

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, 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 in this Official Statement, interest on the 2016 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 2016 Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS” with respect to tax consequences relating to the 2016 Bonds.



\$8,765,000
CARPINTERIA VALLEY WATER DISTRICT
REFUNDING REVENUE BONDS
SERIES 2016A

Dated: Date of Issuance

Due: July 1, as set forth on the inside cover

The 2016 Bonds are being issued to provide funds: (i) to provide a portion of the money to refund all of the currently outstanding Carpinteria Valley Water District Refunding Revenue Certificates of Participation, Series 2006A; (ii) to prepay the outstanding balance of a Department of Water Resources loan; and (iii) to pay costs of issuance of the 2016 Bonds, all as more fully described herein.

The 2016 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 2016 Bonds will not receive securities representing their beneficial ownership in the 2016 Bonds purchased. Interest on the 2016 Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2016, until the maturity thereof. The principal of and interest on the 2016 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 2016 Bonds through their nominees.

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

The 2016 Bonds are being issued pursuant to the Indenture of Trust, dated as of March 1, 2016, by and between the Carpinteria Valley Water District and The Bank of New York Mellon Trust Company, N.A., as trustee. The 2016 Bonds are special obligations of the District payable solely from Net Revenues of the District’s Water System, which amounts consist of Revenues remaining after payment of Maintenance and Operations Costs of the Water System and amounts on deposit in certain funds and accounts created under the Indenture, including the Rate Stabilization Fund.

The obligation of the District to pay principal and interest on the 2016 Bonds is subordinate to the obligation of the District to make payments (which payments constitute Maintenance and Operations Costs) with respect to a Water Supply Agreement, dated as of August 1, 1991, by and between the District and the Central Coast Water Authority. In Fiscal Year 2016, the District projects that payments to the Authority under the Water Supply Agreement will be approximately \$4,032,417, including approximately \$3,421,520 in fixed costs attributable to the State Water Project and the Authority. After the refunding of the 2006A Certificates and the DWR Loan, the District will have approximately \$15,407,825 aggregate principal amount of obligations outstanding payable from Net Revenues on a parity with the 2016 Bonds. The District may incur additional obligations payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2016 Bonds, subject to the terms and conditions of the Indenture, as more fully described herein.

THE 2016 BONDS ARE NOT A DEBT OF THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), AND NEITHER THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE 2016 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OF THE DISTRICT OTHER THAN THE NET REVENUES AND OTHER MONEYS PLEDGED THEREFOR UNDER THE INDENTURE. THE OBLIGATION OF THE DISTRICT TO MAKE PAYMENTS IN ACCORDANCE WITH THE INDENTURE IS A SPECIAL OBLIGATION OF THE DISTRICT AS SET FORTH IN THE INDENTURE AND THE DISTRICT SHALL HAVE NO LIABILITY OR OBLIGATION IN CONNECTION HERewith EXCEPT WITH RESPECT TO SUCH PAYMENTS TO BE MADE PURSUANT TO THE INDENTURE. THE 2016 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

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 2016 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of the valid, legal and binding nature of the 2016 Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Myers, Widders, Gibson, Jones & Feingold, L.L.P., Ventura, California, General Counsel to the District and for the Trustee by its counsel. Ballard Spahr LLP, Salt Lake City, Utah, has acted as counsel to the Underwriter in connection with the issuance of the 2016 Bonds. It is anticipated that the 2016 Bonds will be available for delivery through the facilities of The Depository Trust Company on or about May 12, 2016.

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MATURITY SCHEDULE

\$8,765,000
CARPINTERIA VALLEY WATER DISTRICT
REFUNDING REVENUE BONDS
SERIES 2016A

<i><u>Maturity Date</u></i> <i><u>(July 1)</u></i>	<i><u>Principal</u></i> <i><u>Amount</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Price</u></i>	<i><u>Yield</u></i>	<i><u>CUSIP</u></i> [†] <i><u>(Base 14440)</u></i>
2016	\$355,000	2.00%	100.196	0.550%	RAA7
2017	350,000	2.00	101.456	0.710	RAB5
2018	600,000	3.00	104.627	0.810	RAC3
2019	750,000	4.00	109.466	0.930	RAD1
2020	800,000	5.00	115.989	1.040	RAE9
2021	435,000	5.00	118.926	1.190	RAF6
2022	460,000	5.00	121.620	1.320	RAG4
2023	480,000	5.00	123.982	1.450	RAH2
2024	500,000	5.00	126.013	1.580	RAJ8
2025	525,000	5.00	127.618	1.720	RAK5
2026	555,000	5.00	129.096	1.840	RAL3
2027	485,000	5.00	127.926	1.950 ^(c)	RAM1
2028	510,000	5.00	126.873	2.050 ^(c)	RAN9
2029	535,000	5.00	125.726	2.160 ^(c)	RAP4
2030	555,000	5.00	124.592	2.270 ^(c)	RAQ2
2031	425,000	5.00	123.469	2.380 ^(c)	RAR0
2032	445,000	5.00	122.862	2.440 ^(c)	RAS8

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^(c) Yield to first par call date of July 1, 2026.

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter 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 the District or the Underwriter. 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 2016 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 2016 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 Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does 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 Underwriter. 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 the District since the date hereof.

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

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 2016 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2016 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The District 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 2016 Bonds.

CARPINTERIA VALLEY WATER DISTRICT

BOARD OF DIRECTORS

Alonzo Orozco, President
Polly Holcombe, Vice President
Matthew Roberts, Director
June Van Wingerden, Director
Richard Forde, Director

DISTRICT STAFF

Charles B. Hamilton, General Manager
Norma Rosales, Assistant General Manager
Robert McDonald, District Engineer

General Counsel

Myers, Widders, Gibson, Jones & Feingold, L.L.P
Ventura, California

SPECIAL SERVICES

Bond Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Sacramento, California

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Trustee and Escrow Agent

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

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

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SUMMARY STATEMENT

This summary is subject in all respects to the more complete information contained in this Official Statement, and the offering of the 2016 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 2016 Bonds are being issued to provide funds: (i) to provide a portion of the money to refund all of the currently outstanding Carpinteria Valley Water District Refunding Revenue Certificates of Participation, Series 2006A; (ii) to prepay the outstanding balance of a Department of Water Resources loan; and (iii) to pay costs of issuance of the 2016 Bonds, all as more fully described herein.

Security for the 2016 Bonds. The 2016 Bonds are secured by a pledge of all Revenues of the District's Water System. The 2016 Bonds are special obligations of the District payable solely from Net Revenues of the District's Water System consisting of Revenues remaining after payment of Maintenance and Operations Costs of the Water System, and from amounts on deposit in certain funds and accounts created under the Indenture, including the Rate Stabilization Fund. See the caption "SECURITY FOR THE 2016 Bonds—Flow of Funds" herein.

THE 2016 BONDS ARE NOT A DEBT OF THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), AND NEITHER THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE 2016 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OF THE DISTRICT OTHER THAN THE NET REVENUES AND OTHER MONEYS PLEDGED THEREFOR UNDER THE INDENTURE. THE OBLIGATION OF THE DISTRICT TO MAKE PAYMENTS IN ACCORDANCE WITH THE INDENTURE IS A SPECIAL OBLIGATION OF THE DISTRICT AS SET FORTH IN THE INDENTURE AND THE DISTRICT SHALL HAVE NO LIABILITY OR OBLIGATION IN CONNECTION HEREWITH EXCEPT WITH RESPECT TO SUCH PAYMENTS TO BE MADE PURSUANT TO THE INDENTURE. THE 2016 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Refunding Plan. A portion of the proceeds of the 2016 Bonds and certain other money will be transferred to The Bank of New York Mellon Trust Company, N.A., as trustee with respect to the 2006A Certificates, to refund the \$8,330,000 currently outstanding aggregate principal amount of the 2006A Certificates on or about the date of issuance of the 2016 Bonds. A portion of the proceeds of the 2016 Bonds will also be used to prepay the outstanding balance of the DWR Loan.

Parity Payments. The obligation of the District to pay principal and interest on the 2016 Bonds is subordinate to the obligation of the District to make payments (which payments constitute Maintenance and Operations Costs) with respect to a Water Supply Agreement, dated as of August 1, 1991, by and between the District and the Central Coast Water Authority. In Fiscal Year 2016, the District projects that payments to the Authority under the Water Supply Agreement will be approximately \$4,032,417, including approximately \$3,421,520 in fixed costs attributable to the State Water Project and the Authority. After the refunding contemplated herein, the District will have approximately \$15,407,825 aggregate principal amount of obligations payable from Net Revenues on a parity with the 2016 Bonds. See the caption "CARPINTERIA VALLEY WATER DISTRICT—Outstanding Debt." The District may incur additional obligations on a parity with the 2016 Bonds, subject to the terms and conditions described under the caption "SECURITY FOR THE BONDS—Additional Indebtedness."

Rate Covenant. The Indenture will require the District, 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 will be at least sufficient to yield during each Fiscal Year Net Revenues equal to one hundred twenty five percent

(125%) of Debt Service for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the foregoing requirements. So long as the District has complied with its obligations to fix and prescribe rates and charges for the Water Service as described above, 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 so long as the District has complied with the requirements set forth above at the commencement of the succeeding Fiscal Year. See the caption “SECURITY FOR THE 2016 Bonds—Rate Covenant.”

No Reserve Fund. No reserve fund has been created or will be funded with respect to the 2016 Bonds.

Rate Stabilization Fund. A Rate Stabilization Fund is established pursuant to the Indenture which is held by the District. The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with the Indenture. In the event that all or a portion of the 2016 Bonds are discharged in accordance with the Indenture, the District may transfer all or any portion of such amounts for application to the payment of the 2016 Bonds in accordance with the Indenture. On the date of issuance of the 2016 Bonds, the District has \$0 on deposit in the Rate Stabilization Fund. See the caption “SECURITY FOR THE 2016 Bonds—Rate Stabilization Fund.”

Redemption. The 2016 Bonds are subject to optional and extraordinary redemption as described herein.

The District. The District was formed in 1941. The District is located in the southern coastal portion of Santa Barbara County and has a population of approximately 15,700. The District currently provides water to approximately 4,080 municipal and industrial customers and approximately 405 agricultural customers. The District obtains approximately 74% of District water supplies from the Cachuma Project and the State Water Project, and pumps approximately 26% of District water supplies from the local groundwater basin, all as described herein under the caption “CARPINTERIA VALLEY WATER DISTRICT—Water Supply.”

\$8,765,000
CARPINTERIA VALLEY WATER DISTRICT
REFUNDING REVENUE BONDS
SERIES 2016A

INTRODUCTION

General

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 Carpinteria Valley Water District Refunding Revenue Bonds, Series 2016A (the “2016 Bonds”). The 2016 Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 2016 (the “Indenture”), by and between the Carpinteria Valley Water District (the “District”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Descriptions and summaries of various documents hereinafter set forth 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—“DEFINITIONS AND SUMMARY OF THE INDENTURE.”

The 2016 Bonds are being issued to provide funds: (i) to provide a portion of the money to refund all of the currently outstanding Carpinteria Valley Water District Refunding Revenue Certificates of Participation, Series 2006A (the “2006A Certificates”), as described under the caption “REFUNDING PLAN;” (ii) to prepay the outstanding balance under a loan agreement, dated as of February 9, 2004 (the “DWR Loan”), by and between the District and the State of California Department of Water Resources (“DWR”), as described under the caption “REFUNDING PLAN;” and (iii) to pay costs of issuance of the 2016 Bonds. See the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

The 2016 Bonds are special obligations of the District payable solely from (i) Net Revenues, which consist of Revenues of the District’s Water System remaining after payment of Maintenance and Operations Costs of the Water System, as such terms are defined in Appendix B hereto, and (ii) amounts on deposit in certain funds and accounts created under the Indenture, including the Rate Stabilization Fund. The obligation of the District to pay principal and interest on the 2016 Bonds is subordinate to the obligation of the District to make payments (which payments constitute Maintenance and Operations Costs) with respect to a Water Supply Agreement, dated as of August 1, 1991, by and between the District and the Central Coast Water Authority (the “Authority”). In Fiscal Year 2016, the District projects that payments to the Authority under the Water Supply Agreement will be approximately \$4,032,417, including approximately \$3,421,520 in fixed costs attributable to the State Water Project and the Authority. After the refunding contemplated herein and further described under the caption “REFUNDING PLAN,” the District will have approximately \$15,407,825 aggregate principal amount of Bonds and Contracts payable from Net Revenues on a parity with the 2016 Bonds. The District may incur additional obligations payable on a parity with the obligation to pay principal of and interest on the 2016 Bonds in the future. See the caption “SECURITY FOR THE 2016 BONDS — Additional Indebtedness.”

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 the District and will be available from the Trustee upon request and payment of duplication cost. Unless otherwise indicated, all financial and statistical information herein has been provided by the District.

The District regularly prepares a variety of reports, including audits, budgets and related documents. Any registered owner of the 2016 Bonds (each, an “Owner”) may obtain a copy of such reports, as available, from the Trustee or the District. Additional information regarding the Official Statement may be obtained by contacting the Trustee or Carpinteria Valley Water District, 1301 Santa Ynez Avenue, Carpinteria, CA 93013 Telephone: (805) 684-2816.

Changes Since the Date of the Preliminary Official Statement. Changes have been made in this Official Statement since the Preliminary Official Statement dated March 29, 2016 (i) under the caption “REFUNDING PLAN—DWR Loan, to correct the currently outstanding aggregate principal amount of the DWR Loan; (ii) under the caption “DEBT SERVICE PAYMENT SCHEDULE” to correct the total amount shown in the “Outstanding Bonds and Contracts” column; (iii) under the caption “CARPINTERIA VALLEY WATER DISTRICT—Governance and Management,” to update information regarding the appointment of a new District General Manager effective July 1, 2016; (iv) under the caption “CARPINTERIA VALLEY WATER DISTRICT—Water Supply—District Drought Response Actions and Impact,” to correct information regarding the maximum daily penalty for violations of the District’s Stage II drought emergency restrictions referenced therein; (v) in Appendix B, to include language requested by the Trustee regarding the Bond Fund under the captions “DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS” and “REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST;” and (vi) to remove references to the 1993 Joint Participation Agreement under the caption “DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS.”

REFUNDING PLAN

General

2006A Certificates. The District caused the execution and delivery of the 2006A Certificates pursuant to a Trust Agreement, dated as of April 1, 2006 (the “2006 Trust Agreement”), by and between the District and Union Bank of California, N.A., as prior trustee. The 2006A Certificates are payable from installment payments made under an Installment Purchase Agreement, dated as of April 1, 2006 (the “2006 Installment Purchase Agreement”), by and between the District and the Carpinteria Valley Water District Financing Corporation, a nonprofit public benefit corporation, and are currently outstanding in the aggregate principal amount of \$8,330,000.

The District plans to apply a portion of the proceeds of the 2016 Bonds and certain other moneys to refund all outstanding obligations with respect to the 2006A Certificates. To effect such refunding, the District will cause a portion of the proceeds of the 2016 Bonds and certain other moneys to be deposited into the Escrow Fund (the “2006 Escrow Fund”) established under the Escrow Agreement dated as of March 1, 2016 (the “2006 Escrow Agreement”), by and between District and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “Escrow Agent”). Such amounts will be held in cash or invested in direct general obligations of the United States of America (the “Defeasance Obligations”). Sufficiency of the deposits in the 2006 Escrow Fund to pay such amounts will be verified by Grant Thornton LLP, Minneapolis, Minnesota (the “Verification Agent”).

With respect to the 2006A Certificates, cash and certain Defeasance Obligations will be scheduled to mature in such amounts and at such times and bear interest at such rates as to provide amounts sufficient to pay on July 1, 2016, the principal with respect to the 2006A Certificates and interest accrued with respect thereto, without premium. Sufficiency of the deposits in the 2006 Escrow Fund to pay such amounts will be verified by Grant Thornton LLP, Minneapolis, Minnesota (the “Verification Agent”).

All cash and Defeasance Obligations in the Escrow Fund will be irrevocably pledged to secure, when due, the payment of the principal, interest with respect to the 2006A Certificates and will not be available to pay the principal or interest on the 2016 Bonds.

Assuming the accuracy of the Verification Agent's computations, as a result of the deposit and investment of funds under the 2006 Escrow Agreement, all of the District's obligations with respect to the 2006A Certificates, including the pledge and lien on the Net Revenues of the Water System and the Revenue Fund (as defined in the 2006 Installment Purchase Agreement, dated as of April 1, 2006, by and between the District and the Carpinteria Valley Water District Financing Corporation, the "2006 Installment Purchase Agreement") which secure the District's obligations with respect to the 2006 Installment Purchase Agreement, shall thereupon cease, terminate, become void and be completely discharged and satisfied.

DWR Loan. The DWR Loan is currently outstanding in the aggregate principal amount of \$4,542,902.35. The District plans to apply a portion of the proceeds of the 2016 Bonds to prepay the outstanding balance of the DWR Loan and interest accrued thereon on or about the date of the initial issuance of the 2016 Bonds.

Verification

The Verification Agent will verify the mathematical accuracy of the information provided to the Verification Agent as of the date of the closing on the 2016 Bonds relating to the adequacy of the amounts deposited in the Escrow Fund to pay the principal with respect to the 2006A Certificates on July 1, 2016 together with interest accrued thereto, and the computation of the yield of the 2006A Certificates and the 2016 Bonds which support Bond Counsel's opinion that interest with respect to the 2016 Bonds received by the Owners is excluded from gross income for federal income tax purposes.

THE 2016 BONDS

General Provisions

The 2016 Bonds will be issued in the aggregate principal amount of \$8,765,000. The 2016 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 January 1 and July 1 of each year, commencing July 1, 2016 (each, an "Interest Payment Date"), and will mature on the dates set forth on the inside cover page hereof.

The 2016 Bonds will be issued in fully registered form without coupons 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 2016 Bonds. Ownership interests in the 2016 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 attached hereto.

Interest on the 2016 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 the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of one million dollars (\$1,000,000) or more in principal amount of 2016 Bonds, such payment may, at such Owner's option, be made 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 Record Date). Principal of and premium (if any) on any 2016 Bond shall be paid by check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Office of the Trustee. Both the principal of and interest and premium (if any) on the 2016 Bonds shall be payable in lawful money of the United States of America.

Each 2016 Bond shall be dated the date of initial delivery, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record

Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before December 15, 2016, in which event it shall bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any 2016 Bond, interest thereon is in default, such 2016 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the 2016 Bonds shall be calculated on the basis of a 360 day year composed of twelve 30 day months.

Transfers and Exchanges Upon Termination of Book-Entry Only System

In the event that the book-entry system described above is abandoned, the 2016 Bonds will be printed and delivered as provided in the Indenture. Thereafter, any 2016 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 2016 Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee shall not be required to register the transfer of any 2016 Bond during the period in which the Trustee is selecting 2016 Bonds for redemption and any 2016 Bond that has been selected for redemption.

Whenever any 2016 Bond or 2016 Bonds shall be surrendered for transfer, the District shall execute and the Trustee shall authenticate and shall deliver a new 2016 Bond or 2016 Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee shall require the 2016 Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2016 Bonds, the Trustee will cancel and destroy the 2016 Bonds it has received

2016 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee shall not be required to exchange any 2016 Bond during the period in which the Trustee is selecting 2016 Bonds for redemption and any 2016 Bond that has been selected for redemption. The Trustee shall require the 2016 Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2016 Bonds, the Trustee will cancel and destroy the 2016 Bonds it has received.

Redemption of the 2016 Bonds

Optional Redemption of 2016 Bonds. The 2016 Bonds with stated maturities on or after July 1, 2027 are subject to optional redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000, on or after July 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 2016 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 and within maturities as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from the proceeds from casualty insurance or condemnation award remaining after payment of all expenses (including attorney's fees) incurred in the collection of such proceeds ("Net Proceeds"), 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 2016 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 2016 Bonds designated for redemption. Notice of redemption will be mailed by first class mail at least twenty (20) days but not more than sixty (60) days before any Redemption Date, to the respective Owners of any 2016 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 2016 Bonds to be redeemed, provided that such notice may be cancelled by the District 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 2016 Bonds of any such maturity are to be redeemed, the serial numbers of the 2016 Bonds of such maturity to be redeemed by giving the individual number of each 2016 Bond or by stating that all 2016 Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2016 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 2016 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 2016 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 will cease to accrue, and will require that such 2016 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 2016 Bond. Notice of redemption of 2016 Bonds will be given by the Trustee at the expense of the District.

With respect to any notice of optional redemption of 2016 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 2016 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 2016 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 2016 Bond of each maturity of each series will be issued in the principal amount of the 2016 Bonds of such maturity. Such 2016 Bond will be registered in the name of Cede & Co. and will be deposited with DTC.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2016 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.

The District cannot and does not give any assurances that DTC Participants or others will distribute payments of principal of and interest on the 2016 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 hereto for additional information concerning DTC.

DEBT SERVICE PAYMENT SCHEDULE

Set forth below is a schedule of principal of and interest on the 2016 Bonds, together with Bonds and Contracts payable from Net Revenues on a parity with the 2016 Bonds, as more particularly described in Appendix B hereto (the “Bonds and Contracts”), payable in the Fiscal Years ending June 30 indicated:

<i>June 30</i>	<i>2016 Bonds</i>			<i>Outstanding Bonds and Contracts⁽¹⁾</i>	<i>Total</i>
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>		
2016	\$ --	\$ --	\$ --	\$1,192,379	\$ 1,192,379.00
2017	355,000.00	249,367.78	604,367.78	590,419	1,194,786.78
2018	350,000.00	387,000.00	737,000.00	590,419	1,327,419.00
2019	600,000.00	374,500.00	974,500.00	590,419	1,564,919.00
2020	750,000.00	350,500.00	1,100,500.00	590,419	1,690,919.00
2021	800,000.00	315,500.00	1,115,500.00	590,419	1,705,919.00
2022	435,000.00	284,625.00	719,625.00	590,419	1,310,044.00
2023	460,000.00	262,250.00	722,250.00	1,470,419	2,192,669.00
2024	480,000.00	238,750.00	718,750.00	1,500,419	2,219,169.00
2025	500,000.00	214,250.00	714,250.00	1,515,419	2,229,669.00
2026	525,000.00	188,625.00	713,625.00	1,765,419	2,479,044.00
2027	555,000.00	161,625.00	716,625.00	2,035,419	2,752,044.00
2028	485,000.00	135,625.00	620,625.00	2,580,419	3,201,044.00
2029	510,000.00	110,750.00	620,750.00	2,860,419	3,481,169.00
2030	535,000.00	84,625.00	619,625.00	3,120,419	3,740,044.00
2031	555,000.00	57,375.00	612,375.00	3,145,419	3,757,794.00
2032	425,000.00	32,875.00	457,875.00	2,700,000	3,157,875.00
2033	445,000.00	11,125.00	456,125.00	2,690,000	3,146,125.00
2034	--	--	--	3,230,000	3,230,000.00
2035	--	--	--	3,220,000	3,220,000.00
2036	--	--	--	3,990,000	3,990,000.00
TOTAL	\$8,765,000.00	\$3,459,367.78	\$12,224,367.78	\$40,558,664	\$52,783,031.78

⁽¹⁾ Represents amount due on Outstanding Bonds and Contracts as described under the caption “CARPINTERIA VALLEY WATER DISTRICT- Outstanding Contractual Obligations.”

SECURITY FOR THE 2016 BONDS

Special Obligations Payable From Net Revenues

All of the Revenues (as more fully described below), all amounts held in the Revenue Fund, the Rate Stabilization Fund, and any other amounts (including proceeds of the sale of the 2016 Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund) are irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2016 Bonds in accordance with their terms and the provisions of the Indenture, subject however to the pledge thereon securing Bonds and Contracts. Said pledge, together with the pledge created for the benefit of other Bonds and Contracts, constitutes a first lien on and security interest on Revenues and, subject to application of Revenues and all amounts on deposit in the Revenue Fund and the Rate Stabilization Fund as permitted under the Indenture, the Revenue Fund, the Rate Stabilization Fund and other funds and accounts created under the Indenture for the payment of the principal of and interest, and the premium, if any, on the 2016 Bonds in accordance with the terms of the Indenture, and shall attach, be perfected and be valid and binding from and after the date on which

the 2016 Bonds are delivered to the original purchaser thereof, without any physical delivery thereof or further act and shall 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. See the caption “—Flow of Funds.” The Revenues will not be used for any other purpose while the 2016 Bonds remain Outstanding; provided that out of the Revenues and amounts on deposit in the Rate Stabilization Fund there may be apportioned such sums for such purposes as are expressly permitted in the Indenture and described below.

The District is obligated to make payments of principal of and interest on the 2016 Bonds solely from the District’s Net Revenues, along with amounts on deposit in the Rate Stabilization Fund and certain other funds and accounts created under the Indenture. The term “Net Revenues” means, for any Fiscal Year (currently, the District’s Fiscal Year commences on July 1 of each year) or other period, Revenues for such Fiscal Year or other period, less the Maintenance and Operations Costs for such Fiscal Year or other period for any Fiscal Year of the District. See the caption “—Flow of Funds” for a summary of the definition of Revenues. The obligation of the District to pay principal and interest on the 2016 Bonds is subordinate to the obligation of the District to make payments (which payments constitute Maintenance and Operations Costs) with respect to a Water Supply Agreement, dated as of August 1, 1991, by and between the District and the Authority. In Fiscal Year 2016, the District projects that payments to the Authority under the Water Supply Agreement will be approximately \$4,032,417, including approximately \$3,421,520 in fixed costs attributable to the State Water Project and the Authority. See Appendix B—“DEFINITIONS AND SUMMARY OF INDENTURE” for a detailed discussion of the terms of the Indenture.

THE 2016 BONDS ARE NOT A DEBT OF THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), AND NEITHER THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE DISTRICT), IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE 2016 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OF THE DISTRICT OTHER THAN THE NET REVENUES AND OTHER MONEYS PLEDGED THEREFOR UNDER THE INDENTURE. THE OBLIGATION OF THE DISTRICT TO MAKE PAYMENTS IN ACCORDANCE WITH THE INDENTURE IS A SPECIAL OBLIGATION OF THE DISTRICT AS SET FORTH IN THE INDENTURE AND THE DISTRICT SHALL HAVE NO LIABILITY OR OBLIGATION IN CONNECTION HERewith EXCEPT WITH RESPECT TO SUCH PAYMENTS TO BE MADE PURSUANT TO THE INDENTURE. THE 2016 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Flow of Funds. In order to carry out and effectuate the pledge and lien contained in the Indenture, the District has covenanted that all Revenues, when and as received, will be received and held by the District and will be deposited by the District in the Revenue Fund (which the District has covenanted and agreed to maintain so long as any 2016 Bonds remain Outstanding) and will be accounted for and held in trust for the benefit of 2016 Bond Owners and for payments with respect to Bonds and Contracts in the Revenue Fund. All Revenues shall be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture. Additionally, amounts may, from time to time as the District deems necessary or appropriate, be transferred from the Rate Stabilization Fund and deposited in the Revenue Fund, as provided in the Indenture.

“Revenues” are defined under the Indenture to include all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System, calculated in accordance with Generally Accepted Accounting Principles, including, without limiting the generality of the foregoing: (1) all income, rents, rates, fees, charges or other moneys derived from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of the Water System including standby and availability charges and capital cost recovery fees allocable to the Water System; plus (2) except as set forth in (z) below, taxes or assessments, if any, the imposition of which is permitted by law; plus (3) the earnings on and income derived from the investment of the amounts described in clauses (1) and (2) above and the general unrestricted funds of the District; but excluding in all cases: (y) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District; and (z)

reserves taxes or assessments specifically pledged to the payment of debt service with respect to notes, bonds or other obligations of the District and which reserves, taxes or assessments are not available for any other purpose of the District.

“Maintenance and Operations Costs” are defined in the Indenture to mean: (1) costs spent or incurred for maintenance and operation of the Water System, calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the 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, salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums; (2) 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 other Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; (3) all costs paid by the District under the Water Supply Agreement; (4) all costs paid by the District under the Cachuma Water Supply Agreement; and (5) all costs of water purchased or otherwise acquired for delivery by the Water System, including both fixed and variable components thereof, but excluding in all cases: (a) depreciation, replacement and obsolescence charges or reserves therefor; (b) amortization of intangibles or other bookkeeping entries of a similar nature; (c) costs of capital additions, replacements, betterments, extensions or improvements to the Water System which under Generally Accepted Accounting Principles are chargeable to a capital account or to a reserve for depreciation; and (d) charges for the payment of Bonds or Contracts. The District will, from the moneys in the Revenue Fund, pay all Maintenance and Operations Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operations Costs, the payment of which is not then immediately required) as such Maintenance and Operations Costs become due and payable.

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 as expenses in a subsequent Fiscal Year. See APPENDIX A—“CARPINTERIA VALLEY WATER DISTRICT FINANCIAL STATEMENTS.” Except as otherwise expressly noted herein, all financial information derived from the District’s audited financial statement reflect the application of GAAP.

All remaining moneys in the Revenue Fund shall 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; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth below:

First, not later than each Interest Payment Date, the District shall, from the moneys in the Revenue Fund, transfer to the Trustee the interest and principal due and payable on that Interest Payment Date. The District shall 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.

Second, on or before each Interest Payment Date, the District shall, 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 Trustee for deposit to the applicable trustee for any reserve fund and/or account as may have been established in connection with Bonds or Contracts other than the Indenture, that sum, if any, necessary to restore such reserve fund and/or account to an amount equal to the reserve requirement therefor.

Third, moneys on deposit in the Revenue Fund on each Interest Payment Date not necessary to make any of the payments required above may be expended by the District at any time for any purpose permitted by law.

Rate Covenant

The Indenture will require the District, 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 will be at least sufficient to yield during each Fiscal Year Net Revenues equal to one hundred twenty five percent (125%) of Debt Service for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements described above.

So long as the District complies with its obligations under the Indenture to fix and prescribe rates and charges to the fullest extent permitted by law, as described 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 so long as the District has complied at the commencement of the succeeding Fiscal Year. Such failure may affect the ability of the District to issue Bonds or incur Contracts payable from Net Revenues on a parity with the 2016 Bonds. See the caption “—Additional Indebtedness.”

Rate Stabilization Fund

There is established under the Indenture a special fund designated as the “Rate Stabilization Fund” to be held by the District in trust thereunder for the benefit of the Owners of the 2016 Bonds, which fund the District has pledged to the payment of the 2016 Bonds under the Indenture and has agreed and covenanted to maintain and to hold separate and apart from other funds so long as any 2016 Bonds remain unpaid. On the date of issuance of the 2016 Bonds, the District will have \$0 on deposit in the Rate Stabilization Fund. Money transferred by the District from the Revenue Fund to the Rate Stabilization Fund in accordance with the Indenture will be held in the Rate Stabilization Fund and applied in accordance with the Indenture.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with the Indenture or, in the event that all or a portion of the 2016 Bonds are discharged in accordance with the Indenture, transfer all or any portion of such amounts for application in accordance with the Indenture. Amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to the Indenture during or within 270 days after a Fiscal Year, may be taken into account as Revenues for purposes of the calculations described under the captions “—Rate Covenant” and “—Additional Indebtedness” in such Fiscal Year.

Under certain circumstances, moneys received in one Fiscal Year may be required or permitted by GAAP to be recorded as revenue in a subsequent Fiscal Year, regardless of whether such moneys have been deposited in the Rate Stabilization Fund. See APPENDIX A—“CARPINTERIA VALLEY WATER DISTRICT FINANCIAL STATEMENTS.”

Additional Indebtedness

The District may at any time execute any Contract or issue any Bonds, as the case may be, as provided below, as evidenced by an officer’s certificate of the District to the effect:

First, the Net Revenues for the most recent audited Fiscal Year preceding the date of adoption by the Board of Directors of the District 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 the District and a special report prepared by an Independent Certified Public Accountant or an Independent Financial

Consultant on such calculation on file with the District, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year; and

Second, 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 Directors of the District 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 both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or an Independent Financial Consultant on such calculation on file with the District, shall have produced a sum equal to at least one hundred twenty-five percent (125%) 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 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

Third, 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 the District on file with the District, 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 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 the District, shall produce a sum equal to at least one hundred twenty-five percent (125%) 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.

Notwithstanding the above, 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 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.

Nothing set forth above shall preclude the District from issuing any bonds or installment purchase contracts the payments under which are subordinate to any Bonds or Contracts of the District. See the caption "CARPINTERIA VALLEY WATER DISTRICT—Outstanding Contractual Obligations."

No Reserve Fund

No reserve fund has been created or will be funded with respect to the 2016 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the refunding of the 2006A Certificates:

Sources⁽¹⁾:	
Principal Amount of 2016 Bonds	\$ 8,765,000
Original Issue Premium/Discount	1,713,989
District Contribution	<u>2,800,004</u>
Total Sources	\$ 13,278,993
Uses⁽¹⁾:	
Transfer to Escrow Agent for Refunding of 2006A Certificates	\$ 8,515,461
Prepayment of DWR Loan	4,584,452
Underwriter's Discount	33,255
Deposit to Costs of Issuance Fund ⁽²⁾	<u>145,825</u>
Total Uses	\$ 13,278,993

⁽¹⁾ All amounts rounded to the nearest dollar.

⁽²⁾ Includes certain legal fees, rating District fees, financing and printing costs.

CARPINTERIA VALLEY WATER DISTRICT

General

The District was incorporated on and has operated continuously since February 13, 1941, and operates under the County Water District Law, Division 12 of the State of California Water Code (the "Act"), for the purposes of furnishing water within the District.

The District has acquired three different water companies, all within the boundaries of the District, in order to provide more reliable service to the customers of the District. The first water company to be acquired was the Shepard Mesa Mutual Water Company on February 8, 1955. Subsequently, Ocean Oaks Water Company was transferred to the District on July 6, 1957. The third and largest water company to be acquired was the Carpinteria Water Company, which was first started in 1919 by Frank L. Stewart. At the time of purchase and transfer of the Carpinteria Water Company to the District on July 1, 1964, active service connections totaled approximately 1,600.

The District is located in the southern coastal portion of Santa Barbara County and includes the City of Carpinteria. The District has a population of approximately 15,700 and currently provides water to approximately 4,080 municipal and industrial customers and approximately 405 agricultural customers. The District obtains approximately 74% of its water supplies from the Cachuma Project and the State Water Project ("SWP") (as described below under the caption "—Water Supply—Water Supply Agreement") and pumps approximately 26% of its water supplies from the local groundwater basin (based on 5-year average ending June 30, 2015). See the caption "—Water Supply" below.

Land and Land Use

The District's service area is bounded on the south by the Pacific Ocean (sea level) and on the north by the foothills of the Santa Ynez Mountains (elevation 1,200± feet). There are seven service zones ranging from sea level to an elevation of 680 feet. The bulk of the distribution system installed by the Cachuma Project is a gravity fed system over a gently sloping terrain.

The District encompasses an area of approximately 11,100 acres, of which approximately 3,286 acres are currently used for agriculture and approximately 2,871 acres are developed for other uses. The District expects that the vacant land within its boundaries will continue to be developed and that the District's estimated population at buildout, or the year 2040, will be approximately 16,700.

Governance and Management

The District is governed by a five-member Board, the members of which are elected by the registered voters of the District to staggered four-year terms. The current directors, their occupations and the expiration dates of their terms are set forth below.

<i>Council Member</i>	<i>Expiration of Term</i>	<i>Occupation</i>
Alonzo Orozco, President	December 2018	Property Management Professional and Freelance Journalist
Polly Holcombe, Vice President	December 2016	International Trade Administration; Director, Cachuma Operations and Maintenance Board
Richard Forde, Director	December 2018	Water Science Professor at Ventura College
Matthew T. Roberts, Director	December 2018	Rancher and Director of Parks and Recreation for the City of Carpinteria
June Van Wingerden, Director	December 2016	Grower, Ocean Breeze, Int.

Day-to-day management of the District is delegated to the General Manager and Secretary (the "General Manager"), Charles B. Hamilton. Mr. Hamilton has served the District as its General Manager since May 1, 1995. His prior thirteen years of work experience in the water industry included seven years with Mesa Consolidated Water District (Costa Mesa), two years with Camrosa Water District (Camarillo) as Assistant General Manager, and four years with East Contra Costa Irrigation District (Brentwood) as General Manager. Prior to his water district experience he worked for seven years for the City of Boston and three years for the Pittsburgh Public Schools. He holds a Bachelor of Arts degree from Kalamazoo College, and a Master of Public and International Affairs degree from the University of Pittsburgh Graduate School of Public and International Affairs.

Mr. Hamilton is retiring effective July 1, 2016 and the Board has hired the District Engineer, Robert McDonald, to replace Mr. Hamilton effective July 1, 2016.

District Powers

The District 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, process and salvage any water for beneficial use, to provide sewer service, to sell treated or untreated water, to contract with the United States of America (the "United States"), other political subdivisions, public utilities, and other persons, and, subject to certain constitutional limits, to levy taxes on lands.

Employees and Employee Benefits

The District currently employs 19 persons, of whom 11 work in engineering or administration, and 8 work in field operations. On May 17, 2012, the District entered into a Memorandum of Understanding (the "MOU") with the International Union of Operating Engineers, which represents 13 non-management employees of the District. The MOU expired on February 29, 2016, and the District is currently in negotiations to enter into a new agreement. Represented employees continue working under the MOU until a new agreement has been ratified and accepted. The District has never experienced a work stoppage or other employee action.

Pension Plan. All employees are eligible to participate in cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System ("CalPERS"). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries and acts as a common investment and administrative agent for participating public agencies within the State. Benefit provisions and all other requirements are established by State statute and the District. CalPERS audited annual financial statements and ten-year trend data are available from CALPERS at 400 Q Street, Sacramento, California, 95811 and at www.calpers.ca.gov. CalPERS reports this information approximately seventeen months after the end of its June 30 fiscal year. CalPERS actuarial valuations for the District are also available at www.calpers.ca.gov.

District participants in CalPERS are required to contribute from 6.25% to 7% of their covered salary based on date of hire and excluding the first \$133.33 per month since such employees are also covered by Social Security. The District is required at an actuarially determined rate to fund estimated benefits earned by employees during the year as well as contribute a lump sum toward amortized unfunded liabilities existing at the time the District joined the system ("side pool"). The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For Fiscal Year 2016, the combined rate the actuarially determined rate and the lump sum payment and is approximately 20.46% of covered payroll.

The contribution requirements of plan members and the District are established and may be amended by CalPERS. The normal pension costs of the District, which are determined by CalPERS using the actuarially determined rate for Fiscal Years 2015 and 2014, were \$130,369 and \$127,713, respectively.

At the time of joining the risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of the District's plan. The District's required contributions are increased by the amortization of its side fund. Side fund contributions for Fiscal Years 2015 and 2014 were \$143,050 and \$138,884, respectively. The District's side fund as of the June 30, 2013 valuation was \$1,284,423 and the remaining amortization period was 10 years at an approximate rate of 7.1%.

The District implemented GASB Statement No. 68 in Fiscal Year 2015, recognizing its share of the net pension liability of all employers for benefits provided through CalPERS. As of June 30, 2015, the District's reported proportionate share was \$2,822,007.

Further information with respect to the District's pension plan is set forth in Note 6 to the District's audited financial statements for the Fiscal Year ended June 30, 2015, attached as Appendix A to this Official Statement.

Other Post-Employment Benefits. In addition to providing pension benefits, the District currently provides certain health care benefits for retired employees who attain age 60 with at least 20 years of service. As of June 30, 2015, there were 6 retirees and 19 active plan participants. Expenses of approximately \$47,926 in Fiscal Year 2015 were recognized for post-retirement health care.

The District pays 100% of the premium for pre-65 retirees and contributes up to five percent of a retiree's CalPERS benefit toward the cost of medical coverage for post-65 retirees.

Governmental Accounting Standards Board Statement No. 45 ("GASB 45") requires governmental agencies that fund post-employment benefits on a pay-as-you-go basis, such as the District, to account for and report the outstanding obligations and commitments related to such post-employment benefits in essentially the same manner as for pensions. For the District, the reporting obligation began with Fiscal Year 2010. For the Fiscal Year ended June 30, 2015, the District contributed \$18,169 to the plan, which represents 38% of the cost for such Fiscal Year. While requiring the District to disclose the unfunded actuarial accrued liability and the ARC in its financial statements, GASB 45 does not require the District to amortize the ARC.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the last three Fiscal Years are set forth below.

<i>Fiscal Year Ended</i>	<i>Annual OPEB Cost</i>	<i>Percentage of Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
6/30/2013	\$43,673	40%	\$90,508
6/30/2014	45,748	39	118,275
6/30/2015	47,926	38	148,032

Further information with respect to the District’s post-employment benefits funding status is set forth in Note 7 to the District’s audited financial statements for Fiscal Year 2015 attached as Appendix A to this Official Statement.

Other Benefits. The District provides, at no cost to District employees, vision and dental insurance for all employees and dependents. Employees contribute \$50 per month towards medical premiums. The District pays the difference up to the HMO Family premium rate for all employees. Also, at no cost to the employee, a \$50,000 life insurance policy is provided for each employee, and a \$100,000 life insurance policy for the General Manager. There is no life insurance available for dependents.

Budget Process

Prior to June 1 of each year, the General Manager of the District submits to the Board of Directors a proposed budget for the upcoming Fiscal Year. The District generally holds public board committee meetings to obtain comments from residents and ratepayers. Subsequent to the committee meetings, the Board generally approves the budget prior to July 1. The Board approved the Fiscal Year 2016 budget on June 3, 2015.

The District’s budget is prepared on the accrual basis. For budgeting purposes, the District sets user charges to cover operating expenses of the particular services.

District Insurance

The District maintains general, automobile and public officials liability coverage through the Association of California Water Agency Joint Powers Insurance Authority (“ACWA/JPIA”), a risk sharing pool. ACWA/JPIA provides a total liability limit of \$60,000,000 per member per occurrence. ACWA/JPIA self-insures for the first \$2,000,000 per occurrence with excess insurance limits of \$58,000,000:

<i>Coverage Limits</i>	<i>Insurance Carrier</i>
\$ 2 Million	ACWA JPIA Pooled Self-Insured
\$ 9 Million	Allied Public Risk/Allied World Assurance Co.
\$ 9 Million	Great American Insurance Company/Evanston Insurance Company
\$ 10 Million	Great American Insurance Co. of New York
\$ 30 Million	Great American Insurance Co. of New York/Endurance Risk Solutions Assurance Company

The District maintains property coverage through ACWA/JPIA. ACWA/JPIA provides coverage to scheduled property up to a total limit of \$150,000,000 per occurrence. ACWA/JPIA self-insures for the first \$100,000 per occurrence. Property is covered up to replacement value with a \$1,000 deductible per occurrence on buildings, contents and fixed equipment; actual cash value with a \$1,000 deductible per occurrence on mobile equipment; and actual cash value with a \$500 deductible per occurrence on licensed vehicles. Property coverage includes employee dishonesty coverage with limit of \$100,000, with a \$1,000 deductible per occurrence.

For additional information regarding the District’s insurance coverage, see Note 11 to the District’s audited financial statements for Fiscal Year 2015 set forth in Appendix A hereto.

Water Supply

General. The sources of water serving the District are the Cachuma Project, the SWP received through the Central Coast Water Authority and District-owned wells extracting groundwater from the Carpinteria Basin. Each source of water is described below.

Groundwater. The District owns five, and currently operates two, water wells which extract water from the Carpinteria Basin. Based on annual availability of other supplies the District pumps approximately 1,200 acre-feet of groundwater per year from the Carpinteria Basin. Entitlements to groundwater in the Carpinteria Basin have not been adjudicated. The District estimates the safe yield of the Carpinteria Basin to be between 3,600 and 4,200 acre-feet based on a 2012 perennial yield review completed by consultants to the District. Average annual private pumpage for the period from 2005 to 2015 is estimated to be 2,650 acre-feet. Private pumpage in calendar year 2015 was estimated at 3,050 acre-feet.

No individual groundwater pumper in the Carpinteria Basin (other than the District) pumps more than 4% of the total groundwater pumped.

The District monitors monthly groundwater levels from about 40 private and District wells. The water level data and hydrographs are included in the long-term data on water resources within the District and the Carpinteria Basin. The District also prepares an annual land use survey to determine water use and to estimate private pumpage.

The District became a groundwater management agency with the adoption of a Groundwater Management Plan pursuant to California Assembly Bill 3030 in August of 1996. The Groundwater Management Plan provides goals and objectives for the proper management of the Carpinteria Basin through a cooperative effort with local pumpers. The Groundwater Management Plan includes monitoring water levels and groundwater quality, educational outreach to encourage protection of groundwater resources and potential projects to better protect the Carpinteria Basin. The District prepares annual groundwater basin reports.

Cachuma Project. The United States constructed the Cachuma Project on the Santa Ynez River and the District, along with others, purchases water therefrom pursuant to an agreement dated September 12, 1949 by and between the United States and the Santa Barbara County Water Agency (the "Agency"), which agreement is entitled "Contract For the Furnishing of Water to Member Units of Santa Barbara County Water Agency." The contract is identified by the contract symbols and number I75r 1802 (the "Master Contract"). In the Master Contract, it is recited that the District, along with others, are "member units of the Agency." In addition to the Master Contract between the United States and the Agency, the Agency also entered into separate contracts with each of its member units (the "Member Unit Contracts"), which member units were the District, Goleta Water District, Montecito Water District, the City of Santa Barbara and Santa Ynez River Water Conservation District, Improvement District No. 1.

The Member Unit Contracts were substantively identical, except for the name of the member unit and the amount of water to which each member was entitled. The Member Unit Contract between the Agency and the District is dated September 12, 1949 and is entitled "Contract For the Furnishing of Water to the Carpinteria County Water District." The amount of water to be furnished to each of the member units was set forth in both the Master Contract and the respective applicable Member Unit Contracts.

The Cachuma Project, with the exception of that part thereof known as Bradbury Dam, is operated by the Cachuma Operation and Maintenance Board ("COMB"), a joint powers agency which was created under the laws of the State by an agreement of all of the member units. COMB is made up of a representative appointed from each of the member units. The operation of all but Bradbury Dam was transferred to the member units pursuant to a contract dated February 24, 1956 between the United States and the member units which is entitled "Contract For the Transfer of the Operation and Maintenance of the Cachuma Project." This contract was amended and renewed in 2003.

The Master Contract and the Member Unit Contracts expired on May 15, 1995. Phase I Renewal Contracts were executed prior to that date, and were in effect until April 15, 1996. On April 14, 1996, a long term Renewal Master Contract was executed by the Agency, the Bureau of Reclamation and the Cachuma Project Authority, representing the District and also Montecito Water District, the Santa Ynez River Water Conservation District, Improvement District No. 1, the City of Santa Barbara, and the Goleta Water District (hereafter referred to as the “Member Units”). The Member Units and the Agency have also negotiated long term Member Unit Contracts. The Cachuma Member Units, Agency and the Bureau of Reclamation have also completed an EIS/EIR for the long term Master Contract and Member Unit Contract renewals which found no significant adverse environmental impacts from contract renewal. In addition, the Member Units have agreed among themselves to reallocate Cachuma Master Contract payments in order to reduce the cost of irrigation water, and have negotiated an “Agreement Regarding Cachuma Project Water Rates and Administration” (“Water Rates Agreement”). The long term renewal Master Contract, Member Unit Contracts and Water Rates Agreement provide for continued water deliveries to the Member Units through September 30, 2020 with additional rights to renew at that time. According to an analysis done in conjunction with the Master Contract renewal, the price of water to the District under the Renewal Contract and the Water Rates Agreement is approximately \$114 per acre-foot. It is projected that the District will receive, on a long term average basis, 2,813 acre-feet of water per year from the Cachuma Project.

The District receives the water which it purchases pursuant to the Member Unit Contract from the Cachuma Project. The Cachuma Project provides a supplemental supply of irrigation water to approximately 38,000 acres of land and a supply of municipal water to the District and certain other water purveyors located in the County. The water delivered through the Cachuma Project is captured by Bradbury Dam, which is located on the Santa Ynez River approximately 25 miles northwest of Santa Barbara and which stores flood waters of the Santa Ynez River which would otherwise flow to the ocean. The reservoir created by Bradbury Dam, Lake Cachuma, had an original capacity of 205,000 acre feet. Lake Cachuma now has a capacity of approximately 193,305 acre feet as a result of the accumulation of silt in the reservoir. Water is diverted from Lake Cachuma through the Tecolote Tunnel, which extends approximately 6.4 miles through the Santa Ynez Mountains to the headworks of the South Coast Conduit. The South Coast Conduit is a modified pre-stress concrete pipeline which runs a distance of approximately 26 miles and includes four regulating reservoirs – Glen Anne Dam and Reservoir with a capacity of 500 acre feet (which is currently not in service pending additional seismic safety review), Lauro Dam and Reservoir, with a capacity of 590 acre feet, Ortega Dam and Reservoir with a capacity of 60 acre feet, and Carpinteria Reservoir with a capacity of 40 acre feet.

In December 1994, the Bureau of Reclamation announced preliminary findings of seismic safety studies which it said showed a potential for failure of Bradbury Dam under certain seismic conditions. The Bureau of Reclamation initially indicated it would require a limitation on the operating level of Bradbury Dam which would have greatly reduced the available water supply while major seismic retrofits were constructed. Following further studies and the installation of dewatering wells, operating level restrictions have been lifted. Seismic retrofitting of the dam by the Bureau commenced in October of 1996 and was deemed substantially completed in September of 2001.

Water rights for surface water diversion by the Cachuma Project (Permits 11308 and 11310, 1958) are held by the Bureau of Reclamation on behalf of the Cachuma Member Units, subject to reserved jurisdiction under a number of orders issued by the State Water Resources Control Board (“SWRCB”) since 1958, regarding operation of the Cachuma Project. The two most recent of these are Order WR 89-18 and Order WR 94-5.

In 2003, the SWRCB began the preparation of an EIR to evaluate modifications to the Bureau of Reclamation’s Applications 11331 and 11332 to protect public trust values and downstream water rights on the Lower Santa Ynez River below Bradbury Dam. A Final EIR (“FEIR”) was made available on December 8, 2011. Following an evidentiary hearing on March 29 and 30, 2012, the SWRCB admitted the FEIR into the administrative hearing record during the hearing and closed the record. A draft Water Rights Order is currently being prepared by SWRCB. The SWRCB decision is important because it could affect the amount of

water available from Lake Cachuma for water supply purposes. A complete record of the Cachuma Project water rights proceedings is available on the SWRCB's website at (http://www.swrcb.ca.gov/waterrights/water_issues/programs/hearings/cachuma/). The information on such website is not incorporated herein by reference.

In 2000, a Biological Opinion ("BO") was issued by the National Marine Fisheries Service ("NMFS") for the Bureau of Reclamation's operation and maintenance of Bradbury Dam (the Cachuma Project). NMFS is the agency that oversees protection of Southern California steelhead. The BO addresses the effects of the proposed Cachuma Project operations on steelhead and its designated critical habitat in accordance with Section 7 of the Endangered Species Act of 1973. The Bureau of Reclamation and the Cachuma Project Member Units have developed the proposed revisions to the Project operations since 1993 to improve habitat conditions for steelhead trout while still maintaining water supplies. In 2014, the NMFS formally initiated a re-consultation of the Biological Opinion. A draft BO revision is anticipated in 2016. Similar to the State water rights decision, the revised BO is important because it could affect Cachuma Project operations and the amount of water available for water supply purposes.

Water Supply Agreement. The District has contracted for 2,200 acre-feet of water from the SWP pursuant to the Water Supply Agreement with the Authority (the "Project Allotment"). This water is used as a supplemental supply for system reliability, and to accommodate limited anticipated growth. The District has from time-to-time participated in groundwater banking programs with its Project Allotment. See the caption "— Groundwater Banking."

From time-to-time the District has explored the possibility of selling a portion of its Project Allotment to a third party. The District cannot predict if or when such a sale will occur. The District expects that such a sale, if consummated, would reduce Maintenance and Operations Costs attributable to the Water Supply Agreement and increase Net Revenues available to pay the principal of and interest on the 2016 Bonds.

Under the terms of the Water Supply Agreement, the Authority collects from the District fixed and variable operating costs of the Authority related to the SWP, which costs are not limited in amount, and the Authority collects from the District certain fixed project costs allocable to the District, including debt service on Authority bonds. In Fiscal Year 2016, the District projects that payments to the Authority under the Water Supply Agreement will be approximately \$4,032,417, including approximately \$3,421,520 in fixed costs attributable to the SWP and the Authority, and that such amounts will decrease to approximately \$3,771,385 in Fiscal Year 2017, including approximately \$3,305,004 in fixed costs attributable to the SWP and the Authority. The largest annual amount of Authority debt service costs and fixed costs attributable to the SWP allocable to the District under the Water Supply Agreement is estimated to be approximately \$3,421,520 and occurs in Fiscal Year 2016. Additionally, such amount may increase in the event that certain additional entities that have entered into similar water supply agreements with the Authority default on payments due under their respective Water Supply Agreements. The obligation of the District to make payments under the Water Supply Agreement is payable as a District Maintenance and Operations Cost.

Groundwater Banking. The District entered into several agreements with Irvine Ranch Water District ("IRWD") in 2008 and 2011 to bank excess Project Allotment in the IRWD Groundwater Storage Project located in the Central Valley. This Project Allotment could then be extracted during drought to help bridge water shortages in other District supplies. The 2008 program was a short term program pursuant to which the District could store up to 500 acre feet ("AF") for period up to five years with a two for one exchange term with no upfront costs. Costs would be charged to the District when the water was extracted. The costs of extraction were approximately \$100/AF. The 2011 program had similar terms but the storage term was increased to 6 years and the total limit on storage was increased to 750 AF. In total the District stored 1,731 AF of excess Project Allotment in the two programs. From April 2013 through April 2015 approximately 900 AF of banked water was withdrawn and delivered to District through the Authority. Currently the District has no Project Allotment banked. IRWD is proposing another program that the District may participate in starting in 2016.

Supplemental Water Purchases 2016. The District's Board has approved the purchase of supplemental water in Fiscal Year 2016 in an amount up to 1,000 acre-feet under the Authority's 2016 supplemental water program (the "2016 Supplemental Water Program"). The District has the right to reduce or cancel said purchase at any time prior to the final execution of a purchase contract, based on the final terms and conditions of the 2016 Supplemental Water Program. The District can make no assurance that the Authority will consummate the 2016 Supplemental Water Program or that the District will purchase all or a portion of any supplemental water sources made available through the 2016 Supplemental Water Program.

Challenges to Department of Water Resources Water Supplies. DWR faces various challenges in continuing to supply imported water to its respective member agencies. The ability of the District to provide water service in certain years is dependent upon its receipt of imported water from the SWP through the Authority. No assurance can be given that additional water supplies will be secured, or that the District will receive its Project Allocation. A description of the challenges DWR faces in continuing to supply imported water as well as a variety of other operating information with respect to DWR is included in detail under the caption "STATE WATER PROJECT WATER SUPPLY" in DWR's Official Statement dated August 25, 2015, relating to its Central Valley Project Water System Revenue Bonds Series AU (Index Floating Rate Bonds) ("DWR's Water Supply Disclosure"). DWR's Water Supply Disclosure is the disclosure of DWR and, accordingly, the Authority and the District do not make any representations as to the accuracy or completeness of DWR's Water Supply Disclosure or as to the absence of material adverse changes in DWR's Water Supply Disclosure after the date hereof.

DWR has entered into certain continuing disclosure agreements pursuant to which it is contractually obligated for the benefit of owners of certain outstanding obligations to file with certain information repositories annual reports, notices of certain material events as defined under Rule 15c2-12 of the Exchange Act ("Rule 15c2-12") and annual audited financial statements (the "Department of Water Resources Information"). This information is to be filed by DWR with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>. DWR disclosure documents and annual reports should be reviewed for information pertaining to water supply matters. **NEITHER DWR NOR THE AUTHORITY HAS ENTERED INTO A CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE CERTIFICATES TO PROVIDE SWP INFORMATION TO THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE 2016 BONDS.**

NEITHER DWR NOR THE AUTHORITY HAS REVIEWED THIS OFFICIAL STATEMENT AND NEITHER HAS MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO DWR OR THE AUTHORITY. NEITHER DWR NOR THE AUTHORITY ARE CONTRACTUALLY OBLIGATED, AND NEITHER HAS UNDERTAKEN, TO UPDATE SUCH SWP INFORMATION FOR THE BENEFIT OF COMB OR THE OWNERS OF THE 2016 BONDS UNDER RULE 15c2-12.

California Drought and Response

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 the Governor of California 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.

The 2015 Executive Order provides that the actual mandatory reduction required of each water supplier by the SWRCB will vary based on per capita water usage, with those areas with high per capita water usage being required to achieve proportionately higher reductions than those areas with lower per capita water usage.

On May 5, 2015, following a formal rulemaking process and public comment period, the SWRCB adopted an emergency regulation to implement the 2015 Executive Order. The regulation became effective immediately upon approval by the Office of Administrative Law on May 15, 2015, and will remain in effect for 270 days from such date. Under the regulation, 411 urban water providers in the State are classified into nine tiers and assigned a required conservation standard which is imposed on each tier. The tier classifications are based upon a water supplier's per capita water usage in the three month period from July to September 2014. The conservation standard applied to the tiers ranges from a 4% reduction in total potable water production (although no water providers were proposed to be classified in such tier absent the demonstration by a water provider of satisfaction of certain specified criteria) to a 36% reduction in total potable water production from 2013 levels. As adopted, the regulation requires areas with high per capita water usage to achieve proportionately greater reductions in water use than those with low use. The regulation provides that the 2,600 "small water suppliers" in the State that serve fewer than 3,000 customers or deliver less than 3,000 acre-feet of water annually are required to either achieve a 25% conservation standard or restrict outdoor irrigation to no more than two days per week. Commercial, industrial and institutional properties that are not served by a water supplier (or are self-supplied) are similarly required to either achieve a 25% conservation standard or restrict outdoor irrigation to no more than two days per week. Under the regulation, compliance by the 411 urban water suppliers will be assessed for the period of June 2015 through February 2016 as compared to water usage in the corresponding prior timespan of June 2013 through February 2014. In addition to the total monthly water production and specific reporting on residential use and enforcement action previously adopted by the SWRCB, the regulation adopted May 5, 2015 also includes new reporting requirements for urban water suppliers to include information on water use in the commercial, industrial and institutional sectors. In order to enforce compliance by water suppliers, the regulation authorizes the SWRCB to issue informational orders, conservation orders or cease and desist orders requiring additional specific actions by a water supplier that is not meeting its conservation standard. Failure to provide information requested pursuant to an informational order within the required timeframe would be subject to civil liability of up to \$500 per day for each day out of compliance. Water agencies that violate cease and desist orders may be subject to a civil liability of up to \$10,000 a day.

Under the adopted regulation, the District, as a retail water provider, is required to achieve a 20% reduction as compared to the District's potable water usage in 2013. See the caption "—District Drought Response Actions and Impact."

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.

While reductions in water usage resulting from implementation of the 2015 Executive Order may adversely affect the District's projected operating results set forth under the caption "Water System Financial Information — Projected Operating Results and Debt Service Coverage," the District does not currently believe that such reductions, if achieved by the District, will have a material adverse effect on the District's ability to pay the principal of and interest on the 2016 Bonds. See the caption "SECURITY FOR THE 2016 BONDS — Rate Covenant" for a discussion of the obligations of the District to set rates and charges. The ability of the District to modify its current rate structure could, however, be limited by certain California Constitutional provisions, including but not limited to Proposition 218. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES."

See the caption “—District Drought Response Actions and Impact” for actions taken by the District in response to the drought and the 2015 Executive Order.

District Drought Response Actions and Impact. The District declared a Stage II drought emergency on May 13, 2015. This declaration required all municipal and industrial water users to reduce consumption by 20-25% in order to meet the requirements of the 2015 Executive Order. In Stage II drought conditions, watering landscape/turf is limited to two days per week, and restricted to early morning/late afternoon times. Additional prohibitions for water use include: washing buildings, sidewalks and driveways; permitting water to run-off landscape area onto hard surfaces; watering landscapes within 48 hours of rainfall events; and irrigation of street medians. Violations of any part of the District's Stage II conditions may result in warnings and possible fines of up to \$500 per day for each violation.

The District has met all SWRCB compliance requirements and conservation targets, and as of January 2016 has achieved a 27.9% reduction in potable water usage as compared to the District's potable water usage in 2013. A proposed water banking program in the IRWD Groundwater Storage Project, in which the District may participate starting in 2016, could help bridge shortages in District supplies as it adheres to SWRCB regulations resulting from the 2015 Executive Order. See the caption “Water Supply — Groundwater Banking.”

Outstanding Contractual Obligations

In addition to the Member Unit Contract and the Water Supply Agreement, the District has entered into other long-term contractual obligations as described below.

2010 Installment Purchase Agreement. The District has entered into an Installment Purchase Agreement, dated as of February 1, 2010 (the “2010 Installment Purchase Agreement”), with the Carpinteria Valley Water District Financing Corporation (the “Corporation”), to finance certain capital improvements to the Water System and the costs of improvements to certain facilities, and to defease a portion of the obligations of the District under the 2006 Installment Purchase Agreement (described below) and certain loans entered into between the District and the Department of Water Resources. Under the 2010 Installment Purchase Agreement, the District is obligated to make installment payments (the “2010 Installment Payments”) from Net Revenues of the Water System (as such terms are defined in the 2010 Installment Purchase Agreement). As of January 1, 2016, the outstanding principal amount due under the 2010 Installment Purchase Agreement was \$8,475,844. The obligation of the District to make the 2010 Installment Payments is on a parity with the District's obligation to pay principal of and interest on the 2016 Bonds.

DWR Joint Loan. The District and Montecito Water District executed the DWR Joint Loan dated March 19, 2004 with DWR for the covering of Ortega Reservoir. The District share of the DWR Joint Loan is 50%, or \$9,950,000. Annual payments on the DWR Joint Loan are approximately \$590,419 with a final payment due on January 1, 2030. The obligation of the District to make the District's share of payments under the DWR Joint Loan is on a parity with the District's obligation to pay principal of and interest on the 2016 Bonds.

Cater Financing Agreement. The District entered into a Cater Water Filtration Plant Improvements Financing Agreement with the City of Santa Barbara, dated February 27, 2004 (the “Cater Financing Agreement”), for a 20% participation in a DWR loan contract entered into by the City of Santa Barbara and DWR (the “Santa Barbara/DWR Loan Agreement”). The City of Santa Barbara applied the proceeds of the Santa Barbara/DWR Loan Agreement to certain improvements to the City of Santa Barbara Cater Water Filtration Plant which treats the District share of Cachuma Project water. The total principal amount of the Santa Barbara/DWR Loan Agreement for which the District is obligated under the Cater Financing Agreement was \$3,580,170. As of June 30, 2015, the principal obligation of the District under the Cater Financing Agreement was \$2,100,500. Annual payments due to the City of Santa Barbara by the District are approximately \$235,175 with final payment due on July 1, 2025. The obligation of the District to make

payments under the Cater Financing Agreement is subordinate to the District's obligation to pay principal of and interest on the 2016 Bonds.

COMB Guarantee. On July 25, 2014, the District guaranteed \$608,000 of seven year \$3,200,000 lines of credit issued by the Bank of Santa Barbara to COMB (the "COMB Guarantee"). On July 25, 2014, COMB secured a \$2,000,000 non-revolving line of credit and a \$1,200,000 revolving line of credit to finance an emergency pumping project resulting from current severe drought conditions. Both lines of credit mature on July 25, 2021, with quarterly interest payments. In the event that COMB is unable to make a payment with respect to such lines of credit, the District may be required to make that payment up to its guarantee amount. The outstanding amount under the lines of credit which the District has guaranteed as of January 31, 2016 is \$494,250. The obligation of the District to make payments under the COMB Guarantee from Net Revenues is subordinate to the District's obligation to pay principal of and interest on the 2016 Bonds.

The Water System

General. With the exception of a number of agricultural users who own private wells, the District is the sole provider of water service to water users within its boundaries. The District's water distribution system includes over 75 miles of pipelines ranging in size from two inches to 16 inches in diameter. In connection with its distribution system, the District operates four pumping stations which contain a total of six separate pumps (collectively "Water System"). The District delivers approximately 4,000 acre-feet of water annually (based on 5-year average metered sales ending June 30, 2015).

Groundwater. The District operates a number of wells that extract groundwater from the local groundwater basin. This water is blended with the other water available to the District in order to provide the District's customers with a satisfactory supply at the lowest possible cost. The District also maintains three reservoirs ranging in individual capacity from 500,000 gallons to 14,500,000 gallons of water, with an overall storage capacity of 18,000,000 gallons of water.

Service Area. The District provides water service throughout the District, including within the City of Carpinteria. As of June 30, 2015 the District had 4,080 domestic water and private fire connections and 405 agricultural connections, for a total of 4,485 active connections. Within the territory of the District, the District is the sole provider of water service to agricultural and domestic customers (excepting approximately 125 active private wells).

Historic Water Connections and Sales Revenues. The following table shows the number of active water connections to the District's Water System for the five most recent Fiscal Years, together with the amount of its annual water sales revenues.

HISTORIC WATER CONNECTIONS AND SALES REVENUES

<i>Fiscal Year</i>	<u><i>Connections</i></u>						
	<i>Ending June 30</i>	<i>Domestic</i>	<i>% Increase/ (Decrease)</i>	<i>Agriculture</i>	<i>% Increase/ (Decrease)</i>	<i>Total</i>	<i>% Increase/ (Decrease)</i>
2015		4,080	1.04%	405	(0.25)%	4,485	0.92%
2014		4,038	0.22	406	(1.46)	4,444	0.07
2013		4,029	2.99	412	(3.51)	4,441	2.35
2012		3,912	0.49	427	(0.47)	4,339	0.39
2011		3,893	NA	429	NA	4,322	NA

<i>Fiscal Year</i>	<u><i>Sales Revenues</i></u>						
	<i>Ending June 30</i>	<i>Domestic</i>	<i>% Increase/ (Decrease)</i>	<i>Agriculture</i>	<i>% Increase/ (Decrease)</i>	<i>Total</i>	<i>% Increase/ (Decrease)</i>
2015 ⁽¹⁾		\$ 8,225,046	(2.22)%	\$ 2,574,667	(8.64)%	\$10,799,713	(3.82)%
2014		8,411,037	2.93	2,818,138	7.28	11,229,175	3.99
2013		8,171,789	0.52	2,626,845	10.24	10,798,634	4.30
2012		8,129,365	4.01	2,223,862	9.79	10,353,227	5.21
2011		7,815,509	NA	2,025,382	NA	9,840,891	NA

⁽¹⁾ Sales revenues for Fiscal Year 2015 reflect the effects of mandatory conservation measures required by the 2015 Executive Order. See the caption “— District Drought Response Actions and Impact.”

Source: District.

Historic Water Deliveries and Sources of Water Delivered. The District records the volume of water delivered by its Water System. The following table presents a summary of historic water deliveries and the source of that water in acre-feet per year for the five most recent Fiscal Years.

**HISTORIC WATER DELIVERIES AND SOURCE OF WATER DELIVERED
(IN ACRE-FEET PER YEAR)⁽¹⁾**

<i>Fiscal Year Ending June 30</i>	<u>Deliveries</u>					<i>Total</i>	<i>% Increase/ (Decrease)</i>
	<i>Residential</i>	<i>Commercial</i>	<i>Public Authority</i>	<i>Industrial</i>	<i>Irrigation</i>		
2015 ⁽²⁾	1,246	276	129	74	1,975	3,699	(18.72)%
2014	1,529	350	170	87	2,415	4,551	4.57
2013	1,523	369	220	85	2,155	4,352	12.43
2012	1,429	346	151	80	1,865	3,871	7.56
2011	1,397	365	135	69	1,633	3,599	(5.91)

<i>Fiscal Year Ending June 30</i>	<u>Sources</u>			<i>Total</i>	<i>% Increase/ (Decrease)</i>
	<i>Groundwater</i>	<i>Cachuma Project</i>	<i>Authority⁽³⁾</i>		
2015	2,204	1,060	797	4,061	(20.22)%
2014	754	3,490	846	5,090	5.78
2013	864	3,648	300	4,812	11.83
2012	1,155	3,148	0	4,303	10.42
2011	797	3,100	0	3,897	NA

⁽¹⁾ Unaccounted water due to general system loss, including leakage, line flushing and fire hydrant testing, averages 9%, and is apportioned to all account types.

⁽²⁾ Deliveries for Fiscal Year 2015 reflect the effects of mandatory conservation measures required by the 2015 Executive Order. See the caption “— District Drought Response Actions and Impact.”

⁽³⁾ Includes water banked in the IRWD Groundwater Storage Project. See caption “— Groundwater Banking.”

Source: District.

Largest Customers

The following table sets forth the ten largest customers of the District’s Water System as of June 30, 2015, as determined by the amount of their respective annual payments.

TEN LARGEST CUSTOMERS

<i>Customer</i>	<i>Water Usage⁽¹⁾</i>	<i>Annual Payments</i>
Reiter Brothers Inc.	33,818	\$ 61,592.67
Ota, Tom	25,607	52,631.65
Cate School	23,896	123,073.17
Circle G	22,991	51,969.67
Cervini Farm CA Inc.	20,197	42,179.74
Sandpiper Village	19,097	213,764.79
Villa Del Mar HOA	18,955	220,955.19
Casitas Village Home Assn	18,793	228,386.77
Emmett, Morgan	17,344	34,369.26
Westerlay Orchids	16,547	12,387.67
TOTAL		\$ 1,041,310.58

⁽¹⁾ Hundred cubic feet.

Source: District.

These ten customers accounted for approximately 9.64% of water sales revenues for the year ended June 30, 2015.

Water System Rates and Charges

General. The District is not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission. The District annually determines the adequacy of the Water System rate structure after full consideration of expected operations, maintenance and capital costs. The District currently sets water charges to pay water costs for purchased water, costs of groundwater pumping and current operating expenses for the Water System. Increases in water rates are subject to the notice, hearing and protest provisions of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” Capital improvements and debt service payments are funded from water charges and from connection fees.

Water Service Charges. The District has separated its customer base into two classes of service: domestic and agricultural. Domestic service is further separated into two types: (1) residential and (2) commercial, industrial and public authority. On June 3, 2015, the Board established a rate of \$1.92 per hundred cubic feet (“HCF”) for agricultural customers. The District currently charges a three-tiered rate for domestic-residential, commercial, industrial and most public authority accounts as follows:

DOMESTIC RESIDENTIAL THREE-TIERED RATE

<i>Units</i>	<i>Charge</i>
Base ⁽¹⁾	\$3.40 HCF
Mid-Level ⁽²⁾	4.55 HCF
Peak ⁽³⁾	6.50 HCF

⁽¹⁾ Five-year December to March monthly average water usage.

⁽²⁾ Consumption between 100% and 120% of Base volume.

⁽³⁾ Consumption in excess of Base and Mid-Level.

Source: District.

A schedule of the District’s monthly service charges effective July 1, 2015 is shown below:

CURRENT AND PROJECTED MONTHLY SERVICE CHARGE

<i>Meter Size</i>	<i>Current Monthly Service Charge⁽¹⁾</i>	<i>Fiscal Year 2016-2017 Projected Monthly Service Charges⁽²⁾</i>
5/8”	\$ 5.63	\$ 5.63
3/4”	5.63	5.63
1”	9.38	9.38
1 1/2”	18.75	18.75
2”	30.00	30.00
3”	60.00	60.00
4”	93.75	93.75
6”	187.50	187.50

⁽¹⁾ Effective July 1, 2015.

⁽²⁾ A drought surcharge of \$0.40 per HCF (minimum of \$2.40 and maximum of \$40.00 per HCF) is currently in place to pay for additional District expenses relating to the current drought conditions.

Source: District.

Monthly Capital Improvement Program (CIP) Charge⁽¹⁾

<i>Current⁽²⁾</i>			<i>Proposed</i>		
Rate:	\$ 2.75	per HCF	Rate:	\$ 2.75	per HCF
Minimum	16.50	6 HCF	Minimum	16.50	6 HCF
Maximum	275.00	100 HCF	Maximum	275.00	100 HCF

⁽¹⁾ Effective July 1, 2015.

⁽²⁾ The District projects no change in capital expenditures charge for Fiscal Year 2017.

Source: District.

CURRENT AND PROJECTED MONTHLY FIRE SERVICE CHARGE

<i>Meter Size</i>	<i>Current Monthly Meter-based Service Charges⁽¹⁾</i>	<i>Fiscal Year 2016-2017 Projected Monthly Service Charge⁽²⁾</i>
2"	\$ 3.75	\$ 3.75
3"	8.44	8.44
4"	15.00	15.00
6"	33.75	33.75
8"	60.00	60.00
10"	93.75	93.75

⁽¹⁾ Effective July 1, 2015.

⁽²⁾ A drought surcharge of \$0.40 per HCF (minimum of \$2.40 and maximum of \$40.00 per HCF) is currently in place to pay for additional District expenses relating to the current drought conditions.

Source: District.

The District has not approved any increases in water rates beyond Fiscal Year 2016. See footnote 1 to the table under the caption “—Projected Operating Results and Debt Service Coverage” for a discussion of rate increases projected to occur in Fiscal Years 2017-2020. There can be no assurance that such projected rate increases will be approved by the Board of Directors. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” for a discussion of certain notice, hearing and protest provisions of Proposition 218 which could affect the ability of the District to implement such projected rate increases.

Collection Procedures. The District is on a monthly billing cycle for all accounts. Bills are due and payable upon receipt. If bills are not paid by the 28th of each month, a shutoff notice is sent indicating a date within 10 to 15 days before a door tag is hung. The door tag gives 48 hour notice that water will be shut off for non-payment. Accounts not paid in full by that date are shut off. Accounts are not reconnected until the account is paid in full and a \$35 reconnection charge is paid.

Approximately 500 shutoff notices are sent out monthly for accounts that have not paid within 15 days. This is about 11% of those billed for that cycle including agriculture accounts that have not paid the past month’s billing. Accounts that are actually shut off range from 3 to 12 accounts each month.

Connection Fees. For every new meter installation, the District charges the installation cost of the new service and meter plus a “Capital Cost Recovery Fee.” The base charge component of Capital Cost Recovery Fees ranges from \$11,093 for a 5/8” meter to \$98,152 for a 3” meter. Fees for meters larger than 3” are determined by the General Manager. In addition to the base charge, there is a “fully loaded equivalent SWP monthly service charge” component. This second component is an amount added to the base charge,

equivalent to SWP monthly service charges that would have been paid beginning July 1, 1996. The Board of Directors adopted the Capital Cost Recovery Fees on July 16, 1997. A third component funds the obligation of the District under the 2006 Installment Purchase Agreement. The District has repayment obligations with respect to the DWR Joint Loan, repayment of which is included as a component of the Capital Cost Recovery Fee. The final component recovers annual capital expenditures made to District infrastructure. This meter-based charge varies annually and was added to the Capital Cost Recovery Fee schedule in July 2007.

A schedule of the District’s current Capital Cost Recovery Fees, effective July 1, 2015, is shown below:

CAPITAL COST RECOVERY FEES

<i>Meter Size</i>	<i>Capital Cost Recovery Fee</i>
5/8	\$11,093
3/4”	12,579
1”	18,457
1 1/2”	33,217
2”	50,941
3”	98,152
4” and larger	Determined by General Manager

<i>Meter Size</i>	<i>Fire Service Capital Cost Recovery Fee</i>
2”	\$ 7,132
3”	14,162
4”	23,673
6”	51,277
8”	92,067
10”	151,396

Source: District.

The District requires the Capital Cost Recovery Fee to be paid prior to accepting the installation fee deposit.

Current Cost of Service Study

The District is currently undertaking a cost of service study which is expected to be completed in April 2016. The District currently expects to provide notice of any proposed rate increases as required by Proposition 218 in April 2016 and to hold the required public hearing in June 2016. There can be no assurance any rate increases recommended in the cost of service study will be proposed by the Board. If proposed, there can be no assurance that a majority protest as permitted under Proposition 218 will not prevent such increases from being approved. Even in the event that no majority protest prevents such rate increases from being approved, there can be no assurance that the Board will approve such rate increases. See the caption “—CURRENT AND PROJECTED MONTHLY SERVICE CHARGE” for the District’s current projection of rate increases.

Current and Future Water System Improvements

The District projects total capital improvements to the Water System of approximately \$700,000 each year over the next five years, including replacement of wells and pipeline upgrades. Currently, the District expects to fund such capital improvements through Revenues and existing reserves.

In addition to the capital improvements described above, District is currently considering a potential groundwater monitoring well project. The District estimates that the monitoring well project, if undertaken, will cost approximately \$500,000. The District is currently applying for grant funds to undertake the well project. In the event that grant funds are not available in amounts sufficient to fund the groundwater monitoring well project, the District expects to fund such project from Revenues, reserves or the proceeds of a borrowing

The District is currently conducting a study related to a potential groundwater recharge facilities project (“GRFP”). The current study is expected to be completed in 2017, at which time a further study and environmental review would be conducted. The District currently estimates the GRFP would cost approximately \$19,300,000. While the District has not yet developed a finance plan for the GRFP, the District may seek to obtain grant funding for 35% of the GRFP cost under Proposition 1. The remainder of the GRFP cost is currently expected to be funded from Revenues, reserves or the proceeds of a borrowing. The GRFP is currently expected to provide approximately 1,000 acre-feet per year of water supply to the District, if implemented.

Projected Water Connections and Sales Revenues

The following table shows the increase in the number of active water connections to the Water System projected by the District for Fiscal Years 2016 through 2020, together with the increase in the amount of its annual water sales revenues (exclusive of monthly service charges) projected by the District.

PROJECTED WATER CONNECTIONS AND SALES REVENUES

<i>Fiscal Year Ending</i>	<u>Connections</u>						
	<i>June 30</i>	<i>Domestic</i>	<i>% Increase/ (Decrease)</i>	<i>Agriculture</i>	<i>% Increase/ (Decrease)</i>	<i>Total</i>	<i>% Increase/ (Decrease)</i>
2016		4,080	0.00%	405	0.00%	4,485	0.00%
2017		4,101	0.51	405	0.00	4,506	0.47
2018		4,121	0.49	405	0.00	4,526	0.44
2019		4,141	0.49	405	0.00	4,546	0.44
2020		4,161	0.48	405	0.00	4,566	0.44

<i>Fiscal Year Ending</i>	<u>Sales Revenues⁽¹⁾</u>						
	<i>June 30</i>	<i>Domestic</i>	<i>% Increase/ (Decrease)</i>	<i>Agriculture</i>	<i>% Increase/ (Decrease)</i>	<i>Total</i>	<i>% Increase/ (Decrease)</i>
2016		\$9,154,360	15.7%	\$2,774,423	7.8%	\$11,928,783	10.45%
2017		9,337,622	2.0	3,114,764	12.3	12,452,386	4.40
2018		10,127,963	8.5	3,074,423	(1.3)	13,202,386	6.02
2019		10,277,963	1.5	3,299,423	7.3	13,577,386	2.84
2020		10,586,302	3.0	3,398,405	3.0	13,984,707	3.00

⁽¹⁾ Projected sales revenues for Fiscal Years 2016 through 2018 assume continuation of drought restrictions pursuant to the 2015 Executive Order, as described under the caption “—California Drought and Response” and rates as described under the caption “—Water System Rates and Charges.”

Source: District.

Projected Water Deliveries

The District currently estimates that Water System deliveries, and the source of water to be delivered, for Fiscal Year 2016 through 2020 will be as shown in the following tables.

PROJECTED WATER DELIVERIES AND SOURCE OF WATER DELIVERED (IN ACRE-FEET PER YEAR)⁽¹⁾

<i>Fiscal Year Ending June 30⁽²⁾</i>	<u>Deliveries</u>						<i>% Increase/ (Decrease)</i>
	<i>Residential</i>	<i>Commercial</i>	<i>Public Authority</i>	<i>Industrial</i>	<i>Irrigation</i>	<i>Total</i>	
2016	1,269	312	128	72	1,819	3,600	(2.68)%
2017	1,350	325	140	80	1,800	3,695	2.64
2018	1,400	330	155	80	1,825	3,790	2.57
2019	1,450	335	160	80	1,850	3,875	2.24
2020	1,500	340	165	80	1,900	3,985	2.84

<i>Fiscal Year Ending June 30</i>	<u>Sources of Supply</u>				<i>% Increase/ (Decrease)</i>
	<i>Groundwater</i>	<i>Cachuma Project</i>	<i>State Water Project</i>	<i>Total</i>	
2016	2,900	1,035	120	4,055	(0.15)%
2017	2,900	0	990	3,890	(4.07)
2018	1,000	2,800	400	4,200	7.97
2019	1,100	2,800	400	4,300	2.38
2020	1,200	2,800	400	4,400	2.33

⁽¹⁾ Unaccounted water due to general system loss, including leakage, line flushing and fire hydrant testing, averages 9%, and is apportioned to all account types.

⁽²⁾ Projected deliveries for Fiscal Year 2016 reflect projected effects of mandatory conservation measures required by the 2015 Executive Order. See the caption “— District Drought Response Actions and Impact.” Projected amounts for Fiscal Year 2017 reflect a continuation of the drought for calendar year 2016 and a return to normal conditions thereafter.

Source: District.

The foregoing projections assume that the mandatory water conservation measures included in the Executive Order are not renewed beyond October 1, 2016 and that the property within the District continues to develop in accordance with the expectations of the District and certain other factors. In the event that actual experience varies from these assumptions, actual results may vary materially from the projections. See the caption “—Water Supply” above for a discussion of the Water Supply Agreement and other sources of District water supply.

Water System Financial Information

A copy of the most recent audited financial statements of the District prepared by Bartlett, Pringle & Wolf, LLP, Santa Barbara, California (the “Auditor”) is attached 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 the District, as of June 30, 2015, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller’s Office and state regulations governing special districts. The Financial Statements are public documents and the District has not sought the approval of the Auditor to append the Financial Statements to this Official Statement. The Auditor has not been engaged to perform and has not performed, since the date of its report

included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

The summary operating results contained under the caption “—Historic Operating Results and Debt Service Coverage” are derived from these Financial Statements and the financial statements for prior Fiscal Years (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for governmental accounting financial reporting purposes. 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 Note 1 to the District’s audited financial statements for Fiscal Year 2015 set forth in Appendix A hereto for a discussion of the accounting policies applicable to the District. Except as otherwise expressly noted herein, all financial information derived from the District’s audited financial statement reflect the application of GAAP.

Historic Operating Results and Debt Service Coverage

The following table is a summary of operating results and debt service coverage of the Water System of the District for the last five audited Fiscal Years. These results have been derived from the District’s financial statements but exclude certain non-cash items and include certain other adjustments. The table has not been audited by the District’s Auditor.

**HISTORIC OPERATING RESULTS AND DEBT SERVICE COVERAGE
FISCAL YEAR ENDING JUNE 30**

	2011	2012 ⁽²⁾	2013 ⁽²⁾	2014 ⁽³⁾	2015
Revenues					
Water Sales	\$ 9,840,891	\$ 10,353,227	\$ 10,798,634	\$ 11,229,175	\$ 10,799,713
Fire Protection	224,061	221,989	221,131	228,640	231,330
Capital Recovery Fees	77,787	496,558	855,845	613,972	134,208
Interest Income	55,294	52,416	33,394	26,484	24,178
Other ⁽¹⁾	<u>152,564</u>	<u>143,063</u>	<u>151,998</u>	<u>120,369</u>	<u>98,419</u>
Total Revenues	<u>\$ 10,350,597</u>	<u>\$ 11,267,253</u>	<u>\$ 12,061,002</u>	<u>\$ 12,218,640</u>	<u>\$ 11,287,848</u>
Maintenance and Operations Costs					
Source of Water Supply	\$ 414,717	\$ 323,548	\$ 354,603	\$ 665,351	\$ 475,919
Water Supply Agreement	2,971,245	2,978,486	2,812,371	3,066,986	3,140,228
Pumping Expense	249,027	285,050	225,971	287,174	459,277
Water Treatment	935,478	944,251	949,594	1,006,344	698,525
Transportation and Distribution	833,022	927,733	899,177	931,836	981,118
Customer Accounting and Services	61,542	67,025	47,448	75,315	39,676
Cachuma Project Operating Expense	304,882	409,972	498,379	541,839	483,741
General and Administrative	<u>2,172,510</u>	<u>2,093,291</u>	<u>2,125,924</u>	<u>2,203,554</u>	<u>2,328,957</u>
Total Maintenance and Operations Costs	<u>\$ 7,942,423</u>	<u>\$ 8,029,356</u>	<u>\$ 7,913,467</u>	<u>\$ 8,778,399</u>	<u>\$ 8,607,441</u>
Net Revenues	\$ 2,408,174	\$ 3,237,897	\$ 4,147,535	\$ 3,440,241	\$ 2,680,407
Debt Service					
2000 Installment Purchase Agreement	\$ 184,613	\$ --	\$ --	\$ --	\$ --
2006 Installment Purchase Agreement	397,188	504,988	490,788	491,688	497,288
2010 Installment Purchase Agreement	--	--	--	--	--
DWR Loan	114,172	114,172	114,172	114,172	114,172
DWR Joint Loan	590,419	590,419	590,419	590,419	590,419
1993 Joint Participation Agreement	<u>38,700</u>	<u>37,300</u>	<u>40,800</u>	<u>--</u>	<u>--</u>
Total Debt Service	<u>\$ 1,325,091</u>	<u>\$ 1,246,879</u>	<u>\$ 1,236,179</u>	<u>\$ 1,196,279</u>	<u>\$ 1,201,879</u>
Coverage	1.82	2.60	3.36	2.88	2.23
Other Debt Service ⁽⁴⁾					
Cater Financing Agreement	<u>\$ 228,849</u>	<u>\$ 228,849</u>	<u>\$ 228,849</u>	<u>\$ 235,175</u>	<u>\$ 235,175</u>
Total	<u>\$ 228,849</u>	<u>\$ 228,849</u>	<u>\$ 228,849</u>	<u>\$ 235,175</u>	<u>\$ 235,175</u>
Balance Available for Capital Projects or Other Purposes	\$ 854,234	\$ 1,762,169	\$ 2,682,507	\$ 2,008,787	\$ 1,243,353

⁽¹⁾ Includes other revenue and overhead charged to customers.

⁽²⁾ A prior year adjustment was made in the audited financial statements for Fiscal Year 2014 with respect to the audited financial statements for Fiscal Years 2012 and 2013 with respect to recognition of costs of issuance and deferred loss on refinancing of certain District debt obligations. No restatement of the audited financial statements for such Fiscal Years was required under GAAP and such adjustments do not affect the debt service coverage calculations for the affected Fiscal Years because such adjustments were non-cash accounting entries.

⁽³⁾ A prior year adjustment was made in the audited financial statements for Fiscal Year 2015 with respect to the audited financial statements for Fiscal Year 2014 with respect to recognition of pension expenses. No restatement of the audited financial statements for Fiscal Year 2014 was required under GAAP and such adjustment does not affect the debt service coverage calculations for the affected fiscal years.

⁽⁴⁾ Excludes contingent obligation under the COMB Guarantee. See the caption "Outstanding Contractual Obligations—COMB Guarantee."

Source: District.

Projected Operating Results and Debt Service Coverage

The District's estimated projected operating results and debt service coverage for its Water System for Fiscal Years 2016 through 2020 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate 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 chart below are material in the development of the District's 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.

**PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE
FISCAL YEAR ENDING JUNE 30**

	2016	2017	2018	2019	2020
Revenues					
Water Sales ⁽¹⁾	\$ 11,928,783	\$ 12,452,386	\$ 13,202,386	\$ 13,577,386	\$ 13,984,707
Fire Protection ⁽²⁾	304,288	311,852	317,896	296,050	302,859
Capital Recovery Fees ⁽³⁾	100,000	100,000	150,000	100,000	100,000
Interest Income	30,000	24,720	25,461	26,225	27,012
Other ⁽⁴⁾	96,590	100,319	105,335	101,322	102,352
Transfers from Rate Stabilization Fund	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Total Revenues	\$ 12,459,661	\$ 12,989,277	\$ 13,801,078	\$ 14,100,983	\$ 14,516,930
Maintenance and Operations Costs					
Source of Water Supply ⁽⁵⁾	\$ 840,897	\$ 1,191,382	\$ 1,288,909	\$ 808,303	\$ 823,129
Water Supply Agreement ⁽⁶⁾	3,421,520	3,305,004	3,297,271	3,231,948	3,230,576
Pumping Expense ⁽⁷⁾	488,000	502,640	319,894	329,490	336,079
Water Treatment ⁽⁸⁾	821,271	845,909	871,286	897,425	924,348
Transportation and Distribution ⁽⁸⁾	874,778	901,021	928,051	946,612	965,544
Customer Accounting and Services ⁽⁸⁾	45,698	47,068	48,480	49,934	51,432
Cachuma Project Operating Expense ⁽⁸⁾	415,135	423,437	436,140	449,224	462,700
General and Administrative ⁽⁸⁾	2,398,825	2,470,789	2,544,912	2,621,259	2,699,896
Transfers to Rate Stabilization Fund	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Total Maintenance and Operations Costs	\$ 9,306,124	\$ 9,687,250	\$ 9,734,943	\$ 9,334,195	\$ 9,493,704
Net Revenues	\$ 3,153,537	\$ 3,302,027	\$ 4,066,135	\$ 4,766,788	\$ 5,023,226
Debt Service					
2006 Installment Purchase Agreement	\$ 487,788	\$ --	\$ --	\$ --	\$ --
2010 Installment Purchase Agreement	--	--	--	--	--
2016 Bonds	--	604,368	737,000	974,500	1,100,500
DWR Loan	114,172	--	--	--	--
DWR Joint Loan	<u>590,419</u>	<u>590,419</u>	<u>590,419</u>	<u>590,419</u>	<u>590,419</u>
Total Debt Service	\$ 1,192,379	\$ 1,194,787	\$ 1,327,419	\$ 1,564,919	\$ 1,690,919
Coverage	2.64	2.76	3.06	3.05	2.97
Other Debt Service ⁽⁹⁾					
Cater Financing Agreement	<u>\$ 235,175</u>	<u>\$ 235,175</u>	<u>\$ 235,175</u>	<u>\$ 235,175</u>	<u>\$ 235,175</u>
Total Other Debt Service	\$ 235,175	\$ 235,175	\$ 235,175	\$ 235,175	\$ 235,175
Balance Available for Capital Projects or Other Purposes	\$ 1,725,984	\$ 1,872,065	\$ 2,503,541	\$ 2,966,694	\$ 3,097,132

(1) Fiscal Year 2016 reflects budgeted amount. Assumes additional connections as projected under the caption “— Projected Water Connections and Sales Revenues” and continued conservation at levels mandated by the 2015 Executive Order through Fiscal Year 2018. See the caption “— District Drought Response Actions and Impact.” Fiscal Year 2019 and Fiscal Year 2020 assume gradual increase to historical levels. The District is projecting rate increases of approximately 2% per annum in Fiscal Years 2017-2020. Such rate increases have not been approved by the Board of Directors and are subject to certain notice, hearing and protest provisions of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

(2) Fiscal Year 2016 reflects budgeted amount. Projected to decrease in Fiscal Year 2019 due to drought surcharges being removed from the fire meters. See the caption “— District Drought Response Actions and Impact.”

(3) Reflects Fiscal Year 2016 budgeted amounts and assumes certain new residential development to come online in Fiscal Year 2018.

(4) Reflects Fiscal Year 2016 budgeted amounts and includes miscellaneous revenue, late fees and other revenue related to conservation efforts.

(footnotes continued on following page)

(footnotes continued from previous page)

- (5) Reflects projected DWR and Authority variable rate costs based on deliveries of 1,450 AF and Warren Act and Trust Fund Charges based on the Water Supply Agreement. Assumes projected water purchases from Cachuma and supplemental water purchases in Fiscal Year 2017 and Fiscal Year 2018 as described under the caption “— Water Supply.”
- (6) Fiscal Year 2016 reflects budgeted amount. Includes projected DWR and Authority fixed costs and Authority bond payments.
- (7) Reflects Fiscal Year 2016 budgeted amount and a decrease in pumping expenses in Fiscal Year 2018 due to projected deliveries from the Water Supply Agreement and supplemental water purchases.
- (8) Reflects Fiscal Year 2016 budgeted amount and projects increase of approximately 3% per annum thereafter.
- (9) Excludes contingent obligation under the COMB Guarantee. See the caption “Outstanding Contractual Obligations—COMB Guarantee.”

Source: District.

LITIGATION

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 the District, threatened against the District affecting the existence of the District or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2016 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 2016 Bonds, the Indenture or any action of the District 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 the District or its authority with respect to the 2016 Bonds or any action of the District contemplated by any of said documents, nor to the knowledge of the District, is there any basis therefor.

There exist lawsuits and claims against the District which are incidental to the ordinary course of business of the operation of the District. In the view of the District’s general counsel, there is no such litigation present or pending, which will individually or in the aggregate materially impair the District’s ability to pay the principal of and interest on the 2016 Bonds.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIII B

The 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 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 XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. “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 of providing the service or regulation); and (b) the investment of tax revenues. Article XIII B 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 the voters 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.

The District is of the opinion that the rates imposed by the District do not exceed the costs that the District reasonably bears in providing water service. The District will covenant in the Indenture that, to the fullest extent permitted by law, it will prescribe rates and charges that it reasonably expects to be sufficient to provide Net Revenues for payment of principal of and interest on the 2016 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 of California in 1996. The Initiative added Article XIIC and Article XIID 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 XIID. Article XIID 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 XIID 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 XIID 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 XIID, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID 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.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The State Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006) (the “Bighorn Case”), however, that fees for ongoing water service through an existing connection were properly-related fees and charges. The State Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218.

The District has complied with the notice, hearing and protest procedures in Article XIID with respect to its current Water System rates, including those approved on June 3, 2015. See the caption “CARPINTERIA VALLEY WATER DISTRICT—Water System Rates and Charges.”

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano* upholding tiered water rates under Proposition 218 provided that the tiers correspond to the actual cost of furnishing service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The District’s wastewater rates are described under the caption “THE WATER SYSTEM OF THE DISTRICT—Water System Rates and Charges.” The District does not currently expect the decision to affect its water rate structure. The District believes that its current water rates comply with the requirements of Proposition 218 and expects that any future water rates will comply with Proposition 218’s procedural and substantive requirements to the extent applicable thereto.

Article XIIC. Article XIIC 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 XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the *Bighorn* Case that the provisions of Article XIIC included 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. The District does not believe that Article XIIC grants to the voters within the District the power to repeal or reduce the water charges in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the 2016 Bonds. Remedies available to beneficial owners of the 2016 Bonds in the event of a default by the District 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 rights and obligations with respect to the 2016 Bonds and the Indenture 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, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. 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.

The District believes that its current water rates and other property-related charges comply with the requirements of Proposition 218 and expects that any increases in current rates and charges or the adoption of any new future water rates and other property-related charges will be subject to compliance 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 XIIC to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the

service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The District believes that its water rates comply with Proposition 26.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the District's revenues or ability to increase revenues.

APPROVAL OF LEGAL PROCEEDINGS

The valid, legal and binding nature of the 2016 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 2016 Bond. Bond Counsel expresses no opinion as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the 2016 Bonds and expressly disclaims any duty to advise the Owners of the 2016 Bonds as to matters related to this Official Statement.

Certain legal matters will be passed upon for the District by Myers, Widders, Gibson, Jones & Feingold, L.L.P., Ventura, California, General Counsel to the District and for the Trustee by its counsel. Ballard Spahr LLP, Salt Lake City, Utah, has acted as counsel to the Underwriter in connection with the issuance of the 2016 Bonds. The fees of Bond Counsel are contingent upon issuance of the 2016 Bonds.

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 2016 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 2016 Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the 2016 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 of interest on the 2016 Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District 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 2016 Bonds to assure that interest on the 2016 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 2016 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016 Bonds. The District has covenanted to comply with all such requirements.

The amount by which a 2016 Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable 2016 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 2016 Bond Owner's basis in the applicable 2016 Bond (and the amount of tax-exempt interest received with respect to the 2016 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 2016 Bond Owner realizing a taxable gain when a 2016 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2016 Bond to the Owner. Purchasers of the 2016 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 2016 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2016 Bonds might be affected as a result of such an audit of the 2016 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 2016 Bonds to the extent that it adversely affects the exclusion from gross income of interest on the 2016 Bonds or their market value.

It is possible that subsequent to the issuance of the 2016 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 2016 Bonds or the market value of the 2016 Bonds. Recently, proposed legislative changes have been introduced in Congress, which, if enacted, could result in additional federal income or state tax being imposed on owners of tax-exempt state or local obligations, such as the 2016 Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the 2016 Bonds. No assurance can be given that subsequent to the issuance of the 2016 Bonds such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the 2016 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 2016 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. The Indenture and the Tax Certificate relating to the 2016 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 2016 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 2016 Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the 2016 Bonds and the accrual or receipt of interest on the 2016 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 2016 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2016 Bonds.

A complete copy of the proposed opinion of Bond Counsel is set forth in Appendix C—"FORM OF OPINION OF BOND COUNSEL."

FINANCIAL ADVISOR

The District has retained Fieldman, Rolapp & Associates, Irvine, California, as financial advisor (the “Financial Advisor”) in connection with the issuance of the 2016 Bonds. The Financial Advisor is not obligated to undertake and 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. The fees being paid to the Financial Advisor are contingent upon the issuance of the 2016 Bonds.

The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

RATING

The District expects that S&P will assign the 2016 Bonds the rating of “AA-/Stable.” There is no assurance that any credit rating given to the 2016 Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, as applicable, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2016 Bonds. Such rating reflects only the views of S&P, and an explanation of the significance of such rating may be obtained from S&P. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in a Continuing Disclosure Certificate to file on EMMA, notices of any rating changes on the 2016 Bonds. See the caption “CONTINUING DISCLOSURE” below and Appendix E—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” Notwithstanding such covenant, information relating to rating changes on the 2016 Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the 2016 Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the 2016 Bonds after the initial issuance of the 2016 Bonds.

UNDERWRITING

The 2016 Bonds will be purchased by Citigroup Global Markets Inc. (the “Underwriter”), pursuant to a Bond Purchase Agreement, dated April 13, 2016 (the “Bond Purchase Agreement”), by and between the District and the Underwriter. Under the Bond Purchase Agreement, the Underwriter has agreed to purchase all, but not less than all, of the 2016 Bonds for an aggregate purchase price of \$10,445,734.47 (representing the principal amount of the 2016 Bonds, less an Underwriter’s discount of \$33,254.58, plus an original issue premium of \$1,713,989.05). The Bond Purchase Agreement provides that the Underwriter will purchase all of the 2016 Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

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

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriter and its affiliates may have

certain creditor and/or other rights against the District and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

CONTINUING DISCLOSURE UNDERTAKING

The District has covenanted in a Continuing Disclosure Certificate dated the date of execution and delivery of the 2016 Bonds (the “Continuing Disclosure Certificate”) to provide annually certain financial information and operating data relating to the District by not later than 270 days after the end of the District’s Fiscal Year (which is currently June 30), commencing with the report for the Fiscal Year ending June 30, 2016, including the audited Financial Statements of the District for each such Fiscal Year (together, the “Annual Report”), and to provide notices of the occurrence of certain other enumerated events.

The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/> (“EMMA”). The notices of enumerated events will be filed by the District with EMMA. The form of the Continuing Disclosure Certificate is attached hereto as Appendix E.

In the past five years, the District has been subject to certain continuing disclosure undertakings previously entered into with respect to the 2006A Certificates and the Carpinteria Valley Water District Refunding Revenue Certificates of Participation, Series 2010A (Capital Appreciation Certificates) (together, the “Prior Continuing Disclosure Undertakings”). Pursuant to the Prior Continuing Disclosure Undertakings, the District agreed to file its audited financial reports, certain operating data, notices of certain enumerated events and notices of the occurrence of certain other enumerated events, if material.

On April 9, 2013, the District filed audited financial statements for fiscal years 2008 through 2012, as well as a continuing disclosure report updating all annual disclosure filings for fiscal years 2008 through 2012. On November 9, 2015, the District made a supplemental filing to amend the information provided in its Annual Report for Fiscal Year 2014 to present updated historic operating data consistent with the District’s Prior Disclosure Undertakings.

Based on the annual reports filed in accordance with the Prior Continuing Disclosure Undertakings and the filing described above, the District believes that it is currently in compliance in all material respects with the Prior Continuing Disclosure Undertakings.

In order to ensure compliance by the District with its continuing disclosure undertakings in the future, the Board of Directors approved disclosure procedures on January 27, 2016 (the “Disclosure Procedures”). Pursuant to the Disclosure Procedures, the Assistant General Manager is required to take steps to ensure that continuing disclosure filings are prepared and filed in a timely manner. A copy of the Disclosure Procedures has been provided to the Underwriter and is available from the Assistant General Manager of the District at 1301 Santa Ynez Avenue, Carpinteria, CA 93103, Telephone: (805) 684-2816.

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 2016 Bonds.

The execution and delivery of this Official Statement have been duly authorized by the District.

CARPINTERIA VALLEY WATER DISTRICT

By: Alonzo E. Orozco /s/ Alonzo Orozco
President

APPENDIX A

CARPINTERIA VALLEY WATER DISTRICT FINANCIAL STATEMENTS

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**CARPINTERIA VALLEY
WATER DISTRICT
June 30, 2015
FINANCIAL STATEMENTS**



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

CARPINTERIA VALLEY WATER DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Carpinteria Valley Water District:**

Report on the Financial Statements

We have audited the accompanying general purpose financial statements of the Carpinteria Valley Water District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Carpinteria Valley Water 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, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Carpinteria Valley Water District, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Emphasis of a Matter

As discussed in Note 1 and Note 13 to the basic financial statements, the District has implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, during fiscal year 2015. The adoption of this standard required retrospective application resulting in a \$3,018,287 reduction of net position as of July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13, the California Public Employees' Retirement System Schedules of Carpinteria Valley Water District's Proportionate Share of the Net Pension Liability on page 45, the California Public Employees' Retirement System Schedules of Carpinteria Valley Water District's Contributions on page 46, and the Other Postemployment Benefits (OPEB) Plan Schedule of Funding Progress on page 47, 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.

Bartlett, Pringh & Wolf, LLP

Santa Barbara, California
December 9, 2015

CARPINTERIA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and a brief description of the District's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The District's financial statements include four components:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

The statement of net position includes all the District's assets and liabilities, with the difference between the two reported as net position. Net position may be displayed in the categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The statement of net position provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The statement of revenues, expenses and changes in net position presents information which shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses and changes in net position measures the success of the District's operations over the past year and determines whether the District has recovered its costs through user fees and other charges.

The statement of cash flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operations
- Noncapital financing
- Capital and related financing
- Investing

This statement differs from the statement of revenues, expenses and changes in net position because the statement accounts only for transactions that result in cash receipts or cash disbursements.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

**CARPINTERIA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL HIGHLIGHTS

During the year ended June 30, 2015, the District's total net position decreased by \$(1,878,852). The District's operating revenues decreased \$(926,795), (or 7.64%) and operating expenses increased \$30,196 (or 0.29%). Net non-operating income increased in the current year by \$1,049,504 (or 145.21%) and capital contributions increased by \$141,505 (or 483.41%).

Pension Plan Accounting

During the year ended June 30, 2015, the District adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) related to pension activity: Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71 (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

The significant impact of GASB 68 is the required reporting of the unfunded net pension liability on the District's statement of net position. In order to implement GASB 68, a prior year adjustment of \$(3,018,287) was made to the District's July 1, 2014 net position. Certain amounts necessary to fully restate fiscal year 13/14 financial information were not available at the time of the issuance of these financial statements. Because all of the information required to restate prior year was not available at the time the financial statements were available to be issued, prior year values are not presented in a comparable manner. Refer to Note 6 for a discussion of the District's defined benefit pension plan and to Note 13 for a discussion of the prior year adjustment.

FINANCIAL ANALYSIS OF THE FINANCIAL STATEMENTS

Certain reclassifications have been made to the prior year balances within the MD&A in order to conform to the current year presentation.

Statement of Net Position – Summarized

	June 30, 2015	June 30, 2014	% Change FYE 2015 and 2014
<u>Assets and Deferred Outflows:</u>			
Current assets:			
Unrestricted cash and cash equivalents	\$ 9,860,006	\$ 9,551,671	3.23%
Restricted cash and investments	1,622,043	1,678,050	-3.34%
Other current assets	6,637,731	5,855,820	13.35%
Noncurrent assets:			
Restricted cash and investments	2,307,932	2,229,758	3.51%
Capital assets, net of depreciation	36,211,614	36,674,775	-1.26%
Capacity rights, net of amortization	6,487,261	6,998,505	-7.31%
Intangible assets, net of amortization	163,094	164,917	-1.11%
Total Assets	<u>63,289,681</u>	<u>63,153,496</u>	0.22%
Deferred outflows of resources	787,918	484,681	62.56%
Total Assets and Deferred Outflows	<u>\$ 64,077,599</u>	<u>\$ 63,638,177</u>	0.69%
<u>Liabilities and Deferred Inflows:</u>			
Current liabilities			
Long term liabilities	\$ 2,409,042	\$ 2,798,854	-13.93%
Long term debt	3,294,900	412,300	699.15%
Total Liabilities	<u>30,195,043</u>	<u>30,893,184</u>	-2.26%
Deferred inflows of resources	35,898,985	34,104,338	5.26%
Deferred inflows of resources	523,627	-	100.00%
Total Liabilities and Deferred Inflows	<u>\$ 36,422,612</u>	<u>\$ 34,104,338</u>	6.80%

**CARPINTERIA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Net Position – Summarized (Continued)

The increase in other current assets of \$781,911 is primarily related to increases in prepaid expenses, inventory and accounts receivable at June 30, 2015. The decrease in capital assets net of depreciation of \$(463,161) is a result of total current year improvements not exceeding current year depreciation expense. The decrease in capacity rights net of amortization of \$(511,244) is a result of total current year acquisitions not exceeding current year amortization expense. The increase of \$303,237 in deferred outflow of resources is primarily due to the new pension liability reporting requirements of GASB 68 and 71 (Note 6).

The decrease in current liabilities of \$(389,812) is primarily related to a decrease in construction advances at June 30, 2015. The increase in long term liabilities of \$2,882,600 is primarily due to new GASB 68 pension reporting requirements (Note 6). The decrease in long term debt of \$(698,141) is primarily the result of principal repayments made during the year.

	June 30, 2015	June 30, 2014	% Change FYE 2015 and 2014
<u>Net Position:</u>			
Net investment in capital assets	\$ 13,423,794	\$ 13,770,276	-2.52%
Restricted net position	3,017,358	2,963,713	1.81%
Unrestricted	11,213,835	12,799,850	-12.39%
Total Net Position	\$ 27,654,987	\$ 29,533,839	-6.36%

The decrease of \$(346,482) in net investment in capital assets consists primarily of principal repayments during the year. The increase in restricted net position of \$53,645 consists primarily of an increase in bond reserve funds. The decrease in unrestricted net assets of \$(1,586,015) primarily results from the changes in net investment in capital assets and restricted net assets, combined with the current year change in net position of \$1,139,435 and offset by the GASB 68 prior year adjustment of \$(3,018,287) (Note 13).

Statement of Revenues, Expenses and Changes in Net Position

The District reported a change in net position of \$1,139,435 for the year ended June 30, 2015, an increase of \$234,018 when compared to the year ended June 30, 2014. This increase results primarily from a drought-related decrease in operating income of \$(926,795), an increase in operating expenses of \$30,196, an increase in net non-operating income of \$1,049,504, and an increase in capital contributions of \$141,505.

As required by GASB 34, capital contributions are presented as a component of Change in Net Position on the Statement of Revenues, Expenses and Changes in Net Position.

**CARPINTERIA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Revenues, Expenses and Changes in Net Position (Continued)

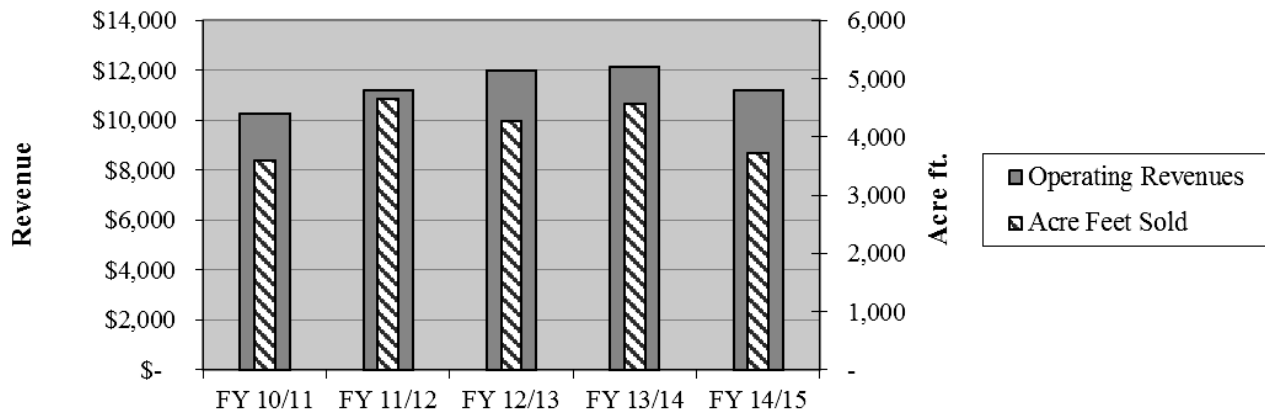
Detailed schedules of operating revenues, operating expenses, and non-operating revenues and expenses, for the last five years including discussion of the significant trends and variances are as follows:

Operating Revenues

	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Water Sales	\$ 9,840,891	\$ 10,353,227	\$ 10,798,634	\$ 11,229,175	\$ 10,799,713
Capital Recovery Fees	77,787	496,558	855,845	613,972	134,208
Fire Protection	224,061	221,989	221,131	228,640	231,330
Other Operating Revenues	123,361	109,220	128,631	63,429	43,170
Total Operating Revenues	\$ 10,266,100	\$ 11,180,994	\$ 12,004,241	\$ 12,135,216	\$ 11,208,421

In fiscal year 14/15, a drought-related increase in water rates was offset by a drought-related decrease in water usage, resulting in decrease in water sales revenue of approximately \$(429,462). This decrease in water sales revenue, combined with a decrease in capital cost recovery fees of \$(479,764) and a combined decrease in other operating and fire protection revenues of \$(17,569), resulted in a net decrease in operating revenues of \$(926,795).

Operating Revenues (in thousands) and Acre Feet Sold



Operating Expenses

DEFINITIONS:

- **Cost of Purchased Water:** Water purchased from the Cachuma Project as well as Central Coast Water Authority (CCWA) and Department of Water Resources variable costs.
- **CCWA Source of Supply:** CCWA bond principal & interest, operating expenses and Department of Water Resources costs.
- **Cachuma Operating Expense:** COMB Operating, special projects, storm damage, and safety of dams (SOD).

**CARPINTERIA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Revenues, Expenses and Changes in Net Position (Continued)

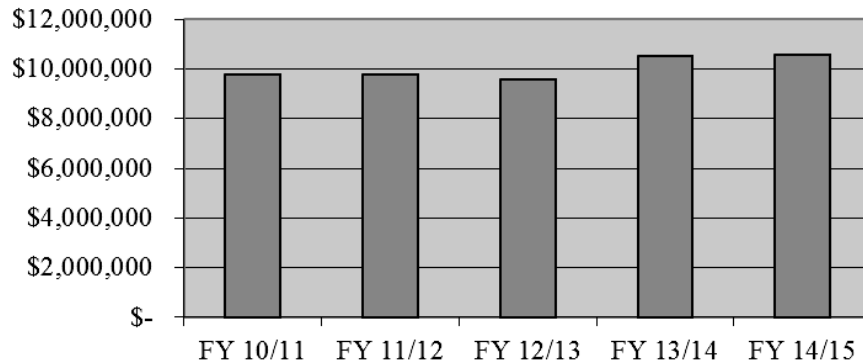
Operating Expenses - Definitions (Continued)

- Pumping Expense: Maintenance of wells and pumping equipment as well as power and telephone for pumping.
- Water Treatment: Cater Treatment Plant, chlorination, AB3030, water quality and water tests.
- Transmission & Distribution: Maintenance of mains, hydrants and meters, engineering expenses, vehicle expenses, cross connection expenses and other miscellaneous.
- Customer Accounting and Service: Meter reading and customer orders, uncollectible accounts.
- General & Administrative: Salaries and benefits, legal expenses, administration utilities, water conservation, Cachuma Conservation Release Board cost share, auditor fees, public information.
- Depreciation and Amortization: Depreciation and amortization of District capital and intangible assets.
- Overhead charged to Customers: Overhead on work orders.

Operating Expenses

	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Cost of Purchased Water	\$ 414,717	\$ 323,548	\$ 354,603	\$ 665,351	\$ 475,919
CCWA Source of Supply	2,971,245	2,978,486	2,812,371	3,066,986	3,140,228
Cachuma Operating Expense	304,882	409,972	498,379	541,839	483,741
Pumping Expense	249,027	285,050	225,971	287,174	459,277
Water Treatment	935,478	944,251	949,594	1,006,344	698,525
Transmission and Distribution	833,022	927,733	899,177	931,836	981,118
Customer Accounting and Service	61,542	67,025	47,448	75,315	39,676
General and Administrative	2,172,510	2,093,291	2,125,924	2,203,554	2,328,957
Depreciation and Amortization	1,837,803	1,776,991	1,691,401	1,814,851	2,014,314
Overhead Charged to Customers	(29,203)	(33,843)	(23,367)	(56,940)	(55,249)
Total Operating Expenses	\$ 9,751,023	\$ 9,772,504	\$ 9,581,501	\$ 10,536,310	\$ 10,566,506

Operating Expenses



**CARPINTERIA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Revenues, Expenses and Changes in Net Position (Continued)

Operating Expenses (Continued)

Overall operating expenses increased by \$30,196 in the 14/15 fiscal year as follows:

- A decrease in cost of purchased water of \$(189,432) related to a reduction in water deliveries from Lake Cachuma partially offset by increases in CCWA and Department of Water Resources (DWR) variable costs.
- A \$172,103 increase in pumping costs related to replacing Lake Cachuma deliveries with increased groundwater production.
- A decrease in water treatment costs of \$(307,819) resulting from reduced Lake Cachuma deliveries.
- An increase in depreciation and amortization of \$199,463 primarily due to the completion of the Cater Treatment Plant Ozone and Booster Pump project and the resultant amortization of construction costs.

Change in Net Position

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>% Change FYE 2015 and 2014</u>
Operating revenues	\$ 11,208,421	\$ 12,135,216	-7.64%
Operating expenses	10,566,506	10,536,310	0.29%
Operating income	<u>641,915</u>	<u>1,598,906</u>	-59.85%
Net non-operating income (expense)	326,743	(722,761)	145.21%
Capital contributions	<u>170,777</u>	<u>29,272</u>	483.41%
Change in net position	1,139,435	905,417	25.85%
Net position, beginning of year, as previously stated	29,533,839	28,628,422	3.16%
Effect of prior period adjustment (Note 13)	<u>(3,018,287)</u>	<u>-</u>	-100.00%
Net position, beginning of year	<u>26,515,552</u>	<u>28,628,422</u>	-7.38%
Net position, end of year	<u>\$ 27,654,987</u>	<u>\$ 29,533,839</u>	-6.36%

Net non-operating income includes interest income of \$24,178, interest expense of \$(759,393) and gain from litigation settlement of \$1,061,958. Capital contributions increased \$141,505, primarily arising from the completion of two multi-dwelling construction projects. The prior year adjustment is the result of implementing the provisions of GASB 68 (Note 13).

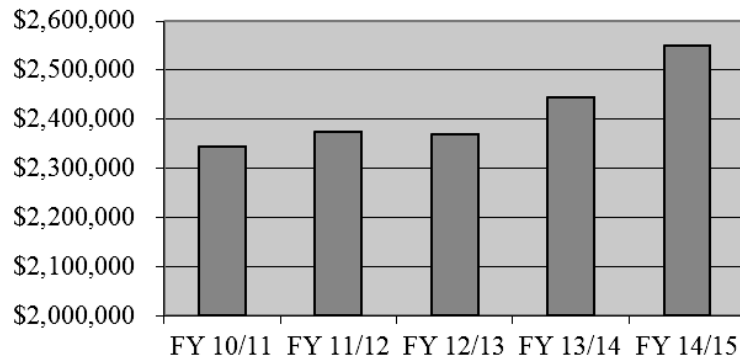
**CARPINTERIA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

SALARIES AND BENEFITS

The following table summarizes the amounts expended for salaries and benefits for the last five years:

	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Salaries	\$ 1,452,182	\$ 1,490,543	\$ 1,495,950	\$ 1,580,595	\$ 1,706,343
Social Security	105,768	108,716	112,610	112,202	127,141
Employee Retirement-PERS	369,332	364,177	320,802	293,436	299,473
Employee Group Insurance	393,344	385,181	412,792	429,537	382,180
Deferred Compensation	23,951	25,510	28,204	28,906	35,951
Total	\$ 2,344,577	\$ 2,374,127	\$ 2,370,358	\$ 2,444,676	\$ 2,551,088

Salaries and Benefits



In FY 14/15, salaries and benefits expenses increased \$106,412 from the prior year. Employee Group Insurance decreased by \$(47,357) as a result of employee plan changes. The salary increase of \$125,748 includes a salary cost of living increase and filling one of two previously vacant positions.

**CARPINTERIA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

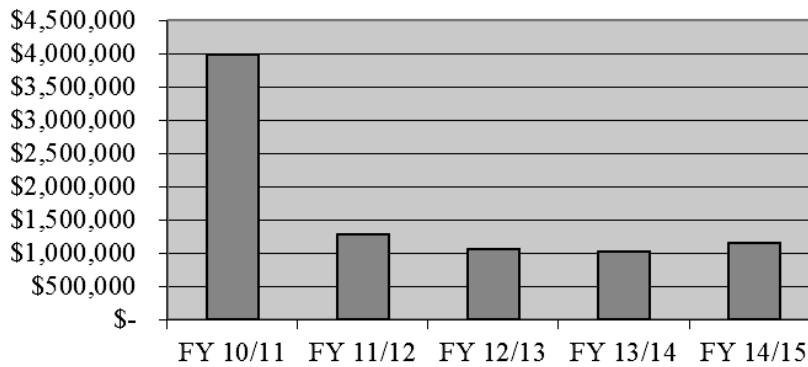
CAPITAL ASSETS

At June 30, 2015 the District had \$36,211,614 invested in net capital assets, including construction in progress. This amount represents a decrease of \$(463,161) (or 1.26%) over the prior year. See Note 4 for a summary of the capital assets by asset type.

Capital expenditures for the last five fiscal years were as follows:

	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
Capital Expenditures	\$ 3,998,369	\$ 1,289,799	\$ 1,071,945	\$ 1,020,186	\$ 1,164,876

Capital Expenditures



The increase in capital expenditures in FY 10/11 was related to the El Carro Well Rehabilitation project, the Central Zone Main project, land purchase, and litigation costs associated with the Ortega Reservoir Cover Project. The decrease in capital expenditures in FY 11/12 was due to the El Carro Well Rehabilitation project and the Central Zone Main project winding down. The decrease in FY 12/13 was due to the completion of major projects in prior years. FY 14/15 was consistent with the two prior years.

WATER SOLD AND SOURCE OF WATER SUPPLY

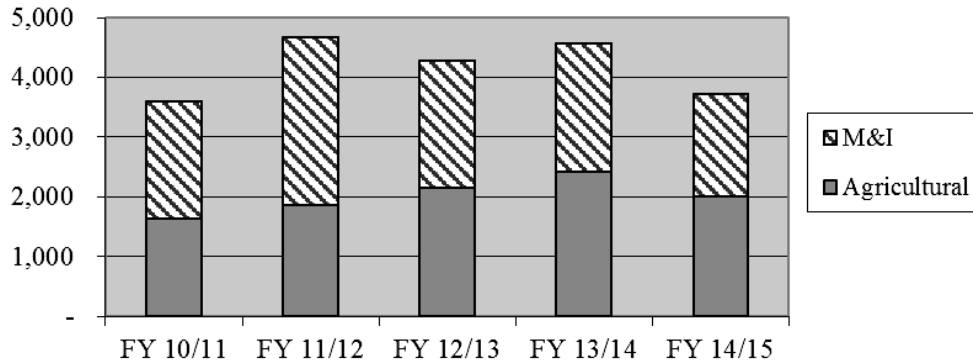
The following tables show how much water the District has sold over the past five fiscal years, and provides information regarding the source of the District's water. One acre foot (AF) is equal to 325,900 gallons.

**CARPINTERIA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

WATER SOLD AND SOURCE OF WATER SUPPLY (Continued)

Water Sold (AF)

Fiscal Year	Residential	Commercial	Authority	Industrial	Agricultural	Total
FY 10/11	1,407	356	135	71	1,633	3,602
FY 11/12	2,213	354	144	86	1,865	4,662
FY 12/13	1,518	375	151	89	2,142	4,275
FY 13/14	1,525	377	170	87	2,413	4,572
FY 14/15	1,241	280	129	75	2,004	3,729



The increase in FY 11/12 water sales is attributed to drier conditions which resulted in increased irrigation demand as well as the sale of 800 AF of water to neighboring water agencies. The decrease in FY 12/13 is primarily due to decreased residential demand due to drought conservation. The increase in FY 13/14 reflects the decrease in residential water sales being offset by increased agricultural water sales above average sales. The decrease in FY 14/15 is due to increased conservation from all user classes as well as water use restrictions that were implemented.

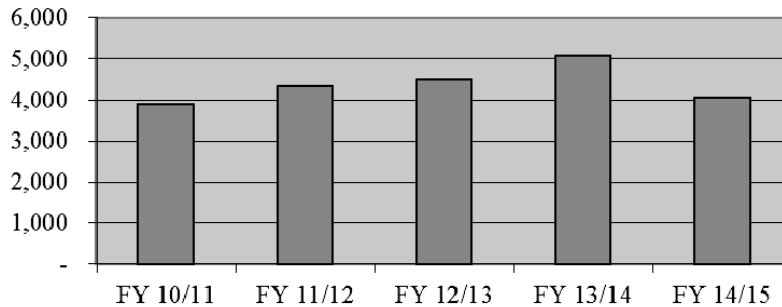
Source of Water Supply (AF)

Fiscal Year	Groundwater	State Water	Cachuma	Total
			Project	
FY 10/11	797	-	3,100	3,897
FY 11/12	1,174	-	3,149	4,323
FY 12/13	864	-	3,648	4,512
FY 13/14	754	846	3,490	5,090
FY 14/15	2,204	797	1,060	4,061

**CARPINTERIA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

WATER SOLD AND SOURCE OF WATER SUPPLY (Continued)

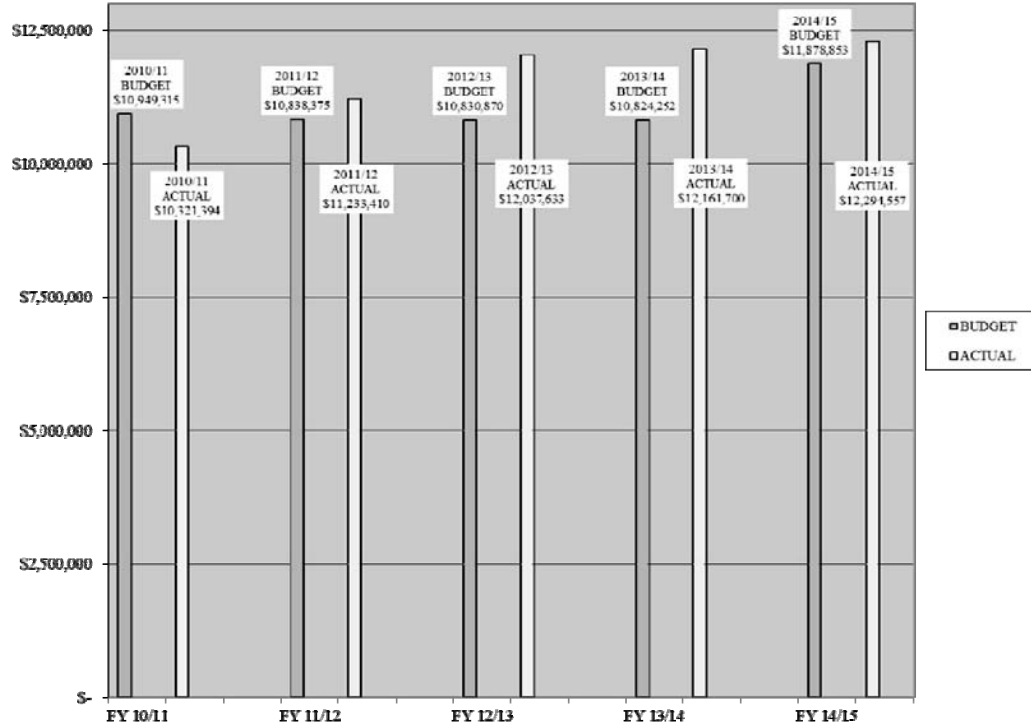
Source of Water Supply (AF)



Sources of water supply include groundwater, Lake Cachuma and State Water. The FY 14/15 decrease includes State Water deliveries of 797 AF. Lake Cachuma deliveries of 1,060 AF were 2,430 AF lower than FY13/14 deliveries of 3,490 AF.

BUDGET TO ACTUAL INFORMATION

The following table compares total annual revenues to budgeted amounts for the last five fiscal years:

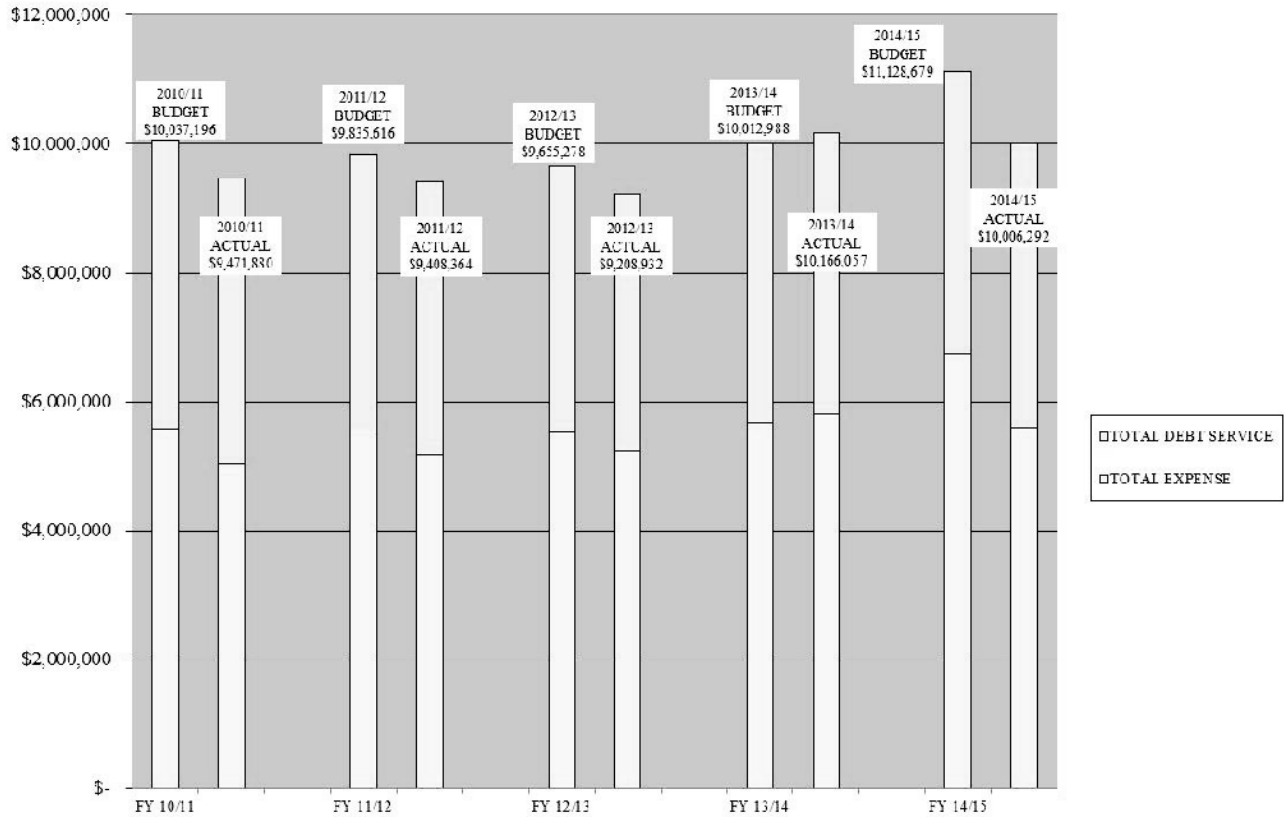


For FY 12/13 through FY 13/14 annual revenues were greater than budgeted revenues primarily due to higher than expected water sales revenue arising from extreme drought conditions. In FY 14/15, actual revenues were 3.5% higher than budgeted revenues.

**CARPINTERIA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

BUDGET TO ACTUAL INFORMATION (Continued)

The following table compares total annual expenses and debt service payments to budgeted amounts for the last five fiscal years:



For FY 10/11 through FY 12/13, actual annual expenses and debt service payments were approximately 5% under budgeted amount. In FY 13/14 actual annual expenses and debt service payments were within approximately 1% of budgeted amounts. In FY 14/15 annual expenses and debt service payments were approximately 10% under budgeted amounts.

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

	2015
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 9,860,006
Restricted cash and investments	1,622,043
Accounts receivable:	
Water sales	1,181,491
Other	363,834
Annexation fees receivable	49,338
Inventories:	
Materials and meters	126,482
Water in storage	306,233
Prepaid expenses	3,688,800
Deposits with CCWA	921,553
Total current assets	18,119,780
Non-Current Assets:	
Restricted cash and investments	2,307,932
Capital Assets:	
Property and equipment	56,791,259
Less: accumulated depreciation	(20,871,861)
Construction in progress	292,216
Capacity rights, net of amortization	6,487,261
Intangible assets, net of amortization	163,094
Net capital assets	42,861,969
Total non-current assets	45,169,901
Total assets	63,289,681
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred pensions	332,879
Deferred loss on refunding	455,039
Total deferred outflows of resources	787,918
Total assets and deferred outflows of resources	\$ 64,077,599

See accompanying notes

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

	<u>2015</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	\$ 997,115
Customer deposits	129,721
Interest payable	339,320
Advances for construction	282,811
Current portion of long term debt	660,075
Total current liabilities	<u>2,409,042</u>
Long-term Liabilities:	
Revenue Certificates of Participation Series 2006A	8,260,888
Revenue Certificates of Participation Series 2010A	8,475,844
Department of Water Resources loan contracts	11,474,883
Compensated absences payable	324,861
Net pension liability	2,822,007
Cater Treatment Plant Expansion Project financing agreement	1,983,428
Non-current portion of post-retirement health benefits payable	148,032
Total long-term liabilities	<u>33,489,943</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred pensions	<u>523,627</u>
Total liabilities and deferred inflows of resources	<u>36,422,612</u>
NET POSITION:	
Net investment in capital assets	13,423,794
Restricted for debt service	3,017,358
Unrestricted	<u>11,213,835</u>
Total net position	<u>\$ 27,654,987</u>

See accompanying notes

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended June 30, 2015

	2015
Operating Revenues:	
Water sales	\$ 10,799,713
Capital recovery fees	134,208
Fire protection	231,330
Other revenue	43,170
Total operating revenues	11,208,421
Operating Expenses:	
CCWA source of supply	3,140,228
Cost of purchased water	475,919
Cachuma operating expense	483,741
Pumping expense	459,277
Water treatment	698,525
Transmission and distribution	981,118
Customer accounting and service	39,676
General and administrative	2,328,957
Amortization	559,316
Depreciation	1,454,998
Overhead charged to customers	(55,249)
Total operating expenses	10,566,506
Operating income	641,915
Non-operating Income (Expenses):	
Gain from litigation settlement	1,061,958
Investment income	24,178
Interest expense	(759,393)
Net non-operating income	326,743
Income before contributions	968,658
Capital Contributions	170,777
Change in net position	1,139,435
Net position, beginning of year, as previously stated	29,533,839
Effect of prior period adjustment (Note 13)	(3,018,287)
Net position, beginning of year	26,515,552
Net position, end of year	\$ 27,654,987

See accompanying notes

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

	2015
Cash Flows from Operating Activities:	
Cash received from customers	\$ 10,286,120
Cash payments to suppliers for goods and services	(7,128,840)
Cash payments to employees for services	(1,596,978)
Net cash and cash equivalents provided by operating activities	1,560,302
Cash Flows from Noncapital Financing Activities:	
Net increase in customer deposits	5,293
Proceeds from litigation settlement	1,061,958
Net cash and cash equivalents provided by noncapital financing activities	1,067,251
Cash Flows from Capital and Related Financing Activities:	
Repayments of long-term debt	(694,705)
Interest payments	(742,348)
Capital assets purchased	(837,927)
Investment in water facilities	(46,249)
Net cash and cash equivalents used by capital and related financing activities	(2,321,229)
Cash Flows from Investing Activities:	
Interest received	24,178
Net cash and cash equivalents provided by investing activities	24,178
Increase in cash and cash equivalents	330,502
Cash and cash equivalents, beginning of year	13,459,479
Cash and cash equivalents, end of year	\$ 13,789,981
Cash and cash equivalents are reported in the Statement of Net Position as follows:	
Unrestricted cash and cash equivalents	\$ 9,860,006
Restricted cash and investments - current	1,622,043
Restricted cash and investments - non-current	2,307,932
	\$ 13,789,981

See accompanying notes

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

	2015
Cash Flows from Operating Activities:	
Operating income	\$ 641,915
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,454,998
Amortization	559,316
(Increase) decrease in:	
Accounts receivable	(334,785)
Inventories	(229,534)
Prepaid expenses	(218,174)
Deposit with CCWA	582
Loss on disposal of assets	25,996
Deferred outflows of resources	(332,879)
Increase (decrease) in:	
Accounts payable	213,608
Compensated absences payable	36,249
Accrued post retirement benefit	29,757
Deferred inflows of resources	523,627
Net pension liability	(196,280)
Advances for construction	(614,094)
Net cash and cash equivalents provided by operating activities	\$ 1,560,302

Supplemental Schedule of Noncash Investing and Financing Activities:

Property in the amount of \$170,777 was contributed by developers during the year ended June 30, 2015.

See accompanying notes

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

A) Reporting Entity

The Carpinteria Valley Water District (the "District") (formerly known as Carpinteria County Water District) was incorporated on February 13, 1941 under authority of the California County Water Districts Act. By contract dated April 17, 1953, the District entered into an agreement with the U.S. Bureau of Reclamation for the construction of a distribution system to serve approximately 96% of the District, thereby creating Improvement District #1. The District is governed by a Board of Directors consisting of five members elected from voters of the District.

B) Accounting Basis

The District reports its activities as an enterprise fund, which is used to account for operations where the intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses are recognized on the accrual basis, as such, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

An enterprise fund is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with the activity are included on the statement of net position.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and the producing and delivering of goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales. Operating expenses of the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C) Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity period, at purchase, of three months or less to be cash equivalents.

D) Basis for Recording Accounts Receivable and Allowance for Doubtful Accounts

The District grants credit to its customers, substantially all of whom are residents and businesses in Carpinteria, California. The District charges doubtful accounts arising from water receivables to bad debt expense when it is probable that the accounts will be uncollectible.

E) Inventories

The District's inventories are recorded at cost on the first-in, first-out basis.

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

F) Restricted Assets

These assets consist of cash and other monetary assets restricted by outside parties for various purposes.

G) Long Term Assets

Property, plant and equipment and intangible assets are valued at cost. The capitalization threshold for all capital asset purchases is \$1,000. Donated property is valued at estimated fair value on the date donated. The assets, excluding land, are depreciated or amortized using the straight line method over estimated useful lives.

Estimated useful lives are:

Transmission and distribution lines, wells	30 years
Buildings, fire hydrants, meters and service connections, tanks and reservoirs	25 years
Water treatment facilities, general equipment and tools	20 years
Corrosion control equipment	15 years
Pumping equipment	10 years
Office and automotive equipment	5 years
Intangible assets	10-30 years

H) Interest Costs

Applicable interest charges incurred during construction of new facilities are capitalized as one of the elements of cost and are amortized over the asset's estimated useful life. All other interest costs are expensed as incurred.

I) Intangible Assets

Intangible assets consist of contract renegotiation costs and bond issuance costs. These costs are being amortized over a period ranging from 10 to 30 years.

J) Budgetary Procedures

The District prepares an annual budget which includes estimates of its principal sources of revenue to be received during the fiscal year, as well as estimated expenditures and reserves needed for operation of District facilities.

K) Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and sick leave are recorded when benefits are earned. Cash payment of unused vacation and sick leave is available to those qualified employees when retired or terminated.

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

L) Concentration of Credit Risk

The District grants credit to its customers, substantially all of whom are residents and businesses of the Carpinteria Valley.

M) Construction Advances

Construction advances represent deposits received in advance of construction, which are refundable if the applicable construction does not take place. Construction advances are transferred to contributed capital when the applicable construction is completed.

N) Prepaid expenses

Prepaid expenses consist primarily of water purchases through the Central Coast Water Authority.

O) Pensions

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

P) Implementation of New Accounting Pronouncements

For the year ended June 30, 2015, the District implemented the following Governmental Accounting Standards Board (GASB) Pronouncements:

Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

P) Implementation of New Accounting Pronouncements (Continued)

Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement amends paragraph 137 of Statement No. 68. The requirements of this Statement apply to all state and local governments that are required to apply the provisions of Statement No. 68 for defined benefit pensions. This statement recognizes that at the beginning of the period in which the provisions of Statement No. 68 are adopted, there may be circumstances in which it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions.

In such circumstances, the government should recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. Additionally, in those circumstances, no beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should be recognized. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

Q) Net Position

Net position represents the difference between assets and deferred outflows, and liabilities and deferred inflows, and is classified into three components as follows:

Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

It is the District's policy to first apply restricted resources when expenses are incurred for purposes for which both restricted and unrestricted resources are available.

R) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 - Cash and Investments

Investments are carried at fair value as determined by the external investment pool sponsor. On June 30, 2015, the District had the following cash and investments on hand:

Cash in banks and on hand	\$ 2,075,296
Cash with fiscal agent	3,018,152
Local Agency Investment Fund	8,497,460
Local Agency Investment Fund- Certificates of Participation	<u>199,073</u>
Total cash and investments	<u><u>\$ 13,789,981</u></u>

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the State of California (LAIF). The District's investment policy generally limits deposits to the previous FDIC determined limit of \$100,000. This limitation does not apply to LAIF or amounts held with fiscal agents. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk or credit risk. Investments in LAIF are not rated by a national rating agency.

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. One of the ways that the District manages its exposure to interest rate risk is 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 or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2015:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Investments with fiscal agent	\$ 3,018,152	\$ 3,018,152	\$ -	\$ -	\$ -
Local Agency Investment Fund	8,497,460	8,497,460			
Local Agency Investment Fund- Certificates of Participation	<u>199,073</u>	<u>199,073</u>			
Total	<u><u>\$ 11,714,685</u></u>	<u><u>\$ 11,714,685</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 - Cash and Investments (Continued)

Disclosures 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. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the District's investment policy, and the actual rating as of June 30, 2015 for each investment type.

	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	Aa	Not Rated
Investments with fiscal agent	\$ 3,018,152	N/A	\$ -	\$ 3,018,152	\$ -	\$ -
Local Agency Investment Fund	8,497,460	N/A	8,497,460			
Local Agency Investment Fund- Certificates of Participation	<u>199,073</u>	N/A	<u>199,073</u>			
Total	<u>\$11,714,685</u>		<u>\$ 8,696,533</u>	<u>\$ 3,018,152</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments (other than investments guaranteed by the U.S. Government or investments in external investment pools).

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government 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 California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions 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 fair 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 the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 - Cash and Investments (Continued)

Custodial Credit Risk (Continued)

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government 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 the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying basic financial statements at the amounts based upon the District'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.

Note 3 - Restricted Cash and Investments

Restricted cash and investments consisted of the following at June 30, 2015:

Restricted for capital improvements	\$ 713,544
Restricted for capital improvements from the Certificates of Participation	199,073
Restricted for debt service payments	<u>3,017,358</u>
Total restricted assets	<u>\$ 3,929,975</u>
Restricted cash and investments - current	\$ 1,622,043
Restricted cash and investments - non current	<u>2,307,932</u>
	<u>\$ 3,929,975</u>

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 4 - Capital Assets

A schedule of changes in capital assets, as well as depreciation and amortization for the fiscal year ended June 30, 2015, is shown below:

	Balance June 30, 2014	Additions	Disposals	Transfers	Balance June 30, 2015
Capital assets, non-depreciable:					
Land and land rights	\$ 1,034,008	\$ -	\$ -	\$ -	\$ 1,034,008
Construction in progress	439,274	735,000		(882,058)	292,216
Total capital assets, non-depreciable	<u>1,473,282</u>	<u>735,000</u>	<u>-</u>	<u>(882,058)</u>	<u>1,326,224</u>
Capital assets, depreciable/amortizable:					
Pumping equipment	668,204				668,204
Transportation & distribution equipment	5,400,702			269,368	5,670,070
Meters & services	3,200,374	226,269		26,438	3,453,081
Hydrants	880,804	14,784			895,588
Corrosion control	45,885				45,885
Administration building	537,088				537,088
Maintenance center	281,460			2,840	284,300
Office equipment & furniture	832,044				832,044
Automotive equipment	534,786	2,003			536,789
Other equipment & tools	505,378	14,114			519,492
Wells	6,520,759	345	(27,835)	145,875	6,639,144
Tanks and reservoirs	477,565			11,106	488,671
Water treatment equipment	1,184,476	11,498		9,269	1,205,243
Facilities/grounds equipment	332,732	7,676		37,957	378,365
Distribution system	1,333,951				1,333,951
Storage tank	11,692,334	1,156		101,982	11,795,472
Headquarters well	3,108,971			11,042	3,120,013
Reservoir covers	17,082,696	4,974		266,181	17,353,851
Capacity rights	12,895,919	46,249			12,942,168
Contract renegotiation costs	316,772				316,772
Deferred expenses	45,564				45,564
Total capital assets, depreciable/amortizable	<u>67,878,464</u>	<u>329,068</u>	<u>(27,835)</u>	<u>882,058</u>	<u>69,061,755</u>
Accumulated depreciation	(19,418,716)	(1,454,998)	1,853	-	(20,871,861)
Accumulated amortization	(6,094,833)	(559,316)	-	-	(6,654,149)
Net capital assets	<u>\$ 43,838,197</u>	<u>\$ (950,246)</u>	<u>\$ (25,982)</u>	<u>\$ -</u>	<u>\$ 42,861,969</u>

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 - Long-Term Debt

Long-term debt of the District is as follows:

	Balance June 30, 2014	Additions	(Retirements)/ Amortization	Balance June 30, 2015	Due Within One Year
Series 2006A Certificates of Participation	\$ 8,555,000	\$ -	\$ (115,000)	\$ 8,440,000	\$ 110,000
Unamortized bond discount	(72,951)		3,839	(69,112)	-
Total Series 2006A Certificates of Participation	<u>8,482,049</u>	<u>-</u>	<u>(111,161)</u>	<u>8,370,888</u>	<u>110,000</u>
Series 2010A Certificates of Participation	8,475,844	-	-	8,475,844	-
Total Series 2010A Certificates of Participation	<u>8,475,844</u>	<u>-</u>	<u>-</u>	<u>8,475,844</u>	<u>-</u>
Department of Water Resources Loan Contracts	12,281,785	-	(398,413)	11,883,372	408,489
Cater Treatment Plant Financing Agreement	2,257,019	-	(181,292)	2,075,727	92,299
Compensated absences	337,899	204,056	(167,807)	374,148	49,287
Long-term debt	<u>\$ 31,834,596</u>	<u>\$ 204,056</u>	<u>\$ (858,673)</u>	<u>\$ 31,179,979</u>	<u>\$ 660,075</u>

A) Revenue Certificates of Participation

Series 2006A:

In June 2006, the District issued the Refunding Revenue Certificates of Participation, Series 2006A ("2006A COPs") in the amount of \$10,025,000 with interest rates ranging from 3.625% to 4.50%. The Certificates were executed and delivered to refund the \$9,015,000 outstanding aggregate principal amount of Series 2000 Revenue Certificates of Participation, and to pay for the costs to reconstruct the existing El Carro well.

In accordance with District's refunding plan, \$8,835,290 was deposited with an escrow agent to provide for payment when due of all interest with respect to the 2000 Refunded Certificates on and prior to July 1, 2010 and to pay the prepayment price on July 1, 2010 of the 2000 Refunded Certificates maturing after July 1, 2010. On July 1, 2010 the final payment from the escrow account was made. The refunding resulted in an economic gain of approximately \$883,000 and decreased total debt service payments by approximately \$772,000, excluding amounts related to servicing of the \$1,000,000 to be applied to El Carro well.

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 - Long-Term Debt (Continued)

A) Revenue Certificates of Participation (Continued)

Total annual requirements to amortize the Series 2006A COPs are as follows:

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 110,000	\$ 377,788	\$ 487,788
2017	355,000	367,600	722,600
2018	370,000	351,288	721,288
2019	385,000	334,781	719,781
2020	405,000	317,994	722,994
2021-2025	2,280,000	1,304,675	3,584,675
2026-2030	2,835,000	731,844	3,566,844
2031-2033	1,700,000	113,080	1,813,080
	<u>\$ 8,440,000</u>	<u>\$ 3,899,050</u>	<u>\$ 12,339,050</u>

Series 2010A:

In March 2010, the District issued the Refunding Revenue (Capital Appreciation) Certificates of Participation, Series 2010A (“2010A COPs”) in the amount of \$8,475,844 with interest rates ranging from 5.75% to 6.86%. The Certificates were executed and delivered 1) to refund a portion of the outstanding aggregate principal amount of the 2006A COPs, constituting a portion of the 2006A COPs maturing on July 1, 2010 and each July 1 thereafter through July 1, 2015, inclusive, 2) to refund a portion of the District’s obligations under the Safe Drinking Water State Revolving Fund Contract #SRF99CX125 maturing on July 1, 2010 and each January and July 1 thereafter through July 1, 2017, inclusive, and 3) to fund certain improvements to the City of Santa Barbara’s Cater Water Treatment Plant which serves the District.

In accordance with District’s refunding plan, \$1,079,808 was deposited with an escrow agent to provide for payment when due (through July 2015) of all principal and interest with respect to the 2006A Refunded Certificates. The total payments made on the 2006A Refunded Certificates from escrow funds will be \$1,000,000 in principal and \$142,800 in interest. The refunding resulted in increased total debt service payments from \$1,142,800 to \$3,300,000, including only amounts related to the 2006A Refunded Certificates. This increased cash flow created an economic loss of approximately \$133,052 when discounted at the 2010A COPs’ effective interest rate of 6.61769%. At June 30, 2015 there was \$230,000 of defeased Series 2006A Refunded Certificates outstanding, to be paid from escrow funds.

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 - Long-Term Debt (Continued)

A) Revenue Certificates of Participation (Continued)

Total annual requirements to amortize the Series 2010A COPs are as follows:

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ -	\$ -
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021-2025	1,265,833	1,449,166	2,714,999
2026-2030	3,176,328	6,233,672	9,410,000
2031-2035	3,306,106	11,088,894	14,395,000
2036	727,577	3,262,424	3,990,001
	<u>\$ 8,475,844</u>	<u>\$ 22,034,156</u>	<u>\$ 30,510,000</u>

B) Safe Drinking Water State Revolving Fund Contracts

Contract # SRF99CX125:

The Safe Drinking Water State Revolving Fund Contract was issued February 9, 2004. The purpose of the loan was to assist in financing various capital improvements which will enable the District to meet certain safe drinking water standards. The contract provides for a 20 year loan bearing an interest rate of approximately 2.5%. The District will be required to maintain a reserve fund equal to two semi-annual loan payments during the first ten years of the repayment period. The loan requires semi-annual payments of interest and principal due on January 1 and July 1 of each year commencing after the completion of the projects.

Contract # SRF99CX121:

The Safe Drinking Water State Revolving Fund Contract was issued March 19, 2004. The purpose of the loan was to assist in financing various capital improvements which will enable the District to meet certain safe drinking water standards. The contract provides for a 20 year loan bearing an interest rate of approximately 2.5%. This loan was issued to both this District and the Montecito Water District in order to finance the capital improvements to the Ortega Reservoir. Each District will be legally liable for half of the joint loan proceeds. Carpinteria Valley Water District's portion of the principal balance was \$9,236,658, and requires semi-annual payments of interest and principal due on January 1 and July 1 of each year commencing in July 2010. Interest payments during the construction period were due semi-annually based on the funds disbursed. The District will be required to maintain a reserve fund equal to two semi-annual loan payments during the first ten years of the repayment period.

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 - Long-Term Debt (Continued)

B) Safe Drinking Water State Revolving Fund Contracts (Continued)

The annual estimated requirements to amortize the Safe Drinking Water State Revolving Fund Contract #SRF99CX125 are as follows:

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ 114,172	\$ 114,172
2017	-	114,172	114,172
2018	374,918	109,907	484,825
2019	418,210	102,139	520,349
2020	428,786	91,562	520,348
2021-2025	2,312,181	289,561	2,601,742
2026-2027	1,008,807	31,890	1,040,697
Total	\$ 4,542,902	\$ 853,403	\$ 5,396,305

The annual estimated requirements for the District to amortize the Safe Drinking Water State Revolving Fund Contract #SRF99CX121 are as follows:

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 408,489	\$ 181,930	\$ 590,419
2017	418,820	171,599	590,419
2018	429,412	161,008	590,420
2019	440,271	150,148	590,419
2020	451,406	139,013	590,419
2021-2025	2,434,154	517,942	2,952,096
2026-2030	2,757,918	194,177	2,952,095
Total	\$ 7,340,470	\$ 1,515,817	\$ 8,856,287

C) Cater Treatment Plant Expansion Project Financing Agreement

The District entered into a financing agreement with the City of Santa Barbara dated February 27, 2002, which requires the District to pay twenty percent of a loan obligation between the City of Santa Barbara and the California Drinking Water State Revolving Fund. The loan proceeds were used to finance certain improvements to the Cater Treatment Plant in order to meet new water quality standards imposed on public agencies. The loan provides for a 20 year loan amortization maturing on July 1, 2025, bearing an interest rate of approximately 2.5%. The improvements were completed in January 2005 and the District's portion of the loan in the amount of \$3,580,170 was recorded on the statement of net position at June 30, 2005.

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 - Long-Term Debt (Continued)

C) Cater Treatment Plant Expansion Project Financing Agreement (Continued)

The District is required to make semi-annual payments of interest and principal in the amount of \$114,425 payable to the City of Santa Barbara on December 15th and June 15th each year.

The annual requirements to amortize the Cater Treatment Plant Expansion financing agreement are as follows:

<u>Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 92,299	\$ 25,289	\$ 117,588
2017	187,972	47,203	235,175
2018	192,566	42,609	235,175
2019	197,275	37,899	235,174
2020	202,105	33,070	235,175
2021-2025	1,087,344	88,530	1,175,874
2026	116,166	1,420	117,586
Total	<u>\$ 2,075,727</u>	<u>\$ 276,020</u>	<u>\$ 2,351,747</u>

Note 6 - Defined Benefit Pension Plan

General Information about the Pension Plans

Plan Descriptions –All qualified employees are eligible to participate in Carpinteria Valley Water District’s Miscellaneous Employee Pension Plans, 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. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Eligible employees hired after January 1, 2013 that are considered new members as defined by the Public Employees’ Pension Reform Act (PEPRA) are participating in the PEPRA Miscellaneous Plan.

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, as discussed above. Members with five years of total service are eligible to retire at age 50 or 52 if in the PEPRA Miscellaneous Plan with statutorily reduced benefits. An optional benefit regarding sick leave was adopted. Any unused sick leave accumulates at the time of retirement will be converted to credited service at a rate of 0.004 years of service for each day of sick leave. All members are eligible for non-duty disability benefits after 10 years of service. The system also provides for the Optional Settlement 2W Death Benefit. The cost of living adjustments for all plans are applied as specified by the Public Employees’ Retirement Law.

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 - Defined Benefit Pension Plan (Continued)

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

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
Hire date	Prior to February 10, 2011	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-63	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	6.9%	6.9%	6.3%
Required employer contribution rates	19.5%	10.3%	6.3%

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

For the year ended June 30, 2015, the contributions recognized as part of pension expense for all Plans were as follows:

	Miscellaneous	
	Tiers 1 & 2	PEPRA
Employer Paid Member Contributions	\$ 98,777	\$ 5,067

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net <u>Pension Liability</u>
Miscellaneous Tiers 1 & 2	\$ 2,821,892
Miscellaneous PEPRA	115
Total Net Pension Liability	<u>\$ 2,822,007</u>

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 - Defined Benefit Pension Plan (Continued)

The District's proportion of the net pension liability was based on a projection of their long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for all Plans as of June 30, 2013 and 2014 was as follows:

	Miscellaneous	
	Tiers 1 & 2	PEPRA
Proportion - June 30, 2013	0.10012%	0.00000%
Proportion - June 30, 2014	0.11418%	0.00000%
Change - Increase (Decrease)	0.01406%	0.00000%

For the year ended June 30, 2015, the District recognized pension expense of \$299,473. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous					
	Tiers 1 & 2		PEPRA		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 270,904	\$ -	\$ 10,934	\$ -	\$ 281,838	\$ -
Differences between actual and expected experience	-	-	-	-	-	-
Changes in assumptions	-	-	-	-	-	-
Changes in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	47,307	(31,664)	3,734	(955)	51,041	(32,619)
Net differences between projected and actual earnings on plan investments	-	(490,969)	-	(39)	-	(491,008)
	\$ 318,211	\$ (522,633)	\$ 14,668	\$ (994)	\$ 332,879	\$ (523,627)

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 - Defined Benefit Pension Plan (Continued)

\$281,838 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30:	Miscellaneous	
	Tiers 1 & 2	PEPRA
2016	\$ (117,155)	\$ 983
2017	(117,155)	983
2018	(118,273)	783
2019	(122,743)	(9)
2020	-	-
Thereafter	-	-
	\$ (475,326)	\$ 2,740

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actual Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by entry age and service (1)
Investment Rate of Return	7.50% (2)
Mortality	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power applies, 2.75% thereafter

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment and administrative expenses, including inflation

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

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 - Defined Benefit Pension Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for all Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for all plans, 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 will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expenses. 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. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 - Defined Benefit Pension Plan (Continued)

Asset Class	Net Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability for all Plans, calculated using the discount rate for all Plans, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous		
	Tiers 1 & 2	PEPRA	Total
1% Decrease	6.5%	6.5%	6.5%
Net Pension Liability	\$ 4,144,476	\$ 206	\$ 4,144,682
Current Discount Rate	7.5%	7.5%	7.5%
Net Pension Liability	\$ 2,821,892	\$ 115	\$ 2,822,007
1% Increase	8.5%	8.5%	8.5%
Net Pension Liability	\$ 1,724,245	\$ 40	\$ 1,724,285

Pension Plan Fiduciary Net Position – Detailed information about all pension plan fiduciary net positions is available in the separately issued CalPERS financial reports.

Note 7 - Post-Employment Health Care Benefits

Plan Description

The District provides retiree medical, dental, vision, and prescription drug coverage to current and future eligible retirees and their spouse. Under the Plan, retired employees who attain age 60 with at least 20 years of service are eligible to receive benefits. Spouses may be covered with certain limitations.

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 7 - Post-Employment Health Care Benefits (Continued)

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and its board of directors. The required contribution is based on projected pay-as-you-go financing requirements. The District pays 100% of the premium for pre-65 retirees, and contributes up to 5% of a retiree's PERS benefit toward the cost of medical coverage for post-65 retirees.

Annual OPEB Cost and Net OPEB Obligation

The District's annual 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 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs 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 the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation for plan benefits:

Annual required contribution	\$ 47,714
Interest on Net OPEB obligation	4,738
Adjustment to ARC	(4,526)
Annual OPEB cost	<u>47,926</u>
Contributions made	<u>(18,169)</u>
Increase in net OPEB	29,757
Net OPEB obligation - beginning of year	118,275
Net OPEB obligation - end of year	<u><u>\$ 148,032</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2015 and the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/13	\$43,673	40%	\$ 90,508
06/30/14	\$45,748	39%	\$ 118,275
06/30/15	\$47,926	38%	\$ 148,032

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 7 - Post-Employment Health Care Benefits (Continued)

Funded Status and Funding Progress

As of June 30, 2015, based on the last valuation performed the actuarial accrued liability for benefits was \$554,270, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,557,756, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 36%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and 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 is presented within Required Supplementary Information and 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 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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Valuation Date	July 1, 2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Amortization Period for UAAL	Open period of 30.0 years
Actuarial Assumptions	
Rate of return on investments	4.00%
Expected rate of return on plan assets	7.50%
Payroll growth	3.00%
Inflation	2.75%
Healthcare cost trend rate	5.00%-7.00%

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 8 - Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits participating employees to defer a portion of their salary until future years. The District matches employee contributions up to 2.5% of a contributing employee's annual salary. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

On June 8, 1997 the District amended the plan in accordance with the provisions of IRC Section 457(g). On that date, assets of the plan were placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribes that the District no longer owns the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the District's financial statements. Contributions to the Plan for the year ended June 30, 2015 were \$35,951.

Note 9 - Lease Obligations

The District has lease obligations for two of its well sites.

The High School Well lease, dated March 1, 1989 and amended April 23, 2008 is for a term of thirty years, terminating July 1, 2030. There are no lease payments associated with this lease. In return the District provides the School District with the Irrigation water rate for specific water accounts.

During 2011, the District purchased a permanent easement from the City for the land that contains the El Carro Well. Prior to the purchase of the easement, the District had a lease with the City, dated November 16, 1990, for the useful life of the well. As "in-lieu of rent" for the first twenty year period, the District installed, at a cost of \$40,085, water line and fire hydrant facilities to accommodate future development of the property adjoining the well site.

Note 10 - Cachuma Project Authority

This joint exercise of powers authority was created by the participating agencies for the purpose of renegotiating with the United States Bureau of Reclamation (USBR) the contract for the operation of the Cachuma reservoir. Through the authority, the agencies collectively issued revenue bonds to refinance certain obligations each agency had incurred to finance its share of the expansion of the shared Water Treatment Plant. The District's share of these revenue bonds is shown as a liability on the statement of net position.

The Cachuma Project Authority successfully renegotiated a contract with the USBR. The Authority, effective September 30, 1996 merged into the Cachuma Operations and Maintenance Board (COMB), which is responsible for all operational aspects of the Cachuma reservoir. All assets and liabilities of the Authority were transferred to COMB. The District continues to contribute its share of the operating expenses. The accumulated contract renegotiation costs are being amortized over the term of the new contract, which is twenty-five years.

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 11 - Joint Powers Insurance Authority

The District participates in the property and liability program organized by the Association of California Water Agencies/Joint Powers Insurance Authority ("ACWA/JPIA"). ACWA/JPIA is a Joint Powers Authority created to provide a self-insurance program to water agencies in the State of California. The ACWA/JPIA is not a component unit of the District for financial reporting purposes, as explained below.

ACWA/JPIA provides liability, property and workers' compensation insurance for approximately 265 water agencies for losses in excess of the member districts' specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial carriers. ACWA/JPIA is governed by a separate board comprised of members from participating districts. The board controls the operations of ACWA/JPIA, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member shares surpluses and deficiencies proportionately to its participation in ACWA/JPIA.

Based on financial information at September 30, 2014, ACWA/JPIA had total assets, liabilities and net position of \$195,584,006, \$107,626,833 and \$87,957,173, respectively. The District paid premiums of \$64,955 to ACWA/JPIA for property and liability insurance, and \$51,354 for workers' compensation during the year ended June 30, 2015.

Note 12 - Commitments and Contingencies

A) Central Coast Water Authority

In 1991, the voters of the District elected to participate in the State Water Project (SWP). As a result, the District joined in the formation of the Central Coast Water Authority (CCWA) in August 1991. The purpose of the Central Coast Water Authority is to provide for the financing, construction, operation, and maintenance of certain local (non-state owned) facilities required to deliver water from the SWP to certain water purveyors and users in Santa Barbara County.

Each project participant, including the District, has entered into a Water Supply Agreement to provide for the development, financing, construction, operation and maintenance of the CCWA Project. The purpose of the Water Supply Agreement is to assist in carrying out the purposes of CCWA with respect to the CCWA Project by:

- 1) requiring CCWA to sell, and the project participants to buy, a specified amount of water from CCWA ("take or pay"); and
- 2) assigning the Santa Barbara project participant's entitlement rights in the State Water project to CCWA.

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 12 - Commitments and Contingencies (Continued)

A) Central Coast Water Authority (Continued)

Although the District does have an ongoing financial interest pursuant to the Water Supply Agreement between the District and CCWA, the District does not have an equity interest as defined by GASB Code Sec. J50.105.

Each project participant is required to pay to CCWA an amount equal to its share of the total cost of "fixed project costs" and certain other costs in the proportion established in the Water Supply Agreement. This includes the project participant's share of payments to the State Department of Water Resources (DWR) under the State Water Supply Contract (including capital, operation, maintenance, power and replacement costs of the DWR facilities) debt service on CCWA bonds and all CCWA operating and administrative costs.

Each project participant is required to make payments under its Water Supply Agreement solely from the revenues of its water system. Each project participant has agreed in its Water Supply Agreement to fix, prescribe and collect rates and charges for its water system which will be at least sufficient to yield each fiscal year net revenues equal to 125% of the sum of (1) the payment required pursuant to the Water Supply Agreement, and (2) debt service on any existing participant obligation for which revenues are also pledged.

CCWA is composed of eight members, all of which are public agencies. CCWA was organized and exists under a joint exercise of power agreement among the various participating public agencies. The Board of Directors is made up of one representative from each participating entity. Votes on the Board are approximately apportioned between the entities based upon each entity's allocation of State water entitlement. The Carpinteria Valley Water District share of the project, based upon number of acre-feet of water, is 10.487%.

Operating and capital expenses are allocated among the members based upon various formulas recognizing the benefits of the various project components to each member.

On October 1, 1992, CCWA sold \$177,120,000 in revenue bonds at a true interest cost of 6.64% to enable CCWA to finance a portion of the costs of constructing a water treatment plant to treat State water for use by various participating water purveyors and users within Santa Barbara and San Luis Obispo Counties, a transmission system to deliver such water to the participating water purveyors and users within Santa Barbara County, and certain local improvements to the water systems of some of the participating purveyors.

In November 1996, CCWA sold \$198,015,000 of revenue bonds at a true interest cost of 5.55% to defease CCWA's \$177,120,000 1992 revenue bonds and to pay certain costs of issuing the bonds. The 1996 bonds were issued in two series: Series A of \$173,015,000 and Series B of \$25,000,000. The Series B bonds are subject to mandatory redemption from amounts transferred from the Construction Fund and the Reserve Fund upon completion of the construction of CCWA facilities.

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 12 - Commitments and Contingencies (Continued)

A) Central Coast Water Authority (Continued)

In August 2006, CCWA issued the Series 2006A Refunding Revenue Bonds for \$123,190,000 at a true interest cost of 4.24% to defease the 1996 Revenue Bonds. A portion of the bond proceeds together with other funds were placed into an escrow account invested in securities which will provide sufficient funds to pay the regularly scheduled principal of and interest on the refunded bonds on October 1, 2006, and to pay on October 3, 2006 the principal of and accrued interest to the date of redemption, and redemption premium, if any, on the refunded bonds maturing on and after October 1, 2006.

The Carpinteria Valley Water District estimated minimum State water payments for the next five fiscal years are summarized below:

Fiscal Year Ending June 30,	Fixed Costs	Variable Costs	Debt Service	Total
2016	\$ 2,260,644	\$ 610,897	\$ 1,156,681	\$ 4,028,222
2017	2,147,734	466,381	1,157,270	3,771,385
2018	2,136,563	563,909	1,160,708	3,861,180
2019	2,076,416	578,303	1,155,532	3,810,251
2020	2,075,965	593,128	1,154,611	3,823,704
Thereafter (through 2035)	31,576,794	-	2,312,501	33,889,295
Total	<u>\$ 42,274,116</u>	<u>\$ 2,812,618</u>	<u>\$ 8,097,303</u>	<u>\$ 53,184,037</u>

B) Cater Advanced Treatment Project

The City of Santa Barbara made improvements to the Cater Treatment Plant with a total estimated cost of approximately \$20,000,000. The project was completed during 2014 and began amortization during the current fiscal year. As of the date of these financial statements, the District's portion of the expenditures incurred amounted to approximately \$4,326,000.

C) Ortega Reservoir

The Ortega Reservoir has construction defects to its basin. Although the reservoir is not a capital asset of the District, the District, along with Montecito Water District, will be required to pay for the repairs, which may be significant. The total cost of the repairs cannot be estimated.

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 12 - Commitments and Contingencies (Continued)

D) Bradbury Dam

The District, as a member of the Cachuma Operations and Maintenance Board (COMB), is responsible for a portion of costs associated with certain capital improvements to the Bradbury Dam. The improvements are required to meet certain earthquake and seismic safety standards imposed by public agencies. Pursuant the “Bradbury Dam SOD ACT Repayment Agreement”, between COMB and the Bureau of Reclamation, the District will be required to make annual payments of \$18,037 commencing October 2002 through 2015, annual payments of \$28,649 commencing October 2016 through 2026 and annual payments of \$10,612 commencing October 2027 through 2051 to finance the project.

The District’s future obligations are as follows:

Year Ended June 30:

2016	\$ 18,037
2017	28,649
2018	28,649
2019	28,649
2020	28,649
Thereafter	<u>465,843</u>
Total	<u>\$ 598,476</u>

E) Emergency Drought Pumping Commitment

On July 25, 2014, the District guaranteed \$608,000 of the seven year \$3,200,000 line of credit of the Cachuma Operations and Maintenance Board (COMB), a legally separate entity in which the District is a member agency. On July 25, 2014, COMB secured a \$2,000,000 non-revolving line-of-credit and a \$1,200,000 revolving line-of credit to finance an emergency pumping project resulting from current severe drought conditions. Both lines-of-credit mature on July 25, 2021, with quarterly interest payments. In the event that COMB is unable to make a payment, the District will be required to make that payment up to its guarantee amount of \$608,000. As a guarantor, the District is subject to certain financial covenants.

Note 13 - Prior Period Adjustment

Note 1 describes the GASB pronouncements the District is adopting for this and the prior fiscal year. There is a financial impact for the adoption of GASB Statement No. 68, “Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.”

CARPINTERIA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 13 - Prior Period Adjustment (Continued)

Net Pension Liability

Implementation of GASB Statement No. 68 recognizes a liability for the District's proportionate share of the net pension liability of all employers for benefits provided through the California Public Employees' Retirement System (CalPERS). Additionally, the District is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows or resources and deferred inflows of resources related to pensions. The effect of this adjustment can be seen below.

Because all of the information required to restate prior year was not available at the time the financial statements were available to be issued, prior year values are not presented.

The following table presents the effect of the prior period adjustment on the June 30, 2015 financial statement balances.

Net position, at July 1, 2014, as originally stated	\$ 29,533,839
Decrease in net position due to net pension liability	<u>(3,018,287)</u>
Net position, at July 1, 2014, as restated	<u>\$ 26,515,552</u>

Note 14 - Subsequent Events

Subsequent events have been evaluated through December 9, 2015, the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**CARPINTERIA VALLEY WATER DISTRICT
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2015
LAST 10 YEARS***

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CARPINTERIA VALLEY WATER DISTRICT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	Miscellaneous Tier 1 2015	Miscellaneous Tier 2 2015	Miscellaneous PEPRA 2015
Proportion of the net pension liability	0.04518%	0.00017%	0.00000%
Proportionate share of the net pension liability	\$ 2,811,504	\$ 10,388	\$ 115
Covered - employee payroll	\$ 1,231,136	\$ 334,143	\$ 47,670
Proportionate share of the net pension liability as a percentage of covered-employee payroll	228.37%	3.11%	0.24%
Plan fiduciary net position as a percentage of the total pension liability	71.63%	83.03%	83.14%

Notes to Schedule:

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**CARPINTERIA VALLEY WATER DISTRICT
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2015
LAST 10 YEARS***

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CARPINTERIA VALLEY WATER DISTRICT'S CONTRIBUTIONS**

	Miscellaneous Tier 1 2015	Miscellaneous Tier 2 2015	Miscellaneous PEPRA 2015
Contractually required contribution (actuarially determined)	\$ 229,989	\$ 27,500	\$ 5,083
Contributions in relation to the actuarially determined contributions	\$ 229,989	\$ 27,500	\$ 5,083
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,231,136	\$ 334,143	\$ 47,670
Contributions as a percentage of covered-employee payroll	18.68%	8.23%	10.66%

Notes to Schedule:

Valuation date:	6/30/2013	6/30/2013	6/30/2013
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* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**CARPINTERIA VALLEY WATER DISTRICT
OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN
SCHEDULE OF FUNDING PROGRESS**

Fiscal Year Ending	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/13	7/1/2012	-	497,496	497,496	0%	1,468,334	34%
6/30/14	7/1/2012	-	525,049	525,049	0%	1,512,384	35%
6/30/15	7/1/2012	-	554,270	554,270	0%	1,557,756	36%

Notes to Schedule:

This information is intended to help users assess the District's OPEB plan's status on a going-concern basis and assess progress made in accumulating assets to pay benefits when due.

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 to the Indenture and of any certificate, opinion or other document mentioned in the Indenture, have the meanings specified in the Indenture, to be equally applicable to both the singular and plural forms of any of the terms defined in the Indenture.

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, Acting General Manager, Assistant General Manager 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 Assistant General Manager 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.

Bond Fund. The term "Bond Fund" means the fund by that name established for the 2016 Bonds pursuant to the Indenture.

Bond Year. The term "Bond Year" will have the meaning set forth in the Tax Certificate.

Bonds. The term "Bonds" means all bonds, notes or similar obligations (but not including Contracts) of the District, the principal and interest of which are payable from Net Revenues on a parity with the 2016 Bonds and which are secured by a pledge of and lien on Revenues as described in the Indenture.

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.

Cachuma Water Supply Agreement. The term "Cachuma Water Supply Agreement" means the Contract for the Furnishing of Water to the Carpinteria County Water District, dated September 12, 1949, by and between the Santa Barbara County Water Agency and the District, as originally executed and as renewed by the Renewal Master Contract on April 14, 1996, and as both may from time to time be amended or supplemented in accordance therewith.

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 in the Indenture.

Closing Date. The term “Closing Date” means the date on which the 2016 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 and as it may be from time to time amended or supplemented in accordance with its terms.

Contracts. The term “Contracts” means the 2010 Installment Purchase Agreement, the DWR Joint Loan and all contracts of the District the payments of which are payable from Net Revenues on a parity with the obligations of the District to make payments under the Indenture, excluding contracts entered into for maintenance and operation of the Water System.

Costs of Issuance. The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, issuance, sale and delivery of the 2016 Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, Rating Agency fees, title insurance premiums, letter of credit fees and bond insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the 2016 Bonds and any other cost, charge or fee in connection with the original issuance of the 2016 Bonds.

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

Debt Service. The term “Debt Service” means, for any Fiscal Year, the sum of:

(1) the interest on all outstanding Bonds payable during such Fiscal Year (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) that portion of the principal amounts of all outstanding serial Bonds maturing in such Fiscal Year;

(3) that portion of the principal amounts of all outstanding term Bonds required to be prepaid or paid in such Fiscal Year; and

(4) that portion of the Parity Installment Payments required to be made during such Fiscal Year (except to the extent 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);

provided that, as to any such Bonds or Parity Installment Payments bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, 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 Parity Installment Payments plus 1%, and

(ii) the highest average variable rate borne over a six month period during 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;

and provided further that, as to any such Bonds or Parity Installment Payments or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Parity Installment Payments or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service;

and provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds and Contracts for which such debt service reserve fund was established and in each preceding year until such amount is exhausted; and

and provided further that Debt Service shall be reduced by an amount equal to earnings on any reserve fund transferred to the corresponding debt service fund.

Defeasance Securities. The term “Defeasance Securities” means: (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated “AAA” by S&P, and (5) securities eligible for “AAA” defeasance under then existing criteria of S&P.

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 2016 Bonds.

District. The term “District” means Carpinteria Valley Water District, a county water district, duly organized and existing under and by virtue of the laws of the State of California, including the Law.

DWR Joint Loan. The term “DWR Joint Loan” means the joint loan contract dated March 19, 2004, by and among the California Department of Water Resources, the District, and the Montecito Water District (Contract # SRF99CX121).

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 June 30 of the following year, both dates inclusive, or any other twelve month period later selected and designated as the official fiscal year period of the District.

Generally Accepted Accounting Principles. The term “Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures prescribed by the California State Controller or his

successor for public agencies in the State of California, or failing the prescription of such procedures means generally accepted accounting principles as presented and recommended by the American Institute of Certified Public Accountants or its successor, or by the National Council on Governmental Accounting or its successor, or by any other generally accepted authority on such principles.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of March 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 certified public accountant or firm of certified public accountants duly licensed and entitled to practice, and practicing as such, under the laws of the State of California, appointed and paid by the District, and each of whom- (1) is in fact independent and not under the domination of the District; (2) does not have a substantial financial interest, direct or indirect, in the operations of the District; and (3) is not connected with the District as a board member, officer or employee of the District, but may be regularly retained to audit the accounting records of and make reports thereon to the District.

Independent Financial Consultant. The term “Independent Financial Consultant” means any financial consultant or firm of such consultants of national reputation generally recognized to be well qualified in financial matters relating to systems similar to the Water System, appointed and paid by the District, 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 a member of the Board of Directors, an officer or an employee thereof, but who may be regularly retained to make reports thereto.

Information Services. The term “Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system; 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.

Interest Payment Date. The term “Interest Payment Date” means January 1 and July 1 of each year, commencing July 1, 2016.

Investment Agreement. The term “Investment Agreement” means an investment agreement supported by appropriate opinions of counsel; provided the provider thereof or the guarantor thereof is rated, at the time of issuance, at least “A+” by S&P.

Law. The term “Law” means the County Water District Law of the State of California (being Division 12 of the Water Code of the State of California, as amended) and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including all laws amendatory thereof or supplemental thereto.

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 2016 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.

Maintenance and Operations Costs. The term “Maintenance and Operations Costs” means: (1) costs spent or incurred for maintenance and operation of the Water System, calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the 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, salaries and wages of employees, payments to the Public

Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums; (2) 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 other Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; (3) all costs paid by the District under the Water Supply Agreement; (4) all costs paid by the District under the Cachuma Water Supply Agreement; and (5) all costs of water purchased or otherwise acquired for delivery by the Water System, including both fixed and variable components thereof, but excluding in all cases: (a) depreciation, replacement and obsolescence charges or reserves therefor; (b) amortization of intangibles or other bookkeeping entries of a similar nature; (c) costs of capital additions, replacements, betterments, extensions or improvements to the Water System which under Generally Accepted Accounting Principles are chargeable to a capital account or to a reserve for depreciation; and (d) charges for the payment of Bonds or Contracts.

Manager. The term “Manager” means the General Manager of the District, or any other person designated by the General Manager to act on behalf of the General Manager.

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 attorney’s fees) incurred in the collection of such proceeds.

Net Revenues. The term “Net Revenues” means, for any Fiscal Year or other period, Revenues for such Fiscal Year or other period, less Maintenance and Operations Costs, for such Fiscal Year or other period.

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 of the Trustee. The term “Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California, provided that for purposes of payment, redemption, exchange, transfer, surrender and cancellation of 2016 Bonds, such term means the office of the Trustee at which it conducts its corporate agency business, or such other office as the Trustee may from time to time designate in writing to the District and the Owners.

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 2016 Bonds, means (subject to the provisions of the Indenture) all 2016 Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (i) 2016 Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) 2016 Bonds with respect to which all liability of the District will have been discharged in accordance with the Indenture, including 2016 Bonds (or portions thereof) described in the Indenture; and (iii) 2016 Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2016 Bonds will have been authenticated and delivered by the Trustee pursuant to the Indenture.

Owner; 2016 Bond Owner. The term “Owner” or “2016 Bond Owner,” whenever used in the Indenture with respect to a 2016 Bond, means the person in whose name the ownership of such 2016 Bond is registered on the Registration Books.

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

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.

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:

(a) for all purposes, including but not limited to defeasance investments in refunding escrow accounts: (1) cash; (2) non-callable direct obligations of the United States of America (“Treasury’s”); (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasury’s held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasury’s are not available to any person claiming through the custodian or to whom the custodian may be obligated; (4) pre-refunded municipal obligations rated “AAA” by S&P or (5) securities eligible for “AAA” defeasance under then existing criteria of S&P or any combination thereof.

Notwithstanding the foregoing, if any such securities are applied to the defeasance of the 2016 Bonds pursuant to the Indenture, such securities must provide for the timely payment of principal and interest and cannot be callable or redeemable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(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; Rural Economic Community Development Administration; U.S. Maritime Administration; Small Business Administration; U.S. Department of Housing & Urban Development (PHAs); Federal Housing Administration; and Federal Financing Bank; (2) direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); obligations of the Resolution Funding Corporation (REFCORP); and senior debt obligations of the Federal Home Loan Bank System; (3) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which 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 maturing not more than 360 calendar 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 which matures not more than 270 calendar days after the date of purchase; (5) investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, including such funds for which the Trustee or an affiliate provides investment advice or 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 (A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of S&P or any successors thereto; or (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a)(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; (7) Municipal Obligations rated “AAA” or general obligations of States with a rating of “A” or higher by S&P; and (8) Investment Agreements;

(c) the value of the above investments shall be determined as follows:

(i) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch and Morgan Stanley Smith Barney;

(ii) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and

(iii) As to any investment not specified above: the value thereof established by prior agreement between the District and the Trustee.

Project: Parity Project. The term "Project" means the additions, betterments, extensions and improvements to the Water System. The term "Parity Project" means any additions, betterments, extensions or improvements 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.

Rate Stabilization Fund. The term "Rate Stabilization Fund" means the District account so designated by the District in the Indenture, together with other accounts created in the future and designated by action of the Board of Directors as a part of the Rate Stabilization Fund continued pursuant to the Indenture.

Rating. The term "Rating" means any currently effective rating on the 2016 Bonds issued by the Rating Agency.

Rating Agency. The term "Rating Agency" means S&P, if such rating agency is then rating the 2016 Bonds.

Rebate Fund. The term "Rebate Fund" means the fund by that name established for the 2016 Bonds 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 2016 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 2016 Bond (or portion thereof), the principal amount of such 2016 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 2016 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 2016 Bonds pursuant to the Indenture.

Responsible Officer of the Trustee. The term "Responsible Officer of the Trustee" means any officer within the corporate trust services division of the Trustee (or any successor group or department of the Trustee) including any vice president, assistant vice president, assistant secretary, treasurer, assistant treasurer, associate, senior associate, managing director or any other officer or assistant officer of the Trustee in the

Office of the Trustee customarily performing functions similar to those performed by the persons who at the time will be such officers, respectively, and having direct responsibility for the administration of the Indenture.

Revenue Fund. The term “Revenue Fund” means the District accounts so designated by the District in the Indenture, together with other accounts created in the future and designated by action of the Board of Directors as a part of the Revenue Fund established 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, calculated in accordance with Generally Accepted Accounting Principles, including, without limiting the generality of the foregoing:

(1) all income, rents, rates, fees, charges or other moneys derived from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of the Water System including standby and availability charges, connection fees and capital cost recovery fees allocable to the Water System; plus

(2) except as set forth in (z) below, taxes or assessments, if any, the imposition of which is permitted by law; plus

(3) the earnings on and income derived from the investment of the amounts described in clauses (1) and (2) above and the general unrestricted funds of the District;

but excluding in all cases:

(y) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District; and

(z) reserves, taxes or assessments specifically pledged to the payment of debt service with respect to notes, bonds or other obligations of the District and which reserves, taxes or assessments are not available for any other purpose of the District.

S&P. The term “S&P” means Standard & Poor’s Ratings Services, 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 delivered 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 under the Indenture.

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 2016 Bonds, issued by the District on the date of issuance of the 2016 Bonds, including any and all exhibits attached thereto.

Trustee. The term “Trustee” means The Bank of New York Mellon Trust Company, N.A., 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 in the Indenture.

2006A Certificates. The term “2006A Certificates” means the outstanding Carpinteria Valley Water District Refunding Revenue Certificates of Participation, Series 2006A.

2006A Certificates Escrow Agreement. The term “2006A Certificates Escrow Agreement” means the Escrow Agreement (Series 2006A), dated as of March 1, 2016, by and between the District and the 2006A Escrow Agent, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

2006A Escrow Agent. The term “2006A Escrow Agent” means The Bank of New York Mellon Trust Company, N.A., as escrow agent pursuant to the terms of the 2006A Certificates Escrow Agreement, or its successor thereunder.

2016 Bonds. The term “2016 Bonds” means the Carpinteria Valley Water District Water Revenue Refunding Bonds, Series 2016A issued under the Indenture.

2010 Installment Purchase Agreement. The term “2010 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of February 1, 2010, by and between the District and the Carpinteria Valley Water District Financing Corporation.

Valuation Date. “Valuation Date” means the fifth Business Day preceding the date of redemption.

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 all properties and assets, real and personal, tangible and intangible, of the District now or hereafter existing, used or pertaining to the acquisition, treatment, reclamation, transmission, distribution and sale of water, including all additions, extensions, expansions, improvements and betterments thereto; provided, however, that to the extent the District is not the sole owner of an asset or property or to the extent that an asset or property is used in part for the above described water purposes, only the District’s ownership interest in such asset or property or only the part of the asset or property so used for water purposes shall be considered to be part of the Water System.

Written Consent of the District; Written Order of the District; Written Request of the District; Written Requisition of the 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 of its Board of Directors or its General Manager or by the Secretary of its Board of Directors or by any two persons (whether or not officers of the Board of Directors of the District) 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 in the Indenture, with respect to compliance with any provision of the Indenture 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.

THE 2016 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 2016 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 2016 Bonds as previously provided.

The person in whose name any 2016 Bond will be 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 2016 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 2016 Bond to the extent of the sum or sums so paid.

2016 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2016 Bond will become mutilated, the District, at the expense of the Owner of said 2016 Bond, will execute, and the Trustee will thereupon authenticate and deliver, a new 2016 Bond of like tenor, series and authorized denomination in exchange and substitution for the 2016 Bonds so mutilated, but only upon surrender to the Trustee of the 2016 Bond so mutilated. Every mutilated 2016 Bond so surrendered to the Trustee will be canceled by it. If any 2016 Bond will be 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 will be given, the District, at the expense of the Owner, will execute, and the Trustee will thereupon authenticate and deliver, a new 2016 Bond of like tenor, series and authorized denomination in lieu of and in substitution for the 2016 Bond so lost, destroyed or stolen (or if any such 2016 Bond will have matured or will be about to mature, instead of issuing a substitute 2016 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 2016 Bond issued under the Indenture and of the expenses which may be incurred by the District and the Trustee in connection therewith. Any 2016 Bond issued under the provisions of this paragraph of the Indenture in lieu of any 2016 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 2016 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 2016 Bonds secured by the Indenture. Notwithstanding any other provision of the Indenture, in lieu of delivering a new 2016 Bond for a 2016 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 2016 Bond upon receipt of indemnity satisfactory to the Trustee.

Book Entry System.

Election of Book Entry System. Prior to the issuance of the 2016 Bonds, the District may provide that such 2016 Bonds will be initially issued as book entry 2016 Bonds. If the District will elect to deliver any 2016 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 2016 Bonds in an authorized denomination corresponding to that total principal amount of the 2016 Bonds designated to mature on such date. Upon initial issuance, the ownership of each such 2016 Bond will be registered in the 2016 Bond Registration Books in the name of the Nominee, as nominee of the Depository, and ownership of the 2016 Bonds, or any portion thereof may not thereafter be transferred except as provided in the Indenture.

With respect to book entry 2016 Bonds, the District and the Trustee will 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 2016 Bonds. Without limiting the immediately preceding sentence, the District and the Trustee will 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 2016 Bonds; (ii) the delivery

to any Participant or any other person, other than an Owner as shown in the 2016 Bond Registration Books, of any notice with respect to book entry 2016 Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry 2016 Bonds to be redeemed in the event the District redeems the 2016 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 2016 Bonds. The District and the Trustee may treat and consider the person in whose name each book entry 2016 Bond is registered in the 2016 Bond Registration Books as the absolute Owner of such book entry 2016 Bond for the purpose of payment of principal of, premium and interest on such 2016 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2016 Bond, for the purpose of registering transfers with respect to such 2016 Bond, and for all other purposes whatsoever. The Trustee will pay all principal of, premium, if any, and interest on the 2016 Bonds only to or upon the order of the respective Owner, as shown in the 2016 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 2016 Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the 2016 Bond Registration Books, will receive a 2016 Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the 2016 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.

Delivery of Letter of Representations. In order to qualify the book entry 2016 Bonds for the Depository's book entry system, the District and the Trustee 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 2016 Bonds other than the Owners, as shown on the 2016 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 2016 Bonds for the Depository's book entry program.

Selection of Depository. In the event that: (i) the Depository determines not to continue to act as Securities Depository for book entry 2016 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 2016 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 2016 Bond for each of the maturity dates of such book entry 2016 Bonds, registered in the name of such successor or substitute qualified Securities Depository or its Nominee as provided in the Indenture. If the District fails to identify another qualified Securities Depository to replace the Depository, then the 2016 Bonds will no longer be restricted to being registered in such 2016 Bond Registration Books in the name of the Nominee, but will be registered in whatever name or names the Owners transferring or exchanging such 2016 Bonds will designate, in accordance with the provisions of the Indenture.

Payments to Depository. Notwithstanding any other provision of the Indenture to the contrary, so long as all Outstanding 2016 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 2016 Bond and all notices with respect to such 2016 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.

Transfer of 2016 Bonds to Substitute Depository. (i) The 2016 Bonds will be initially issued as provided in of the Indenture. Registered ownership of such 2016 Bonds, or any portions thereof, may not thereafter be transferred except: (1) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to the provision described in this paragraph (“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; (2) 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 will be qualified under any applicable laws to provide the services proposed to be provided by it; or (3) 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 the Indenture, upon receipt of all Outstanding 2016 Bonds by the Trustee, together with a Written Request of the District to the Trustee designating the Substitute Depository, a single new 2016 Bond, which the District will prepare or cause to be prepared, will be issued for each maturity of 2016 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 the Indenture, upon receipt of all Outstanding 2016 Bonds by the Trustee, together with a Written Request of the District to the Trustee, new 2016 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 will not be required to deliver such new 2016 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 2016 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 2016 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 2016 Bonds will be controlling.

(iv) The District and the Trustee will be entitled to treat the person in whose name any 2016 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 will have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2016 Bonds. Neither the District nor the Trustee will 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 2016 Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the 2016 Bonds.

VALIDITY OF 2016 BONDS

Validity of 2016 Bonds. The validity of the authorization and issuance of the 2016 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 2016 Bonds that the same are issued pursuant to the Constitution and laws of the State will be conclusive evidence of the validity and of compliance with the provisions of law in their issuance.

REDEMPTION OF 2016 BONDS

Selection of 2016 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2016 Bonds, the Trustee will select the 2016 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 2016 Bonds or portions thereof so selected for redemption.

Partial Redemption of 2016 Bonds. Upon surrender of any 2016 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 2016 Bond or 2016 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2016 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 2016 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the Redemption Date designated in such notice, the 2016 Bonds (or portions thereof) so called for redemption will become due and payable, interest on the 2016 Bonds so called for redemption will cease to accrue, said 2016 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2016 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 2016 Bonds to be redeemed on their Redemption Dates, pay such 2016 Bonds at the Redemption Price.

All 2016 Bonds redeemed pursuant to the provisions of the Indenture will be canceled upon surrender thereof to the Trustee.

REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Pledge and Assignment; Revenue Funds. (a) All of the Revenues, all amounts held in the Revenue Fund, the Rate Stabilization Fund described in the Indenture and any other amounts (including proceeds of the sale of the 2016 Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund) are irrevocably pledged under the Indenture to secure the payment of the principal of and interest, and the premium, if any, on the 2016 Bonds in accordance with their terms and the provisions of the Indenture, subject however to the pledge thereon securing Bonds and Contracts, and the Revenues will not be used for any other purpose while the 2016 Bonds remain Outstanding, except as expressly provided in the Indenture. Said pledge, together with the pledge created for the benefit of other Bonds and Contracts, will constitute a first lien on and security interest on Revenues and, subject to application of Revenues and all amounts on deposit in the Revenue Fund and the Rate Stabilization Fund as permitted in the Indenture, the Revenue Fund, the Rate Stabilization Fund and other funds and accounts created under the Indenture for the payment of the principal of and interest, and the premium, if any, on the 2016 Bonds in accordance with the terms of the Indenture, 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) The District covenanted and agreed in the Indenture that all Revenues, when and as received, will be received and held by the District and will be deposited by the District in the Revenue Fund (which the District covenanted and agreed in the Indenture to maintain so long as any 2016 Bonds remain Outstanding) and will be accounted for and held in trust for the benefit of 2016 Bond Owners and for payments with respect to Bonds and Contracts in the Revenue Fund. All Revenues will be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture. Additionally, amounts may, from time to time as the District deems necessary or appropriate, be transferred from the Rate Stabilization Fund and deposited in the Revenue Fund, as provided in the Indenture.

The District will, from the moneys in the Revenue Fund, pay all Maintenance and Operations Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operations Costs, the payment of which is not then immediately required) as such Maintenance and Operations Costs become due and payable. All remaining moneys in the Revenue Fund thereafter shall 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; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in the Indenture.

(c) Interest and Principal Payments. Not later than each Interest Payment Date, the District shall, from the moneys in the Revenue Fund, transfer to the Trustee the interest and principal due and payable on that Interest Payment Date. The Trustee shall deposit such moneys in the Bond Fund. The District shall 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.

(d) Reserve Funds. On or before each Interest Payment Date, the District shall, 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 Trustee for deposit to the applicable trustee for any reserve fund and/or account as may have been established in connection with Bonds or Contracts other than the Indenture, that sum, if any, necessary to restore such reserve fund and/or account to an amount equal to the reserve requirement therefor.

(e) Surplus. Moneys on deposit in the Revenue Fund on each Interest Payment Date not necessary to make any of the payments required above may be expended by the District at any time for any purpose permitted by law.

Application of Bond Fund. This is established under the Indenture with the Trustee a special fund designated as the "Bond Fund." All amounts in the Bond Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and interest on the 2016 Bonds on each Interest Payment Date.

Application of Redemption Fund. There is established under the Indenture 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 2016 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 2016 Bonds, upon written direction of the District, the Trustee will apply such amounts to the purchase of 2016 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 Revenue Fund) 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 2016 Bonds.

Rate Stabilization Fund. There is established under the Indenture a special fund designated as the "Rate Stabilization Fund" to be held by the District in trust for the benefit of the Owners of the 2016 Bonds, which fund the District agreed and covenanted in the Indenture to maintain and to hold separate and apart from other funds so long as any 2016 Bonds remain unpaid. On the date of execution of the Indenture, the District has on deposit \$0 in the Rate Stabilization Fund. Money transferred by the District from the Revenue Fund to the Rate Stabilization Fund in accordance with the Indenture will be held in the Rate Stabilization Fund and applied in accordance with the Indenture.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with the Indenture or, in the event that all or a portion of the 2016 Bonds are discharged in accordance with the Indenture, transfer all or any portion of such amounts for application in accordance with the Indenture. Amounts transferred from the

Rate Stabilization Fund to the Revenue Fund pursuant to the Indenture during or within 270 days after a Fiscal Year, may be taken into account as Revenues for purposes of the calculations with respect to Additional Contracts and Bonds, and the amount of rates and charges, in such Fiscal Year.

Investments. All moneys in any of the funds or accounts established with the District or the Trustee pursuant to the Indenture will be invested by the District or the Trustee, as the case may be, solely in Permitted Investments, which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement. Any investments by the Trustee 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). 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 Revenue Fund unless otherwise provided in the Indenture. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds (other than the Rebate Fund) held by it under the Indenture. 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 effected by the Trustee and brokers selected by the District. Upon the District's election, such statements will be delivered via the Trustee's online service and upon electing such service; paper statements will be provided only upon request. The District further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker. The Trustee may rely on the investment directions of the District as to the suitability and legality of the directed investments.

The Trustee may make any investments under the Indenture through its own bond or investment department or trust investment department, or those of its parent or an affiliate. 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 under the Indenture, the Trustee may utilize and rely on computerized securities pricing services that may be available to the Trustee, including those available through the Trustee's accounting system.

Rebate Fund.

Establishment. The Trustee will establish a fund for the 2016 Bonds designated the "Rebate Fund." Except as may otherwise be approved by an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2016 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 2016 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 2016 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 of the Indenture and 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 Indenture and 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.

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 Indenture or the Tax Certificate), for this 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 Indenture.

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 the Indenture. 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 Revenue Fund.

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: (1) 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 (2) Not later than 60 days after the payment of all the 2016 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 to 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.

Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the 2016 Bonds and the payments described in the Indenture being made may be withdrawn by the District and utilized in any manner by the District.

Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the requirements of the Indenture will survive the defeasance or payment in full of the 2016 Bonds.

Application of Funds and Accounts When No 2016 Bonds are Outstanding. On the date on which all 2016 Bonds will be retired under the Indenture or provision made therefor pursuant to the Indenture and after payment of all amounts due the Trustee under the Indenture, 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

Compliance with Indenture. The Trustee will not authenticate or deliver any 2016 Bond in any manner other than in accordance with the provisions of the Indenture, and the District will not suffer or permit any default by it to occur under the Indenture, but will faithfully observe and perform all the covenants, conditions and requirements of 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 principal and interest on the 2016 Bonds are fully adequate for the payment of all principal and interest on the 2016 Bonds for such Fiscal Year. If the amounts so budgeted are not adequate for the payment of all principal and interest on the 2016 Bonds, 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 all principal and interest on the 2016 Bonds and will notify the Trustee of the proceedings then taken or proposed to be taken by the District.

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 will become due. The District will duly observe and comply with all valid regulations and requirements of any governmental authority relative to the operation of the Water System or any part thereof, but the District will not be required to comply with any regulations or requirements so long as the validity or application thereof will be contested in good faith.

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 it 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 subsequently acquired by the District, 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.

Eminent Domain Proceeds. If all or any part of the Water System will be taken by eminent domain proceedings, the Net Proceeds thereof will be applied as follows:

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 as directed by the District.

If the foregoing conditions are not met, then such Net Proceeds will be applied by the District in part to the redemption of the 2016 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 principal and Interest due on the 2016 Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

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 and interest due on the 2016 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 and interest on the 2016 Bonds when due and if the proceeds of such sale are deposited in the Revenue Fund as directed by the District.

Nothing in the Indenture will restrict 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 permitted by law, the District covenanted in the Indenture 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 Maintenance and Operations 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 and interest on the 2016 Bonds or to the Owners prior or superior to the lien of the 2016 Bonds or which might impair the security of the principal and interest due on the 2016 Bonds.

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 the principal and interest on the 2016 Bonds when due; 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. Notwithstanding the foregoing, nothing in the Indenture will require the District to comply with, keep, observe or perform any such agreement, condition, covenant or term, express or implied, contained in any such contracts if the District is contesting in good faith the interpretation, validity or enforceability of such agreement, condition, covenant or term, express or implied, unless required by the terms of a final order of a court of competent jurisdiction from which no opportunity for further appeal exists.

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 water systems 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 will occur, and will continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and will 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 prepayment of principal and interest on the 2016 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 the 2016 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 principal and interest on the 2016 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 prepayment of principal and interest on the 2016 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 will deem advisable or necessary to protect its interests, 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.

All policies of insurance required to be maintained under the Indenture shall provide that the Trustee shall be given thirty (30) days written notice of any intended cancellation thereof or reduction of coverage provided thereby.

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.

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 subsequently entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the District to pay principal and interest on the 2016 Bonds.

Continuing Disclosure. The District covenanted and agreed in the Indenture that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. 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 its obligations under the Indenture. For purposes of this paragraph, “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 2016 Bond (including persons holding 2016 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2016 Bond for federal income tax purposes.

Punctual Payment. The District will cause the Trustee to pay the principal and interest to become due in respect of all of the 2016 Bonds, in strict conformity with the terms of the 2016 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 2016 Bonds. The District will not directly or indirectly extend or assent to the extension of the maturity of any of the 2016 Bonds or the time of payment of any claims for interest by the purchase of such 2016 Bonds or by any other arrangement, and in case the maturity of any of the 2016 Bonds or the time of payment of any such claims for interest will be extended, such 2016 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 of the principal of all of the 2016 Bonds then Outstanding and of all claims for interest thereon which will not have been so extended.

Against Encumbrances. The District will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund or the Rate Stabilization Fund. The District will not make any pledge or place any lien on the Revenue Fund or the Rate Stabilization 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 and, in addition, incur notes, bonds, contracts or other obligations for any lawful purpose which are payable from Net Revenues and secured by a pledge of lien on Net Revenues or any moneys in the Revenue Fund and the Rate Stabilization 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 to secure the 2016 Bonds and other Bonds and Contracts.

Power to Issue 2016 Bonds and Make Pledge and Assignment. The District is duly authorized pursuant to law to issue the 2016 Bonds and to enter into the Indenture and to pledge and assign the Net 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 2016 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 will at all times, and the Trustee may, subject to the provisions of the Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Net Revenues and other assets and all the rights of the 2016 Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. (a) The District will keep appropriate accounting records in which complete and correct entries will be made of all transactions relating to the District, which records will be available for inspection by the Trustee at reasonable hours and under reasonable conditions (b) The District will prepare and file with the Trustee annually within two hundred seventy (270) days after the close 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 will have no duty to review such financial statements or Accountant’s Report.

Tax Covenants. Notwithstanding any other provision of the Indenture, and except as may otherwise be approved by an opinion of Bond Counsel that the exclusion from gross income of the interest on the 2016 Bonds will not be adversely affected for federal income tax purposes, the District covenanted in the Indenture to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income of interest with respect to the 2016 Bonds and specifically covenanted in the Indenture, without limiting the generality of the foregoing, as follows: (a) The District will take no action or refrain from taking

any action or make any use of the proceeds of the 2016 Bonds or of any other moneys or property which would cause the 2016 Bonds to be “private activity bonds” within the meaning of Section 141 of the Code; (b) The District will make no use of the proceeds of the 2016 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 2016 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code; (c) The District will make no use of the proceeds of the 2016 Bonds or take or omit to take any action that would cause the 2016 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code; (d) 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 2016 Bonds pursuant to Section 103(a) of the Code; (e) The District will make no use of the proceeds of the 2016 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 2016 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 2016 Bonds for federal income tax purposes; and (f) 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 2016 Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

The covenants set forth in the Indenture will not be applicable to, and nothing contained in the Indenture will be deemed to prevent the District from issuing Bonds or Contracts 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 2016 Bonds, and all benefit or advantage of any such law or laws is expressly waived in the Indenture by the District to the extent permitted by law.

Further Assurances. The District will make, execute and deliver any and all such further assurances, instruments and resolutions 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 2016 Bonds of the rights and benefits provided in the Indenture.

Prosecution and Defense of Suits. The District will promptly, upon request of the Trustee or any 2016 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 Revenues or any part thereof, whether now existing or subsequently developing, will prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee (including all of its employees, officers and directors) and every 2016 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 2016 Bond Owner upon any claim by a 2016 Bond Owner or a third party arising out of the receipt, application or disbursement of any of the payments of principal or interest on the 2016 Bonds or involving the rights of the Trustee or any 2016 Bond Owner under the Indenture; provided that the Trustee or any 2016 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 2016 Bond Owners against any and all liability claimed or asserted by any such person, arising out of such receipt, application or disbursement, and will indemnify and hold harmless the 2016 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 2016 Bonds. The District will promptly reimburse any 2016 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 2016 Bonds, provided that such litigation will be concluded favorably to such party's contentions therein.

EVENTS OF DEFAULT AND REMEDIES OF 2016 BOND OWNERS

Events of Default. The following events will be Events of Default under the Indenture: (a) if default is made by the District in the due and punctual payment of interest and principal with respect to the 2016 Bonds or any Contract or Bond when and as the same becomes due and payable; (b) if default is made by the District in the performance of any of the other agreements or covenants required in the Indenture by it or in any Contract or Bond to be performed by it, and such default has continued for a period of thirty (30) days after the District has been given notice in writing of such default by the Trustee or by the Owners of not less than a majority in aggregate principal amount of 2016 Bonds Outstanding or, if such default is not reasonably susceptible to cure within thirty (30) days after notice thereof, such default has continued for a period of sixty (60) days; (c) if 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 approves 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; or (d) if payment of the principal of any Contract or Bond is accelerated in accordance with its terms;

then and in each and every such case during the continuance of such Event of Default specified in clauses (c) and (d) above, the Trustee will, and for any other such Event of Default the Trustee may, declare the entire principal amount of the 2016 Bonds then Outstanding and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything contained in the Indenture to the contrary notwithstanding. The foregoing however, is subject to the condition that if at any time after the entire principal amount of the 2016 Bonds then Outstanding and the accrued interest thereon has been so declared due and payable 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 the unpaid principal amount of the 2016 Bonds then Outstanding and/or the unpaid payment of any other Contract or Bond referred to in clause (a) above due prior to such declaration and the accrued interest thereon, with interest on such overdue payments, at the rate or rates applicable to the remaining unpaid principal balance of the respective 2016 Bonds or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Trustee, and any and all other defaults actually known to the Trustee (other than in the payment of the entire principal amount of the 2016 Bonds then Outstanding and the accrued interest thereon 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 has been made therefor, then and in every such case the Trustee, by written notice to the District, may rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default or will impair or exhaust any right or power consequent thereon.

Application of Revenues and Other Funds after Default. Upon the date of the declaration of acceleration as provided in the Indenture, or upon the occurrence and during the continuance of an Event of Default under the Indenture, all Revenues thereafter received and currently held under the Indenture (except for amounts held in the Rebate Fund) shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency of such Revenues ratably without any discrimination or preference, of the fees, costs and expenses, if any, of the Trustee, including reasonable compensation to accountants and counsel;

Second, to the payment of the Maintenance and Operations Costs; and

Third, to the payment of the entire principal amount of the 2016 Bonds then Outstanding and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue payments at the rate or rates of interest applicable to the respective 2016 Bonds and such Bonds and Contracts if paid in accordance with their respective terms.

Other Remedies of the Trustee. The Trustee shall have the right: (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any director, officer or employee thereof, and to compel the District or any such director, officer or employee to perform and carry out its duties under the Law and the agreements and covenants required to be performed by it or him contained in the Indenture; (b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or (c) by suit in equity upon the happening of an Event of Default to require the District and its directors, officers and employees to account as the trustee of an express trust.

Notwithstanding anything contained in the Indenture, the Trustee shall not have any security interest in or mortgage on the Project, the Water System or other assets of the District, and no default under the Indenture shall result in the loss of the Project, the Water System or other assets of the District.

Nothing in the Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the 2016 Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the written approval of the Owners so affected.

Trustee to Represent 2016 Bond Owners. The Trustee is irrevocably appointed in the Indenture (and the successive respective Owners of the 2016 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 2016 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 2016 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 2016 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 2016 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 will deem 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 in the Indenture 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 2016 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 Net Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the 2016 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2016 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 2016 Bonds, subject to the provisions of the Indenture.

2016 Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2016 Bonds then Outstanding will 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 will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to 2016 Bond Owners not parties to such direction.

Suit by Owners. No Owner of any 2016 Bonds will have 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 such 2016 Bonds, unless: (a) such Owners will have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than fifty percent (50%) in aggregate principal amount of the 2016 Bonds then Outstanding will 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 will have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee will have failed to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee; and (e) no direction inconsistent with such written request will have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the 2016 Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are declared under the Indenture, in every case, to be conditions precedent to the exercise by any Owner of 2016 Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of 2016 Bonds will 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 2016 Bonds, or to enforce any right under the 2016 Bonds, the Indenture, or applicable law with respect to the 2016 Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Owners of the Outstanding 2016 Bonds, subject to the provisions of the Indenture.

Absolute Obligation of the District. Nothing in the Indenture or in any other provision of the Indenture or in the 2016 Bonds will affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the 2016 Bonds to the respective Owners of the 2016 Bonds at their respective dates of maturity, or upon call for redemption, as in the Indenture provided, but only out of the Net Revenues, the amounts on deposit in the Rate Stabilization Fund and other assets in the Indenture 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 2016 Bonds.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the 2016 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 existing at the time or subsequent to the date of the Indenture at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the 2016 Bonds to exercise any right or power arising upon the occurrence of any Event of Default will impair any such right or power or will 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 man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The District may remove the Trustee at any time, upon thirty (30) days prior written notice, unless an Event of Default will have occurred and then be 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 2016 Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee will cease to be eligible in accordance with the Indenture, or will become incapable of acting, or will be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property will be appointed, or any public officer will take 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 the District 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 2016 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 will have been appointed and have accepted appointment within forty five (45) days of giving notice of removal or notice of resignation as aforesaid, the retiring Trustee or any 2016 Bond Owner (on behalf of himself and all other 2016 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 will pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions in the Indenture set forth. Upon request of the successor Trustee, the 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 2016 Bonds and to the 2016 Bond Owners at the addresses shown on the Registration Books. If the District fails to mail such notice within fifteen (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 will cease to be eligible in accordance with the provisions of the Indenture, the Trustee will resign immediately in the manner and with the effect specified in the Indenture.

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 will be 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 such trust company, banking association or bank will be 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 2016 Bonds will be taken as statements of the District, and the Trustee will not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or the 2016 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 in the Indenture or in the 2016 Bonds assigned to or imposed upon it. The Trustee will, however, be responsible for its representations contained in its certificate of authentication on the 2016 Bonds. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee may become the Owner of 2016 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 2016 Bond Owners, whether or not such committee will represent the Owners of a majority in principal amount of the 2016 Bonds then Outstanding.

(b) The Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer of the Trustee, unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority (or such other percentage provided for in the Indenture) in aggregate principal amount of the 2016 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 will not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(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 under the Indenture unless and until a Responsible Officer of the Trustee will have actual knowledge of such event or the Trustee will have been notified in writing, in accordance with the Indenture, of such event by the District or the Owners of not less than fifty percent (50%) of the 2016 Bonds then Outstanding. Except as otherwise expressly provided in the Indenture, the Trustee will not be 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 2016 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 will not be responsible for the validity, effectiveness or priority of any collateral given to or held by it.

(f) No provision of the Indenture will require 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 will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of Owners pursuant to the Indenture, unless such Owners will 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 and the Trustee will not be answerable for other than its negligence or willful misconduct.

(h) Whether or not in the Indenture expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee will be subject to the provisions of the Indenture.

(i) The Trustee will have no responsibility 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 2016 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 delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, which affect the Trustee's ability to perform its obligations under the Indenture, 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 Revenues, 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 will hold the financial statements in compliance with the Indenture solely as an accommodation to the Bond Owners and shall have no duty or obligation to review, analyze or verify such financial statements. The Trustee will not be deemed to have notice of any information contained therein, or any default or Event of Default which may be disclosed therein in any manner.

(n) The Trustee will have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to the Indenture and delivered using Electronic Means ("Electronic Means" will mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Indenture); provided, however, that the District will provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate will be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions will be deemed controlling. The District understands and agreed in the Indenture that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee will conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The District will be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. 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 directions conflict or are inconsistent with a subsequent written instruction. The District agreed in the Indenture: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions 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; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(o) The Trustee will not be concerned with or accountable to anyone for the subsequent use or application of the 2016 Bonds, the proceeds of the 2016 Bonds or any moneys which will be released or withdrawn in accordance with the provisions of the Indenture.

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 2016 Bonds appearing in the Trustee's Registration Books as the absolute owners of the 2016 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 will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be in the Indenture specifically prescribed) may be deemed to be conclusively proved and established by a 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 its respective possession and will be subject at all reasonable times to the inspection of the District, and any 2016 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, judgements, suits, damages or expense (including fees and expenses of its attorneys and advisors) 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, or any other document or transaction contemplated or executed in connection with 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 under the Indenture. The rights of the Trustee and the indemnification obligations of the District will survive removal or resignation of the Trustee under the Indenture or the discharge of the 2016 Bonds and the Indenture. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. Upon an Event of Default, and only upon an Event of Default, the Trustee will have a first right of payment prior to payment on account of principal of and premium, if any, and interest on any 2016 Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it, all in accordance with the Indenture.

MODIFICATION OR AMENDMENT OF THE INDENTURE

Amendments Permitted. (a) The Indenture and the rights and obligations of the District, the Owners of the 2016 Bonds, and the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, subject to the Indenture. No such modification or amendment will: (1) extend the fixed maturity of any 2016 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 2016 Bond so affected; (2) permit the creation of any lien on the Net Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the 2016 Bonds of the lien created by the Indenture on such Net Revenues and other assets except as permitted in the Indenture; or (3) reduce the percentage of Owners required to provide consent or direction under the Indenture. Promptly after the execution by the District and the Trustee of any Supplemental Indenture pursuant to 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 2016 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 2016 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 2016 Bond Owners if the Trustee will receive 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 2016 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 2016 Bonds (or any portion thereof), or to surrender any right or power in the Indenture 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 of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute under the Indenture 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 2016 Bonds to remain excludable from gross income under the Code.

(c) The Trustee may in its discretion, but will not be obligated to, enter into any such Supplemental Indenture authorized by the provisions described in (a) and (b) above, 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 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 2016 Bonds from federal income taxation and from state income taxation.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to 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 2016 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 2016 Bonds; Preparation of New 2016 Bonds. 2016 Bonds delivered after the execution of any Supplemental Indenture pursuant to 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 2016 Bonds Outstanding at the time of such execution and presentation of his or her 2016 Bonds for such purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for such purpose, a suitable notation will be made on such 2016 Bonds. If the Supplemental Indenture will so provide, new 2016 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 2016 Bonds then Outstanding will be exchanged at the Office of the Trustee, without cost to any 2016 Bond Owner, for 2016 Bonds then Outstanding, upon surrender for cancellation of such 2016 Bonds, in equal aggregate principal amount of the same maturity.

Amendment of Particular 2016 Bonds. The provisions of the Indenture will not prevent any 2016 Bond Owner from accepting any amendment as to the particular 2016 Bonds held by such 2016 Bond Owner.

DEFEASANCE

Discharge of Indenture. The 2016 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 such 2016 Bonds, as and when the same become due and payable; (b) by the deposit 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 2016 Bonds then Outstanding; or (c) by delivering to the Trustee, for cancellation by it, all of the 2016 Bonds then Outstanding.

If the District will also pay or cause 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 such 2016 Bonds will not have been surrendered for payment, the Indenture and the pledge of Net 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 (except for certain District obligations with respect to the Trustee). 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 such 2016 Bonds not theretofore surrendered for such payment or redemption to the District.

Discharge of Liability on 2016 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 2016 Bonds (whether upon or prior to the maturity or the Redemption Date of such 2016 Bonds), provided that, if such Outstanding 2016 Bonds are to be redeemed prior to maturity, notice of such redemption will have been given as provided in the Indenture or provisions satisfactory to the Trustee will have been made for the giving of such notice, then all liability of the District in respect of such 2016 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 2016 Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such 2016 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 2016 Bonds, the money or securities so to be deposited or held will be invested in Defeasance Securities and will be held by the Trustee in the funds and accounts established pursuant to the Indenture. Defeasance may be accomplished by depositing with the Trustee: (a) lawful money of the United States of America in an amount equal to the principal amount of such 2016 Bonds and all unpaid interest thereon to maturity, except that, in the case of 2016 Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption will have been given as provided in the Indenture or provisions satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount of such 2016 Bonds and all unpaid interest and premium, if any, thereon to the Redemption Date; or (b) Defeasance 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 2016 Bonds to be paid or redeemed as directed by the District as such principal, interest and premium, if any, become due, provided that in the case of 2016 Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the Indenture or provision satisfactory to the Trustee will have been made for the giving of such notice;

provided, in each case, that: (i) the Trustee will have 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 2016 Bonds as directed by the District; (ii) the District will have delivered to the Trustee an opinion of Bond Counsel addressed to the District and the Trustee to the effect that such 2016 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); and (iii) the District will have delivered an escrow agreement. The opinion of Bond Counsel and Independent Certified Public Accountant's or Independent Financial Consultant's opinion referred to above will be acceptable in form and substance, and addressed, to the District and the Trustee.

The 2016 Bonds will be deemed Outstanding under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

Payment of 2016 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 2016 Bonds and remaining unclaimed for two (2) years after the principal of all of the 2016 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 2016 Bonds became due and payable, will be repaid to the District (without liability for interest) 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 2016 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 2016 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 2016 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 Limited. Notwithstanding anything in the Indenture or the 2016 Bonds, but subject to the priority of payment with respect to Maintenance and Operations Costs, the District will not be required to advance any moneys derived from any source other than the Net Revenues, the Revenue Fund, the Rate Stabilization Fund and other moneys pledged under the Indenture for any of the purposes mentioned in the Indenture, whether for the payment of the principal of or interest on the 2016 Bonds or for any other purpose of the Indenture. Nevertheless, the District may, but will not be 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 will be deemed to include 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 will bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Limitation of Rights to Parties and 2016 Bond Owners. Nothing expressed or implied in the Indenture or in the 2016 Bonds is intended or will be construed to give to any person other than the District, the Trustee and the Owners of the 2016 Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or in the Indenture contained; and all such covenants, conditions and provisions are and will be held to be for the sole and exclusive benefit of the District, the Trustee and the Owners of the 2016 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 will be 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 2016 Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the District of any 2016 Bonds, the Trustee will destroy such 2016 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 2016 Bonds will for any reason be 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 in the Indenture. The District declares that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase of the Indenture and authorized the issuance of the 2016 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 2016 Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by 2016 Bond Owners may be in any number of concurrent instruments of substantially similar tenor and will be signed or executed by such 2016 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 2016 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 2016 Bonds will be proved by the Registration Books. Any request, consent, or other instrument or writing of the Owner of any 2016 Bond will bind every future Owner of the same 2016 Bond and the Owner of every 2016 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 2016 Bonds. In determining whether the Owners of the requisite aggregate principal amount of 2016 Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, 2016 Bonds which are actually known by a Responsible Officer of the Trustee to be owned or held by or for the account of the District, or by any other obligor on the 2016 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 2016 Bonds, will be disregarded and deemed not to be Outstanding for the purpose of any such determination, unless all 2016 Bonds are so owned or held, in which case such 2016 Bonds shall not be disregarded. 2016 Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of the Indenture if the pledgee will establish to the satisfaction of the Trustee the pledgee's right to vote such 2016 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 2016 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 2016 Bonds that are disqualified pursuant to the Indenture and the Trustee may conclusively rely on such certificate.

Money Held for Particular 2016 Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular 2016 Bonds (or portions of 2016 Bonds in the case of registered 2016 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 2016 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 2016 Bonds and the rights of every Owner thereof.

Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of the District will be individually or personally liable for the payment of the principal of or premium or interest on the 2016 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but

nothing in the Indenture contained will relieve 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 will be liable for any defect or inaccuracy in the CUSIP number that appears on any 2016 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 2016 Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the 2016 Bondholders and that neither the District nor the Trustee will be liable for any inaccuracies in such numbers.

Choice of Law. THE INDENTURE WILL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

Interest Rate Exchange Agreement. Any interest rate exchange agreement (“Swap Agreement”) entered into by the District will meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (iii) debt reasonably expected to be issued within the next twelve (12) months, and (ii) the Swap Agreement will not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. All counterparties or guarantors to any Swap Agreement must have a rating of at least “A-” by S&P. If the counterparty or guarantor’s rating falls below “A-” by S&P, the counterparty or guarantor will execute a credit support annex to the Swap Agreement. If the counterparty or the guarantor’s long term unsecured rating falls below “BBB+” by S&P, a replacement counterparty or guarantor, will be required.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the 2016 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

_____, 2016

Carpinteria Valley Water District
1301 Santa Ynez Avenue
Carpinteria, California 93013

Re: Carpinteria Valley 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 Carpinteria Valley Water District (the "District") relative to the issuance of the \$_____ Carpinteria Valley Water District Refunding Revenue Bonds, Series 2016A (the "2016 Bonds"), dated the date hereof, 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 the District, the initial purchaser of the 2016 Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2016 Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 2016 (the "Indenture"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The 2016 Bonds mature on the dates and in the amounts referenced in the Indenture. The 2016 Bonds are dated their date of delivery and bear interest at the rates per annum referenced in the Indenture. The 2016 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 the District show lawful authority for the issuance and sale of the 2016 Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2016 Bonds and the Indenture are valid and binding obligations of the District enforceable against the District in accordance with their terms.

2. The obligation of the District to make the payments of principal of and interest on the 2016 Bonds from Net Revenues (as defined in the Indenture) is an enforceable obligation of the District and does not constitute an indebtedness of the District 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 2016 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 2016 Bonds is exempt from State of California personal income tax.

5. The amount by which a 2016 Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable 2016 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 Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the 2016 Bond Owner's basis in the applicable 2016 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2016 Bond premium may result in a 2016 Bond Owner realizing a taxable gain when a 2016 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2016 Bond to the Owner. Purchasers of the 2016 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed herein as to the exclusion from gross income of interest on the 2016 Bonds are based upon certain representations of fact and certifications made by the District and are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2016 Bonds to assure that such interest on the 2016 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 2016 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016 Bonds. The District 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. The Indenture and the Tax Certificate relating to the 2016 Bonds 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 2016 Bonds for federal income tax purposes with respect to any 2016 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 2016 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 2016 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 2016 Bonds or other offering material relating to the 2016 Bonds and expressly disclaim any duty to advise the owners of the 2016 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 the District believes to be reliable, but the District 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 2016 Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the 2016 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2016 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 2016 Bonds. The 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2016 Bond will be issued for each annual maturity of the 2016 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 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in 2016 Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued.

To facilitate subsequent transfers, all 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2016 Bonds documents. For example, Beneficial Owners of 2016 Bonds may wish to ascertain that the nominee holding the 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2016 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District 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 the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District 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 2016 Bond Owner shall give notice to elect to have its 2016 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2016 Bond by causing the Direct Participant to transfer the Participant's interest in the 2016 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2016 Bond in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2016 Bond are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2016 Bond to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2016 Bonds at any time by giving reasonable notice to the District 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.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2016 Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2016 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 2016 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the 2016 Bonds, the District proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is dated _____, 2016 and executed and delivered by the Carpinteria Valley Water District (the “District”) in connection with the issuance of its \$_____ Refunding Revenue Bonds, Series 2016A (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 2016 (the “Indenture”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The District covenants and agrees as follows:

SECTION 1. Purpose of the 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 (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, 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” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean 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” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

“Holders” shall mean the Owners as defined in the Indenture.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“Official Statement” shall mean the Official Statement relating to the Bonds, dated April __, 2016.

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

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports. The District shall, not later than 270 days after the end of the District’s Fiscal Year (which is currently June 30) commencing with the report for Fiscal Year 2016, provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The 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;

provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(a) If the District is unable to provide to EMMA an Annual Report by the date required in this Section 3, the District shall send a notice to EMMA in substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the District for the most recent Fiscal Year then ended 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, 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 come available.

(b) If not included in the audited financial statements, the principal amount of Bonds outstanding for the most recent Fiscal Year of the District then ended only:

(c) An update of the information in the following tables or paragraphs under caption entitled "CARPINTERIA VALLEY WATER DISTRICT" in the Official Statement:

(i) "Historic Water Connections and Sales Revenues" on page __;

(ii) "Historic Water Deliveries and Source of Water Delivered" on page __;

(iii) "Ten Largest Customers" on page __;

(iv) "Current and Projected Monthly Service Charge" on page __;

(v) "Capital Cost Recovery Fees" on page __; and

(vi) "Historic Operating Results and Debt Service Coverage" on page __; 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(c) shall not constitute a default hereunder.

Any or all of the items listed above may be incorporated by reference from 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. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so incorporated by reference.

SECTION 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. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices 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), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of Bond holders;
3. optional, unscheduled or contingent Bond redemptions;
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.

(d) While the failure to file a notice of the occurrence of a Listed Event under Section 5(a)(8) shall constitute non-compliance with the terms hereof and may be required to be disclosed by the District in accordance with the Rule, failure shall not constitute an event of default hereunder if (i) the District did not receive written notice of such rating change from the respective rating agency, (ii) the rating change was a result of a change in the rating of a liquidity or credit enhancement and the market was generally aware of the change in the rating of such liquidity or credit enhancer or (iii) the rating agency filed a notice of such rating change with EMMA.

SECTION 6. Termination of Reporting 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).

SECTION 7. 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. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 8. 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 Annual Report or 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 Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the District 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 Holder or Beneficial Owner 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 Owners 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 Owners 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.

SECTION 10. 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.

Date: _____, 2016

CARPINTERIA VALLEY WATER DISTRICT

By: _____
President of the Board of Directors

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person: CARPINTERIA VALLEY WATER DISTRICT

Name of Obligation: REFUNDING REVENUE BONDS,"
SERIES 2016A

Date of Issuance: _____, 2016

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate executed by the District on the date of issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

CARPINTERIA VALLEY WATER DISTRICT

By: [no signature required; form only] _____

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