee is not concerned with or accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions of the Indenture.

(o) The Trustee is 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 thereof unless such Owners have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

(p) The permissive right of the Trustee to do things enumerated in the Indenture are not construed as a duty and the Trustee is not answerable for other than its negligence or willful misconduct.

Right to Rely on Documents. The Trustee will be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, notes, direction, facsimile transmission, electronic mail 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 District, with regard to legal questions, and the opinion of such counsel will 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.

The Trustee may treat the Owners of the 2016A Bonds appearing in the Trustee's Registration Books as the absolute owners of the 2016A Bonds for all purposes and the Trustee will not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof is specifically prescribed) may be deemed to be conclusively proved and established by a Certificate, Request or Requisition of the District, and such Certificate, Request or Requisition will 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 Certificate, Request or Requisition, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture will be retained in their respective possession and will be subject at all reasonable times to the inspection of the District and any 2016A Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Compensation and Indemnification. The District will pay to the Trustee from time to time all reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture.

The District will indemnify, defend and hold harmless the Trustee, its officers, employees, directors and agents from and against any loss, costs, claims, liability or expense (including fees and expenses of its attorneys and advisors) incurred without negligence or bad faith on its part, arising out of or in connection with the execution of the Indenture, acceptance or administration of the trust under the Indenture, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers thereunder. The rights of the Trustee and the obligations of the District under the Indenture survive removal or resignation of the Trustee thereunder or the discharge of the 2016A Bonds and the Indenture.

MODIFICATION OR AMENDMENT OF THE INDENTURE

Amendments Permitted. (a) The Indenture and the rights and obligations of the District and of the Owners of the 2016A Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the District and the Trustee may enter into when the written consent of the Owners of a majority in aggregate principal amount of all 2016A Bonds then Outstanding, exclusive of 2016A Bonds disqualified as provided in the Indenture, have been filed with the Trustee. No such modification or amendment may: (1) extend the fixed maturity of any 2016A Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2016A Bond so affected; or (2) reduce the aforesaid percentage of 2016A Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted therein, or deprive the Owners of the 2016A Bonds of the lien created by the Indenture on such Revenues and other assets except as permitted therein, without the consent of the Owners of all of the 2016A Bonds then Outstanding. It is not necessary for the consent of the 2016A Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof. Promptly after the execution by the District and the Trustee of any Supplemental Indenture pursuant to the provisions of the Indenture, the Trustee will mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each

Rating Agency and the Owners of the 2016A Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the District, the Trustee and the Owners of the 2016A Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the District and the Trustee may enter into without the consent of any 2016A Bond Owners, if the Trustee receives an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture will not materially adversely affect the interests of the Owners of the Outstanding 2016A Bonds, including, without limitation, for any one or more of the following purposes: (1) to add to the covenants and agreements of the District contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2016A Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the District; (2) 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, or in regard to matters or questions arising under the Indenture, as the District may deem necessary or desirable; (3) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute thereunder in effect, and to add such other terms conditions and provisions as may be permitted by said act or similar federal statute; and (4) to modify, amend or supplement the Indenture in such manner as to cause interest on the 2016A Bonds to remain excludable from gross income under the Code.

(c) The Trustee may in its discretion, but is not obligated to, enter into any such Supplemental Indenture authorized by the Indenture which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture under the provisions of the Indenture, there will be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the 2016A Bonds from federal income taxation and from state income taxation.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the provisions of the Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District, the Trustee and all Owners of 2016A Bonds Outstanding will thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of 2016A Bonds; Preparation of New 2016A Bonds. 2016A Bonds delivered after the execution of any Supplemental Indenture pursuant to the provisions of the Indenture may, and if the Trustee so determines will, bear a notation by endorsement or otherwise in form approved by the District and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any 2016A Bonds Outstanding at the time of such execution and presentation of his or her 2016A Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation will be made on such 2016A Bonds. If the Supplemental Indenture so provides, new 2016A Bonds so modified as to conform, in the opinion of the District and the Trustee, to any modification or amendment contained in such Supplemental Indenture, will be prepared and executed by the District and authenticated by the Trustee, and upon demand on the Owners of any 2016A Bonds then Outstanding will be exchanged at the Office of the Trustee, without cost to any 2016A Bond Owner, for 2016A Bonds then Outstanding, upon surrender for cancellation of such 2016A Bonds, in equal aggregate principal amount of the same maturity.

Amendment of Particular 2016A Bonds. The provisions of the Indenture do not prevent any 2016A Bond Owner from accepting any amendment as to the particular 2016A Bonds held by him.

DEFEASANCE

Discharge of Indenture. The 2016A Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable under the Indenture by the District: (a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on the 2016A Bonds, as and when the same become due and payable; (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem all 2016A Bonds then Outstanding; or (c) by delivering to the Trustee, for cancellation by it, all of the 2016A Bonds then Outstanding.

If the District also pays or causes to be paid all other sums payable under the Indenture by the District, then and in that case, at the election of the District (as evidenced by a Certificate of the District, filed with the Trustee, signifying the intention of the District to discharge all such indebtedness and the Indenture), and notwithstanding that any 2016A Bonds have not been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the District under the Indenture will cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the District, the Trustee will execute and deliver to the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of 2016A Bonds not theretofore surrendered for such payment or redemption to the District.

Discharge of Liability on 2016A Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding 2016A Bonds (whether upon or prior to the maturity or the Redemption Date of such 2016A Bonds), provided that, if such Outstanding 2016A Bonds are to be redeemed prior to maturity, notice of such redemption has been given as provided in the Indenture or provisions satisfactory to the Trustee has been made for the giving of such notice, then all liability of the District in respect of such 2016A Bonds will cease, terminate and be completely discharged, and the Owners thereof will thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject however, to the provisions of the Indenture.

The District may at any time surrender to the Trustee for cancellation by it any 2016A Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such 2016A Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any 2016A Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and will be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such 2016A Bonds and all unpaid interest thereon to maturity, except that, in the case of 2016A Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given as provided in the Indenture or provisions satisfactory to the Trustee have been made for the giving of such notice, the amount to be deposited or held will be the principal amount of such 2016A Bonds and all unpaid interest and premium, if any, thereon to the Redemption Date; or

(b) Federal Securities the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant or Independent Financial Consultant filed with the District and the Trustee, provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the Redemption Date (with premium, if any), as the case may be, on the 2016A Bonds to be paid or redeemed, as such principal, interest and premium, if any, become due, provided that in the case of 2016A Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that: (i) the Trustee has been irrevocably instructed (by the terms of the Indenture or by Written Request of the District) to apply such money to the payment of such principal, interest and premium, if

any, with respect to such 2016A Bonds; and (ii) the District has delivered to the Trustee an opinion of Bond Counsel addressed to the District and the Trustee to the effect that such 2016A Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Certified Public Accountant's or Independent Financial Consultant's opinion referred to above).

Payment of 2016A Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any 2016A Bonds and remaining unclaimed for two (2) years after the principal of all of the 2016A Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the 2016A Bonds became due and payable, will be repaid to the District free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the District and the Trustee indemnifying the Trustee with respect to claims of Owners of 2016A Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Trustee will at the written direction of the District (at the cost of the District) first mail to the Owners of 2016A Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the 2016A Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

MISCELLANEOUS

Liability of District Limited to Revenues. Notwithstanding anything in the Indenture or the 2016A Bonds, but subject to the priority of payment with respect to Operation and Maintenance Costs, the District is not required to advance any moneys derived from any source other than the Revenues, the Revenue Fund and other moneys pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the 2016A Bonds or for any other purpose of the Indenture. Nevertheless, the District may, but is not required to, advance for any of the purposes of the Indenture any funds of the District which may be made available to it for such purposes.

Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either the District or the Trustee is named or referred to, such reference includes the successors or assigns thereof, and all the covenants and agreements in the Indenture contained by or on behalf of the District or the Trustee bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Limitation of Rights to Parties and 2016A Bond Owners. Nothing in the Indenture or in the 2016A Bonds expressed or implied is intended or will be construed to give to any person other than the District, the Trustee and the Owners of the 2016A Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein contained; and all such covenants, conditions and provisions are and are for the sole and exclusive benefit of the District, the Trustee and the Owners of the 2016A Bonds.

Waiver of Notice; Requirement of Mailed Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice is required to be given by mail, such requirement will be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Destruction of 2016A Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the District of any 2016A Bonds, the Trustee will destroy such 2016A Bonds as may be allowed by law, and deliver a certificate of such destruction to the District.

Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the 2016A Bonds is for any reason held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability will not affect any other provision of the Indenture, and the Indenture will be construed

as if such invalid or illegal or unenforceable provision had never been contained therein. The District has declared that it would have entered into the Indenture and each and every other section, paragraph, sentence, clause or phrase thereof and authorized the issuance of the 2016A Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Evidence of Rights of 2016A Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by 2016A Bond Owners may be in any number of concurrent instruments of substantially similar tenor and will be signed or executed by such 2016A Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of 2016A Bonds transferable by delivery, will be sufficient for any purpose of the Indenture and will be conclusive in favor of the Trustee and the District if made in the manner provided in the Indenture.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The Ownership of 2016A Bonds will be proved by the Registration Books. Any request, consent, or other instrument or writing of the Owner of any 2016A Bond will bind every future Owner of the same 2016A Bond and the Owner of every 2016A Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the District in accordance therewith or reliance thereon.

Disqualified 2016A Bonds. In determining whether the Owners of the requisite aggregate principal amount of 2016A Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, 2016A Bonds which are known by the Trustee to be owned or held by or for the account of the District, or by any other obligor on the 2016A Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the 2016A Bonds, will be disregarded and deemed not to be Outstanding for the purpose of any such determination. 2016A Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of the Indenture if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to vote such 2016A 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 District or any other obligor on the 2016A Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel will be full protection to the Trustee. Upon request, the District will certify to the Trustee those 2016A Bonds that are disqualified pursuant to the Indenture and the Trustee may conclusively rely on such certificate.

Money Held for Particular 2016A Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular 2016A Bonds (or portions of 2016A Bonds in the case of registered 2016A Bonds redeemed in part only) will, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the 2016A Bonds entitled thereto, subject, however, to the provisions of the Indenture but without any liability for interest thereon.

Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts will at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of the Indenture and for the protection of the security of the 2016A Bonds and the rights of every Owner thereof.

Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of the District is individually or personally liable for the payment of the principal of or premium or interest on the 2016A Bonds or subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the

Indenture relieves any such member, officer, agent, employee, consultant or attorney from the performance of any official duty provided by law or by the Indenture.

CUSIP Numbers. Neither the Trustee nor the District are liable for any defect or inaccuracy in the CUSIP number that appears on any 2016A Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the 2016A Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the 2016A Bondholders and that neither the District nor the Trustee are liable for any inaccuracies in such numbers.

Choice of Law. THE INDENTURE IS GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

Paired Obligation Provider Guidelines. For purposes of the Indenture, Paired Obligations will comply with the following conditions: (a) A Paired Obligation Provider will initially have a long-term rating of A- or better by S&P and A3 or better by Moody's. (b) So long as the long-term rating of the Paired Obligation Provider is not reduced below Baa2 by S&P or BBB by Moody's, the interest rate of such Paired Obligation will be deemed to be equal to the irrevocable fixed interest rate attributable thereto for purposes of the Indenture.

In the event that a Paired Obligation Provider does not maintain the Minimum Rating Requirement and the District does not replace such Paired Obligation Provider with another Paired Obligation Provider which maintains the Initial Rating Requirement within 10 Business Days of notice that the Paired Obligation Provider has not maintained the Minimum Rating Requirement, interest with respect to such Paired Obligations will be computed for purposes of the Indenture without regard to payments to be received from the Paired Obligation Provider.

Retail Water Distribution Facilities. Notwithstanding anything contained in the Indenture to the contrary, no provision of the Indenture prohibits, restricts or otherwise affects the ability of the District to finance and acquire retail water distribution facilities, apply the revenues thereof in accordance with the terms of such financing and acquisition or otherwise affect the District's operation of such facilities, unless the Board of Directors of the District makes the determinations described in the definition of "Water System" in the Indenture.

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APPENDIX C
FORM OF OPINION OF BOND COUNSEL

Upon issuance of the 2016A Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

October __, 2016

West Basin Municipal Water District
17140 South Avalon Boulevard, Suite 210
Carson, California 90746

Re: West Basin Municipal Water District Refunding Revenue Bonds, Series 2016A

Members of the Board of Directors:

We have examined a certified copy of the record of the proceedings of the West Basin Municipal Water District (“West Basin”) relative to the issuance of the \$ _____ Refunding Revenue Bonds, Series 2016A, dated the date hereof (the “2016A Bonds”), and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by West Basin, the initial purchaser of the 2016A Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2016A Bonds are being issued pursuant to an Indenture of Trust, dated as of August 1, 2016 (the “Indenture”), by and between West Basin and U.S. Bank National Association, as trustee (the “Trustee”). The 2016A Bonds mature on the date and in the amount referenced in the Indenture. The 2016A Bonds are dated their date of delivery and bear interest payable at maturity, at the rates per annum referenced in the Indenture. The 2016A Bonds are registered in the form set forth in the Indenture.

Based on our examination as Bond Counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. The proceedings of West Basin show lawful authority for the issuance and sale of the 2016A Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by West Basin, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2016A Bonds and the Indenture are valid and binding obligations of West Basin enforceable against West Basin in accordance with their terms.

2. The obligation of West Basin to make the payments of principal of and interest on the 2016A Bonds from Net Revenues (as defined in the Indenture) is an enforceable obligation of West Basin and does not constitute an indebtedness of West Basin in contravention of any constitutional or statutory debt limit or restriction.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2016A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

4. Interest on the 2016A Bonds is exempt from State of California personal income tax.

The opinions expressed herein as to the exclusion from gross income of interest on the 2016A Bonds are based upon certain representations of fact and certifications made by West Basin and are subject to the condition that West Basin comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2016A Bonds to assure that such interest on the 2016A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2016A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016A Bonds. West Basin has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the 2016A Bonds terminates on the date of their issuance. The Indenture and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest on the 2016A Bonds for federal income tax purposes with respect to any 2016A Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the 2016A Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the 2016A Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2016A Bonds or other offering material relating to the 2016A Bonds and expressly disclaim any duty to advise the owners of the 2016A Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX D

INFORMATION CONCERNING DTC

The information in this section concerning DTC and DTC's book entry only system has been obtained from sources that West Basin believes to be reliable, but West Basin takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2016A Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the 2016A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2016A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2016A Bonds. The 2016A 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 2016A Bond will be issued for each annual maturity of the 2016A Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities 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 issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 is rated AA+ by Standard & Poor's. 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.

Purchases of 2016A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016A Bonds ("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 2016A 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 bonds representing their ownership interests in 2016A Bonds, except in the event that use of the book entry system for the 2016A Bonds is discontinued.

To facilitate subsequent transfers, all 2016A 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 2016A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016A 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 2016A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2016A Bonds documents. For example, Beneficial Owners of 2016A Bonds may wish to ascertain that the nominee holding the 2016A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2016A 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 maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2016A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to West Basin 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 2016A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2016A 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 West Basin 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, the Trustee, or West Basin, 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 West Basin 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.

A 2016A Bond Owner shall give notice to elect to have its 2016A Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2016A Bond by causing the Direct Participant to transfer the Participant's interest in the 2016A Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2016A Bond in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2016A Bond are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered 2016A Bond to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2016A Bonds at any time by giving reasonable notice to West Basin or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

West Basin may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, 2016A Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK ENTRY ONLY SYSTEM IS USED FOR THE 2016A BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2016A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E
FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the 2016A Bonds, West Basin proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the West Basin Municipal Water District (the “District”) in connection with the issuance of \$_____ Refunding Revenue Bonds, Series 2016A (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of August 1, 2016 (the “Indenture of Trust”), by and between the District and U.S. Bank National Association, as trustee (the “Trustee”). The District covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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

Annual Report. The term “Annual Report” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

Holder. The term “Holder” means a registered owner of the Bonds.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term “Official Statement” means the Official Statement of the District dated _____, 2016 delivered in connection with the issuance of the Bonds.

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

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

3. Provision of Annual Reports.

(a) The District shall provide not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2016) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the District is unable to provide to EMMA an Annual Report by the date required in subsection (a), the District shall send to EMMA a notice in substantially the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the District for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Principal amount of the Bonds outstanding.

(c) To the extent not contained in the audited financial statement filed pursuant to clause (a), an update of the information in the following tables under the caption entitled "WEST BASIN MUNICIPAL WATER DISTRICT" in the Official Statement for the most recent Fiscal Year of the District only:

- (i) "Historic Water Purchases and Groundwater Pumped by West Basin's Customers from West Coast Basin;"
- (ii) "Historic Treated Water Sales to Customers;"
- (iii) "Annual Recycled Water Sales;" and
- (iv) "Imported Water Rate Summary."

(d) For the most recent Fiscal Year of the District only, an update of the information contained in the Official Statement in the chart titled: "Water System Historic Operating Results" provided, however, that if such information can be derived from the audited financial statements required to be filed in 4(a) above, failure to file separate tables under this section 4 shall not constitute a default hereunder.

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

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District 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 more than ten (10) Business Days after 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. 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. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (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 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), adverse tax opinions or other 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 the rights of Bondholders;
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 the District or the sale of all or substantially all of the assets of the District, 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; and

7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the District shall provide to any person financial information and operating data regarding the District which is customarily prepared by the District and is publicly available.

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

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the District to file an annual report under Section 4 hereof or to file a report of a significant event under Section 5 hereof, any Holders or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to make such filing. Notwithstanding the foregoing, no action may be undertaken by Holders or Beneficial Owners of the Bonds with respect to the accuracy of the information contained in any such filing or otherwise without the approval in writing of Holders or Beneficial Owners of at least 50% of the aggregate principal amount of the Bonds. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Holders or Beneficial Owners may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _____, 2016

WEST BASIN MUNICIPAL WATER DISTRICT

By: _____
Its: President

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