

*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 2020A Bonds and the portion of each Installment Payment constituting interest with respect to the Certificates are 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. In the further opinion of Bond Counsel, interest on the 2020 Bonds and the portion of each Installment Payment constituting interest are exempt from State of California personal income tax. See the caption “TAX MATTERS” with respect to tax consequences relating to the 2020 Bonds and the Certificates.*

**\$21,635,000**

**CARPINTERIA VALLEY WATER DISTRICT**  
**Refunding Revenue Bonds**  
**Series 2020A and Taxable Series 2020B**

**\$17,915,000**  
**Series 2020A**

**\$3,720,000**  
**Series 2020B**

**\$1,510,000**

**CARPINTERIA VALLEY WATER DISTRICT**  
**Revenue Certificates of Participation**  
**Series 2020C**

**Dated: Date of Issuance****Due: July 1, as set forth on the inside cover**

The 2020A Bonds and the 2020B 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 2010A; (ii) to prepay the District's share of the outstanding balance of a Department of Water Resources joint loan contract; (iii) to refund a District Pension Obligation; and (iv) to pay costs of issuance of the 2020 Bonds, all as more fully described herein. The 2020 Bonds are being issued pursuant to the Indenture of Trust, dated as of March 1, 2020, by and between the Carpinteria Valley Water District and The Bank of New York Mellon Trust Company, N.A., as trustee. Interest on the 2020 Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2020, until the maturity thereof. **The 2020A Bonds are subject to optional and extraordinary redemption as more fully described herein. The 2020B Bonds are subject to optional, extraordinary and mandatory sinking fund redemption as more fully described herein.**

The Certificates are being executed and delivered to provide funds: (i) to finance the cost of certain water utility system improvements; and (ii) to pay costs of executing and delivering the Certificates, all as more fully described herein. The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of March 1, 2020, by and among the Carpinteria Valley Water District Financing Corporation, the Carpinteria Valley Water District and The Bank of New York Mellon Trust Company, N.A., as trustee. The Certificates are secured by Installment Payments payable by the District pursuant to the Installment Purchase Agreement, dated as of March 1, 2020, by and between the Carpinteria Valley Water District Financing Corporation and the Carpinteria Valley Water District and amounts on deposit in certain funds and accounts established under the Trust Agreement. Interest with respect to the Certificates is payable on January 1 and July 1 of each year, commencing July 1, 2020, until the maturity thereof. **The Certificates are subject to optional and extraordinary prepayment as more fully described herein.**

The 2020 Bonds are being issued in fully registered form and the Certificates are being executed and delivered in fully registered form and, when each of the 2020 Bonds and the Certificates are delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the beneficial interest will not receive certificates representing their interest in the 2020 Bonds and the Certificates. So long as Cede & Co. is the registered owner of the 2020 Bonds or Certificates, as nominee of DTC, references herein to the registered owner shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the 2020 Bonds or the Certificates. Individual purchases of the 2020 Bonds and the Certificates will be made in book-entry form only in authorized denominations of \$5,000 or any integral multiple thereof. The principal of and interest on the 2020 Bonds and evidenced by the Certificates is payable directly to DTC by The Bank of New York Mellon Trust Company, N.A., as trustee. Upon receipt of payment of principal and interest, DTC is obligated to remit such principal and interest to DTC Participants for subsequent disbursement to the beneficial owners of the 2020 Bonds and the Certificates.

The obligations of the District to pay principal and interest on the 2020 Bonds and to make Installment Payments 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 and Installment Purchase Agreement, as applicable, including the Rate Stabilization Fund, 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 2020, the District projects that payments to the Authority under the Water Supply Agreement will be approximately \$4,062,672, including approximately \$2,404,903 in fixed costs attributable to the State Water Project and the Authority. After the refunding of the 2010A Certificates and the DWR Joint Loan, the District will have approximately \$6,710,000 aggregate principal amount of obligations outstanding payable from Net Revenues on a parity with the 2020 Bonds and Installment Payments. The District may incur additional obligations payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2020 Bonds and to make Installment Payments, subject to the terms and conditions of the Indenture and the Installment Purchase Agreement, as more fully described herein.

**THE OBLIGATIONS OF THE DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS AND TO MAKE INSTALLMENT PAYMENTS 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 2020 BONDS OR THE INSTALLMENT PAYMENT BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OF THE DISTRICT OTHER THAN THE NET REVENUES AND OTHER MONEYS PLEDGED THEREFOR UNDER THE INDENTURE AND INSTALLMENT PURCHASE AGREEMENT. THE OBLIGATIONS OF THE DISTRICT TO MAKE PAYMENTS IN ACCORDANCE WITH THE INDENTURE AND INSTALLMENT PURCHASE AGREEMENT ARE SPECIAL OBLIGATIONS OF THE DISTRICT AS SET FORTH IN THE INDENTURE AND INSTALLMENT PURCHASE AGREEMENT 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 AND THE INSTALLMENT PURCHASE AGREEMENT. THE OBLIGATIONS OF THE DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS AND TO MAKE INSTALLMENT PAYMENTS DO NOT CONSTITUTE DEBT 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.

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MATURITY SCHEDULE – See Inside Cover Page

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*The 2020 Bonds are offered when, as and if issued and received by the Underwriter and the Certificates are offered upon execution and delivery to the Underwriter, subject to the approval of the valid, legal and binding nature of the 2020 Bonds and the Installment Payments by Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California, Bond Counsel and Special 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. Nixon Peabody LLP, Los Angeles, California, has acted as counsel to the Underwriter in connection with the issuance of the 2020 Bonds and the execution and delivery of the Certificates. It is anticipated that the 2020 Bonds and the Certificates will be available for delivery through the facilities of The Depository Trust Company on or about April 16, 2020.*

**J.P. Morgan**

Dated: April 6, 2020

**MATURITY SCHEDULES**

**\$21,635,000**

**CARPINTERIA VALLEY WATER DISTRICT  
REFUNDING REVENUE BONDS  
SERIES 2020A AND TAXABLE SERIES 2020B**

**\$17,915,000**

**SERIES 2020A**

<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>Yield</b>	<b>CUSIP† (Base 14440)</b>
2020	\$ 425,000	5.00%	100.673	1.73%	RAT6
2021	375,000	5.00	103.866	1.75	RAU3
2022	395,000	5.00	106.894	1.80	RAV1
2023	415,000	5.00	109.831	1.83	RAW9
2024	435,000	5.00	112.694	1.85	RAX7
2025	460,000	5.00	115.408	1.88	RAY5
2026	485,000	5.00	117.813	1.94	RAZ2
2027	950,000	5.00	119.968	2.01	RBA6
2028	1,290,000	5.00	121.926	2.08	RBB4
2029	1,620,000	5.00	124.068	2.11	RBC2
2030	1,140,000	5.00	125.368	2.21	RBD0
2031	1,345,000	5.00	124.334	2.31 <sup>C</sup>	RBE8
2032	1,405,000	5.00	123.311	2.41 <sup>C</sup>	RBF5
2033	2,030,000	5.00	122.297	2.51 <sup>C</sup>	RBG3
2034	2,125,000	5.00	121.894	2.55 <sup>C</sup>	RBH1
2035	3,020,000	5.00	121.393	2.60 <sup>C</sup>	RBJ7

**\$3,720,000**

**TAXABLE SERIES 2020B**

<b>Maturity Date (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>Yield</b>	<b>CUSIP† (Base 14440)</b>
2021	\$ 95,000	2.562%	100.00	2.562%	RBK4
2022	100,000	2.612	100.00	2.612	RBL2
2023	100,000	2.731	100.00	2.731	RBM0
2024	105,000	2.885	100.00	2.885	RBN8
2025	105,000	2.935	100.00	2.935	RBP3
2026	110,000	3.082	100.00	3.082	RBQ1
2027	115,000	3.132	100.00	3.132	RBR9
2028	120,000	3.217	100.00	3.217	RBS7
2029	120,000	3.267	100.00	3.267	RBT5
2030	125,000	3.317	100.00	3.317	RBU2

\$2,625,000 4.035% Term Bonds due July 1, 2045, Yield 4.035%, Price 100.00, CUSIP† 14440RBV0

<sup>C</sup> Yield to the optional redemption date of July 1, 2030, at par.

<sup>†</sup> Copyright 2020, American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP numbers are provided for reference only. The District, the Municipal Advisor and the Underwriter do not assume any responsibility for the accuracy of such numbers.

**\$1,510,000**  
**CARPINTERIA VALLEY WATER DISTRICT**  
**REVENUE CERTIFICATES OF PARTICIPATION**  
**SERIES 2020C**

<b>Maturity Date</b> <b>(July 1)</b>	<b>Principal</b> <b>Amount</b>	<b>Interest</b> <b>Rate</b>	<b>Price</b>	<b>Yield</b>	<b>CUSIP†</b> <b>(Base 14440)</b>
2027	\$ 135,000	5.00%	118.860	2.16%	3CS9
2028	145,000	5.00	120.419	2.26	3CT7
2029	150,000	5.00	121.916	2.34	3CU4
2030	160,000	5.00	123.005	2.44	3CV2
2031	165,000	5.00	121.994	2.54 <sup>C</sup>	3CW0
2032	175,000	5.00	120.993	2.64 <sup>C</sup>	3CX8
2033	185,000	5.00	120.002	2.74 <sup>C</sup>	3CY6
2034	195,000	5.00	119.608	2.78 <sup>C</sup>	3CZ3
2035	200,000	5.00	119.118	2.83 <sup>C</sup>	3DA7

<sup>C</sup> Yield to the optional redemption date of July 1, 2030, at par.

<sup>†</sup> Copyright 2020, American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP numbers are provided for reference only. The District, the Municipal Advisor and the Underwriter do not assume any responsibility for the accuracy of such numbers.

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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 2020 Bonds or the Certificates 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 2020 Bonds or the Certificates. 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 2020 BONDS AND THE CERTIFICATES 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 2020 BONDS AND THE CERTIFICATES 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 2020 BONDS AND THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2020 BONDS AND THE CERTIFICATES 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 2020 Bonds or the Certificates.

**CARPINTERIA VALLEY WATER DISTRICT**

**BOARD OF DIRECTORS**

Matthew Roberts, President  
Shirley Johnson, Vice President  
Korey Capozza, Director  
Polly Holcombe, Director  
Case Van Wingerden, Director

**DISTRICT STAFF**

Robert McDonald, General Manager  
Norma Rosales, Assistant General Manager  
Brian King, District Engineer

**General Counsel**

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

**SPECIAL SERVICES**

**Bond Counsel and Special Counsel**

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

**Municipal Advisor**

Fieldman, Rolapp & Associates, Inc.  
Irvine, California

**Trustee**

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

**Escrow Agent**

MUFG Union Bank, N.A.  
Los Angeles, California

**Verification Agent**

Robert Thomas CPA, LLC  
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 2020 Bonds and the Certificates 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.*

### **The 2020 Bonds**

**Purpose.** The 2020 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 2010A on July 1, 2020; to prepay the District's share of the outstanding balance of a Department of Water Resources joint loan contract; (iii) to refund the District's Pension Obligation; and (iv) to pay costs of issuance of the 2020 Bonds, all as more fully described herein.

**Security for the 2020 Bonds.** The 2020 Bonds are secured by a pledge of all Revenues of the District's Water System. The 2020 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 2020 BONDS AND THE CERTIFICATES—Flow of Funds" herein.

THE 2020 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 2020 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 2020 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 2020 Bonds and certain other money will be transferred by or at the direction of the District to MUFG Union Bank, N.A., as trustee with respect to the 2010A Certificates, to refund all of the currently outstanding 2010A Certificates on July 1, 2020. A portion of the proceeds of the 2020 Bonds will also be used to prepay the District's share of the outstanding balance of the DWR Joint Loan on or about the date of issuance of the 2020 Bonds. A portion of the proceeds of the 2020 Bonds will also be used to prepay a District Pension Obligation on or about the date of issuance of the 2020 Bonds. See the caption "REFUNDING PLAN."

**Parity Payments.** The obligation of the District to pay principal of and interest on the 2020 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 2020, the District projects that payments to the Authority under the Water Supply Agreement will be approximately \$4,062,672, including approximately \$2,404,903 in fixed costs attributable to the State Water Project and the Authority. After the refundings contemplated herein, the District will have approximately \$6,710,000 aggregate principal amount of 2016 Bonds payable from Net Revenues on a parity with the obligations of the District to pay principal of and interest on the 2020 Bonds and make Installment Payments. See the caption "CARPINTERIA VALLEY WATER DISTRICT—Outstanding Debt." The District may incur additional obligations on a parity with the

2020 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 2020 BONDS AND THE CERTIFICATES—Rate Covenant.”

**No Reserve Fund.** No reserve fund has been created or will be funded with respect to the 2020 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 2020 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 2020 Bonds in accordance with the Indenture. On the date of issuance of the 2020 Bonds, the District has \$0 on deposit in the Rate Stabilization Fund. See the caption “SECURITY FOR THE 2020 BONDS AND THE CERTIFICATES—Rate Stabilization Fund.”

**Redemption.** The 2020A Bonds are subject to optional and extraordinary redemption as more fully described herein. The 2020B Bonds are subject to optional, extraordinary and mandatory sinking fund redemption as more fully described herein.

## **The Certificates**

**Purpose.** The Certificates are being executed and delivered to provide funds: (i) to finance the cost of certain water utility system improvements; and (ii) to pay costs of executing and delivering the Certificates, all as more fully described herein.

**Security for the Certificates.** The Certificates are secured by Installment Payments payable by the District pursuant to the Installment Purchase Agreement and amounts on deposit in certain funds and accounts established under the Trust Agreement. The obligation of the District to make Installment Payments is a special obligation 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 Installment Purchase Agreement, including the Rate Stabilization Fund. See the caption “SECURITY FOR THE 2020 BONDS AND THE CERTIFICATES—Flow of Funds” herein.

THE OBLIGATION OF THE DISTRICT TO MAKE THE INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM THE NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

**Parity Payments.** The obligation of the District to make Installment Payments 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 2020, the District projects that payments to the Authority under the Water Supply Agreement will be approximately \$4,062,672, including approximately \$2,404,903 in fixed costs attributable to the State Water Project and the Authority. After the refundings contemplated herein, the District will have approximately \$6,710,000 aggregate principal amount of 2016 Bonds payable from Net Revenues on a parity with the obligations of the District to make Installment Payments and pay principal of and interest on the 2020 Bonds. See the caption “CARPINTERIA VALLEY WATER DISTRICT—Outstanding Debt.” The District may incur additional obligations on a parity with the obligation of the District to make Installment Payments, subject to the terms and conditions described under the caption “SECURITY FOR THE 2020 BONDS AND THE CERTIFICATES—Additional Indebtedness.”

**Rate Covenant.** The Installment Purchase Agreement 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 Installment Purchase Agreement 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 2020 BONDS AND THE CERTIFICATES—Rate Covenant.”

**No Reserve Fund.** No reserve fund has been created or will be funded with respect to the execution and delivery of the Certificates.

**Rate Stabilization Fund.** A Rate Stabilization Fund is established pursuant to the Installment Purchase Agreement 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 Installment Purchase Agreement. In the event that all or a portion of the Installment Payments are discharged in accordance with the Installment Purchase Agreement, the District may transfer all or any portion of such amounts for application to the payment of the Installment Payments in accordance with the Installment Purchase Agreement. On the date of delivery of the Certificates, the District has \$0 on deposit in the Rate Stabilization Fund. See the caption “SECURITY FOR THE 2020 BONDS AND THE CERTIFICATES—Rate Stabilization Fund.”

**Redemption.** The Certificates 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 15,346. The District currently provides water to approximately 4,120 municipal and industrial customers and approximately 386 agricultural customers. The District obtains approximately 50% of District water supplies from the Cachuma Project and the State Water Project, and pumps approximately 50% of District water supplies from the local groundwater basin, all as described herein under the caption “CARPINTERIA VALLEY WATER DISTRICT—Water Supply.”

### **Changes Since the Date of the Preliminary Official Statement**

Changes have been made in this Official Statement since the Preliminary Official Statement dated March 26, 2020 to incorporate the Supplement to Preliminary Official Statement dated April 3, 2020 under the caption “CARPINTERIA VALLEY WATER DISTRICT—Water System Rates and Charges—Collection Procedures—*Suspension of Disconnections From System*” and to include a cross-reference thereto under the caption “RISK FACTORS—Coronavirus.”

**\$21,635,000**  
**CARPINTERIA VALLEY WATER DISTRICT**  
**REFUNDING REVENUE BONDS**  
**SERIES 2020A AND TAXABLE SERIES 2020B**

**\$1,510,000**  
**CARPINTERIA VALLEY WATER DISTRICT**  
**REVENUE CERTIFICATES OF PARTICIPATION**  
**SERIES 2020C**

**\$17,915,000**  
**SERIES 2020A**

**\$3,720,000**  
**SERIES 2020B**

**INTRODUCTION**

**General**

This Official Statement, including the cover page, the inside cover page and all appendices hereto, provides certain information concerning the offering of (i) the Carpinteria Valley Water District Refunding Revenue Bonds, Series 2020A (the “2020A Bonds”) and Taxable Series 2020B (the “2020B Bonds,” and together with the 2020A Bonds, the “2020 Bonds”) and (ii) the Carpinteria Valley Water District Revenue Certificates of Participation, Series 2020C (the “Certificates”).

Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in Appendix B—“DEFINITIONS AND SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS.”

**The 2020 Bonds**

The 2020 Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 2020 (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.

The 2020 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 2010A (the “2010A Certificates”), as described under the caption “REFUNDING PLAN;” (ii) to prepay the District’s share of the outstanding balance under a joint loan contract, dated March 19, 2004 (the “DWR Joint Loan”), by and between the District and the State of California Department of Water Resources (“DWR”), as described under the caption “REFUNDING PLAN;” (iii) to refund a District Pension Obligation, as described under the caption “REFUNDING PLAN;” and (iv) to pay costs of issuance of the 2020 Bonds. See the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

The 2020 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 2020 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 2020, the District projects that payments to the Authority under the Water Supply Agreement will be approximately \$4,062,672, including approximately \$2,404,903 in fixed costs attributable to the State Water Project and the Authority. After the refundings contemplated herein and further described under the caption “REFUNDING PLAN,” the District will have approximately \$6,710,000 aggregate principal amount of Carpinteria Valley Water District Refunding Revenue Bonds, Series 2016A (the

“2016 Bonds”) payable from Net Revenues on a parity with the obligations of the District to pay principal of and interest on the 2020 Bonds and make Installment Payments.

The District will also have \$5,963,739.89 payable under a Master Lease Purchase Agreement, dated August 2, 2017, with Siemens Financial Services, Inc. (the “Siemens Lease”) and \$1,168,720 payable under a Cater Water Filtration Plan Improvements Financing Agreement with the City of Santa Barbara, dated February 27, 2004 (the “Cater Financing Agreement”), each of which is subordinate to the District’s obligation to pay principal of and interest on the 2020 Bonds. The District may incur additional obligations payable on a parity with the obligation to pay principal of and interest on the 2020 Bonds in the future. See the caption “SECURITY FOR THE 2020 BONDS AND THE CERTIFICATES—Additional Indebtedness.”

### **The Certificates**

The Certificates represent the interests of the registered owners thereof (the “Certificate Owners”) in installment payments (the “Installment Payments”) payable by the District under the Installment Purchase Agreement, dated as of March 1, 2020 (the “Installment Purchase Agreement”), by and between the District and the Carpinteria Valley Water District Financing Corporation, a nonprofit public benefit corporation (the “Corporation”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of March 1, 2020, by and among the Corporation, the District and the Trustee. Pursuant to an Assignment Agreement, dated as of March 1, 2020 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation has assigned to the Trustee for the benefit of the Certificate Owners substantially all its rights under the Installment Purchase Agreement, including the right of the Corporation to receive Installment Payments payable under the Installment Purchase Agreement and the right of the Corporation to enforce payment by the District of such Installment Payments when due.

The Certificates are being executed and delivered to provide funds: (i) to finance the cost of certain water utility system improvements; and (ii) to pay costs of executing and delivering the Certificates, all as more fully described herein. See the captions “THE PROJECT” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The obligation of the District to make Installment Payments is a special obligation 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 Installment Purchase Agreement, including the Rate Stabilization Fund. The obligation of the District to make Installment Payments 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 2020, the District projects that payments to the Authority under the Water Supply Agreement will be approximately \$4,062,672, including approximately \$2,404,903 in fixed costs attributable to the State Water Project and the Authority. After the refundings contemplated herein and further described under the caption “REFUNDING PLAN,” the District will have approximately \$6,710,000 aggregate principal amount of 2016 Bonds payable from Net Revenues on a parity with the obligations of the District to make Installment Payments and to pay principal of and interest on the 2020 Bonds.

The District will also have \$5,963,739.89 payable under the Siemens Lease and \$1,168,720 payable under the Cater Financing Agreement, each of which is subordinate to the District’s obligation to make Installment Payments and to pay principal of and interest on the 2020 Bonds.

The District may incur additional obligations payable on a parity with the obligation to make Installment Payments in the future. See the caption “SECURITY FOR THE 2020 BONDS AND THE CERTIFICATES—Additional Indebtedness.”

## **Miscellaneous**

The summaries and references to the Indenture, the Installment Purchase Agreement, the Trust Agreement 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, Installment Purchase Agreement, Trust Agreement 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 2020 Bonds (each, an "Owner") may obtain a copy of such reports, as available, from 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.

## **REFUNDING PLAN**

### **General**

**2010A Certificates.** The District caused the execution and delivery of the 2010A Certificates pursuant to a Trust Agreement, dated as of February 1, 2010 (the "2010 Trust Agreement"), by and between the District and Union Bank of California, N.A., as prior trustee. The 2010A Certificates are payable from installment payments made under an Installment Purchase Agreement, dated as of February 1, 2010 (the "2010 Installment Purchase Agreement"), by and between the District and the Carpinteria Valley Water District Financing Corporation, a nonprofit public benefit corporation.

The District plans to apply a portion of the proceeds of the 2020 Bonds and certain other moneys to refund all outstanding obligations with respect to the 2010A Certificates. To effect such refunding, the District will cause a portion of the proceeds of the 2020 Bonds and certain other moneys to be deposited into the 2010A Certificates Escrow Fund (the "2010A Certificates Escrow Fund") established under the Escrow Agreement dated as of March 1, 2020 (the "2010 Escrow Agreement"), by and between District and MUFG Union Bank, 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 2010A Certificates Escrow Fund to pay such amounts will be verified by Robert Thomas CPA, LLC, Minneapolis, Minnesota (the "Verification Agent").

With respect to the 2010A 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, 2020, the accreted value of the 2010A Certificates in an amount equal to \$16,198,730.55, without premium. Sufficiency of the deposits in the 2010 Escrow Fund to pay such amounts will be verified by the Verification Agent.

All cash and Defeasance Obligations in the 2010A Certificates Escrow Fund will be irrevocably pledged to secure, the payment of the accreted value of the 2010A Certificates, without premium, on July 1, 2020, and will not be available to pay the principal or interest on the 2020 Bonds.

Assuming the accuracy of the Verification Agent's computations, as a result of the deposit and investment of funds under the 2010 Escrow Agreement, all of the District's obligations with respect to the 2010A Certificates, including the pledge and lien on the Net Revenues of the Water System and the Revenue Fund (as defined in the 2010 Installment Purchase Agreement, dated as of February 1, 2010, by and between the District and the Carpinteria Valley Water District Financing Corporation, the "2010 Installment Purchase

Agreement”) which secure the District’s obligations with respect to the 2010 Installment Purchase Agreement, shall thereupon cease, terminate, become void and be completely discharged and satisfied.

***DWR Joint Loan.*** The District share of the DWR Joint Loan is currently outstanding in the principal amount of \$5,192,076.11. The District plans to apply a portion of the proceeds of the 2020 Bonds to prepay its share of the outstanding balance of the DWR Joint Loan and interest accrued thereon on or about the date of the initial issuance of the 2020 Bonds.

***Pension Obligation.*** The District’s qualified employees are eligible to participate in the cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (“CalPERS”). Pursuant to its pension plans, the District is obligated to make payments to CalPERS arising as a result of retirement benefits accruing to members of CalPERS. The District’s obligation includes, but is not limited to, the requirement to amortize the unfunded accrued liability (“UAL”) and to make annual contributions with respect to such retirement benefits. The District expects to refund its outstanding UAL for the District’s Tier 1 Miscellaneous Plan administered by CalPERS in the amount of \$3,675,808 (the “Pension Obligation”) on or about the date of the initial issuance of the 2020 Bonds from the proceeds of the 2020B 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 2020 Bonds relating to the adequacy of the amounts deposited in the 2010A Certificates Escrow Fund to pay the accreted value of the 2010A Certificates on July 1, 2020, and the computation of the yield of the 2010A Certificates and the 2020 Bonds which support Bond Counsel’s opinion that interest with respect to the 2020 Bonds received by the Owners is excluded from gross income for federal income tax purposes.

### **THE 2020 PROJECT**

The District expects to apply a portion of the proceeds of the Certificates to finance improvements to District facilities, including but not limited to: water distribution system pipeline and valve replacements, pumping and well facility improvements, and District office building facility improvements. The District currently expects to obtain all environmental and other approvals in connection with the 2020 Project necessary to construct the 2020 Project in a timely manner. The District currently expects to expend substantially all proceeds of the Certificates allocable to the 2020 Project by April 10, 2023.

Pursuant to the terms of the Installment Purchase Agreement, the District has the right to substitute projects for the 2020 Project. See Appendix B—“DEFINITIONS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” under the caption “Installment Purchase Agreement—Sale and Purchase of the Project—Changes to the Project.”

### **THE 2020 BONDS**

#### **General Provisions**

The 2020 Bonds will be issued in the aggregate principal amount of \$21,635,000. The 2020 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, 2020 (each, an “Interest Payment Date”), and will mature on the dates set forth on the inside cover page hereof.

The 2020 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 2020 Bonds. Ownership interests in the 2020 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 E attached hereto.

Interest on the 2020 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 2020 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 2020 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 2020 Bonds shall be payable in lawful money of the United States of America.

Each 2020 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 June 15, 2020, 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 2020 Bond, interest thereon is in default, such 2020 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 2020 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 2020 Bonds will be printed and delivered as provided in the Indenture. Thereafter, any 2020 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 2020 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 2020 Bond during the period in which the Trustee is selecting 2020 Bonds for redemption and any 2020 Bond that has been selected for redemption.

Whenever any 2020 Bond or 2020 Bonds shall be surrendered for transfer, the District shall execute and the Trustee shall authenticate and shall deliver a new 2020 Bond or 2020 Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee shall require the 2020 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 2020 Bonds, the Trustee will cancel and destroy the 2020 Bonds it has received

2020 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 2020 Bond during the period in which the Trustee is selecting 2020 Bonds for redemption and any 2020 Bond that has been selected for redemption. The Trustee shall require the 2020 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 2020 Bonds, the Trustee will cancel and destroy the 2020 Bonds it has received.

## Redemption of the 2020 Bonds

**Optional Redemption of 2020A Bonds.** The 2020A Bonds with stated maturities on or after July 1, 2031 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, 2030, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

**Optional Redemption of 2020B Bonds.** The 2020B Bonds with stated maturities on or after July 1, 2031 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, 2030, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

**Optional Redemption of 2020B Bonds with Make-Whole Payment.** The 2020B Bonds are subject to redemption prior to July 1, 2030 at the option of the District, as a whole or in part on any Business Day 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, at the "Make-Whole Redemption Price." "Make-Whole Redemption Price," as determined by the District, means the greater of (1) 100% of the principal amount of the 2020B Bonds being redeemed, and (2) the sum of the present values of the remaining unpaid scheduled payments of principal and interest on any 2020B Bonds being redeemed, not including any portion of those payments of interest accrued and unpaid to the date of redemption, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus the following make-whole call spread for the 2020B Bonds maturing on the dates set forth below, plus accrued and unpaid interest on the 2020B Bonds to be redeemed on the redemption date:

<i>Maturity Date (July 1)</i>	<i>Make-Whole Call Spread (Basis Points)</i>
2021	40
2022	40
2023	40
2024	40
2025	40
2026	40
2027	40
2028	40
2029	40
2030	40

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical H.15 (519) that has become publicly available at least two Business Days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the 2020B Bonds to be redeemed (taking

into account any sinking Fund Installments for such 2020B Bonds). However, if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

**Mandatory Sinking Fund Redemption of 2020B Bonds.** The 2020B Bonds with stated a maturity on July 1, 2045 are subject to mandatory sinking fund redemption in part (by lot) on each July 1 on and after July 1, 2031, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest evidenced and represented thereby to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (July 1)</i>	<i>Principal Amount</i>
2031	\$ 130,000
2032	135,000
2033	140,000
2034	145,000
2035	155,000
2036	160,000
2037	165,000
2038	170,000
2039	180,000
2040	185,000
2041	195,000
2042	205,000
2043	210,000
2044	220,000
2045*	230,000

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\* Final Maturity.

**Extraordinary Redemption.** The 2020 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 2020 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 2020 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 2020 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 2020 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 2020 Bonds of any such maturity are to be redeemed, the serial numbers of the 2020 Bonds of such maturity to be redeemed by giving the individual number of each 2020 Bond or by stating that all 2020 Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2020 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 2020 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 2020 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 2020 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 2020 Bond. Notice of redemption of 2020 Bonds will be given by the Trustee at the expense of the District.

With respect to any notice of optional redemption of 2020 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 2020 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 2020 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 2020 Bond of each maturity of each series will be issued in the principal amount of the 2020 Bonds of such maturity. Such 2020 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 2020 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 2020 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 E hereto for additional information concerning DTC.

### **THE CERTIFICATES**

#### **General Provisions**

The Certificates will be executed and delivered in the aggregate principal amount of \$1,510,000. The Certificates will be dated as of the date of initial delivery thereof, will be payable upon maturity on the dates set forth on the inside front cover page hereof and will represent interest from such date at the rates per annum set forth on the inside front cover page hereof, payable on each January 1 and July 1, commencing July 1, 2020. Interest will be calculated at the rates set forth on the inside front cover page hereof and on the basis of a year of 360 days comprised of twelve 30 day months.

The Certificates will be delivered only in fully registered form and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof. See the caption "Book-Entry Only System" below and Appendix E attached hereto.

In the event the book-entry only system described below is discontinued, the principal evidenced by any Certificate will be payable by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon prior prepayment at the Office of the Trustee. Such principal and interest shall be payable in lawful money of the United States of America.

### **Transfers and Exchanges Upon Termination of Book-Entry Only System**

In the event the book-entry system described above is discontinued, the Certificates will be printed and delivered as provided in the Trust Agreement. Thereafter, any Certificate may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Certificate for cancellation at the Principal Corporate Trust Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any Certificate or Certificates are surrendered for transfer, the Trustee will execute and deliver a new Certificate or Certificates of the same maturity, for a like principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new Certificate executed and delivered upon any transfer. The Trustee may require the payment by any Certificate Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of Certificates the Trustee will cancel and destroy the Certificates it has received.

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

The Trustee is not required to register the exchange, or transfer of any Certificate: (i) within 15 days preceding selection of Certificates for prepayment; or (ii) selected for prepayment.

### **Prepayment of the Certificates**

***Optional Prepayment.*** The Certificates are subject to prepayment 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 prior to such date and by lot within each maturity in integral multiples of \$5,000 from any source of funds on or after July 1, 2030, from amounts prepaid by the District pursuant to the Installment Purchase Agreement at a Prepayment Price equal to the principal amount thereof plus interest accrued with respect thereto to the date fixed for prepayment, without premium.

***Extraordinary Prepayment.*** The Certificates are subject to extraordinary prepayment 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 prior to such date and by lot within each maturity in integral multiples of \$5,000 from prepaid Installment Payments made by the District from Net Proceeds of insurance or condemnation, upon the terms and conditions of, and as provided for in, the Trust Agreement and the Installment Purchase Agreement, at a Prepayment Price equal to the principal amount thereof plus accrued interest evidenced and represented thereby to such date fixed for prepayment, without premium.

***Partial Prepayment of Certificates.*** Upon surrender of any Certificate prepaid in part only, the Trustee will execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unpaid portion of the Certificate surrendered and of the same maturity.

#### **Notice of Prepayment**

Notice of prepayment will be mailed, first class postage prepaid, to the respective Owners of any Certificates designated for prepayment at their addresses appearing on the Certificate registration books and to the Information Services and by registered or certified or overnight mail to the Securities Depositories at least 30 days but not more than 60 days prior to the prepayment date.

Each notice of prepayment will state the date of notice, the prepayment date, the place or places of prepayment and the Prepayment Price, designate the maturities, CUSIP numbers, if any, and, if less than all Certificates of any such maturity are to be prepaid, the serial numbers of the Certificates of such maturity to be prepaid by giving the individual number of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for prepayment and, in the case of Certificates to be prepaid in part only, the portions thereof to be prepaid. Each such notice will also state that on said date there will become due and payable on each of said Certificates the Prepayment Price thereof or of said specified portion of the principal represented thereby in the case of a Certificate to be prepaid in part only, and that (provided that moneys for prepayment have been deposited with the Trustee) from and after such prepayment date interest with respect thereto ceases to accrue, and will require that such Certificates be then surrendered to the Trustee. Any defect in the notice or the mailing thereof will not affect the validity of the prepayment of any Certificate.

#### **Effect of Prepayment**

When notice of prepayment has been duly given as aforesaid, and moneys for payment of the Prepayment Price of, together with interest accrued to the prepayment date with respect to, the Certificates (or portions thereof) so called for prepayment are held by the Trustee, the Certificates (or portions thereof) so called for prepayment will, on the prepayment date designated in such notice, become due and payable at the Prepayment Price specified in such notice and interest accrued thereon to the prepayment date; and from and after the prepayment date interest represented by the Certificates so called for prepayment will cease to accrue, said Certificates (or portions thereof) will cease to be entitled to any benefit or security under the Trust Agreement, and the Owners of said Certificates will have no rights in respect thereof except to receive payment of said Prepayment Price and accrued interest.

#### **Book-Entry Only System**

One fully-registered Certificate will be executed and delivered for each maturity of the Certificates in the principal amount of the Certificates of such maturity. It will be registered in the name of Cede & Co. and will be deposited with DTC. As long as the ownership of the Certificates is registered in the name of Cede & Co., the term "Owner" as used in this Official Statement shall refer to Cede & Co. and not to the actual purchasers of the Certificates (the "Beneficial Owners").

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 Certificates will be printed and delivered and will be governed by the provisions of the Trust Agreement 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 with respect to the Certificates received by DTC or its nominee as the registered Owner, or any prepayment 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 E hereto for additional information concerning DTC.

**DEBT SERVICE PAYMENT SCHEDULE**

Set forth below is a schedule of principal of and interest on the 2020 Bonds and the Installment Payments, together with Bonds and Contracts payable from Net Revenues on a parity with the 2020 Bonds, as more particularly described in Appendix B hereto (the "Bonds and Contracts"), payable in the Fiscal Years ending June 30 indicated:

June 30	2020A Bonds		2020B Bonds		Installment Payments			Outstanding Bonds and Contracts <sup>(1)</sup>	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Total		
2020	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,690,919.35	\$ 1,690,919.35
2021	425,000	623,864.58	--	98,264.04	1,147,128.62	53,479.17	53,479.17	1,115,500.00	2,316,107.79
2022	375,000	865,125.00	--	137,508.75	1,472,633.75	75,500.00	75,500.00	719,625.00	2,267,758.75
2023	395,000	845,875.00	100,000	134,985.80	1,475,860.80	75,500.00	75,500.00	722,250.00	2,273,610.80
2024	415,000	825,625.00	100,000	132,314.30	1,472,939.30	75,500.00	75,500.00	718,750.00	2,267,189.30
2025	435,000	804,375.00	105,000	129,434.18	1,473,809.18	75,500.00	75,500.00	714,250.00	2,263,559.18
2026	460,000	782,000.00	105,000	126,378.68	1,473,378.68	75,500.00	75,500.00	713,625.00	2,262,503.68
2027	485,000	758,375.00	110,000	123,142.70	1,476,517.70	75,500.00	75,500.00	716,625.00	2,268,642.70
2028	950,000	722,500.00	115,000	119,646.70	1,907,146.70	135,000	207,125.00	620,625.00	2,734,896.70
2029	1,290,000	666,500.00	120,000	115,915.60	2,192,415.60	145,000	210,125.00	620,750.00	3,023,290.60
2030	1,620,000	593,750.00	120,000	112,025.20	2,445,775.20	150,000	207,750.00	619,625.00	3,273,150.20
2031	1,140,000	524,750.00	125,000	107,991.88	1,897,741.88	160,000	210,000.00	612,375.00	2,720,116.88
2032	1,345,000	462,625.00	130,000	103,296.01	2,040,921.01	165,000	206,875.00	457,875.00	2,705,671.01
2033	1,405,000	393,875.00	135,000	97,949.63	2,031,824.63	175,000	208,375.00	456,125.00	2,696,324.63
2034	2,030,000	308,000.00	140,000	92,401.50	2,570,401.50	185,000	209,375.00	--	2,779,776.50
2035	2,125,000	204,125.00	145,000	86,651.63	2,560,776.63	195,000	209,875.00	--	2,770,651.63
2036	3,020,000	75,500.00	155,000	80,599.13	3,331,099.13	200,000	205,000.00	--	3,536,099.13
2037	--	--	160,000	74,244.00	234,244.00	--	--	--	234,244.00
2038	--	--	165,000	67,687.13	232,687.13	--	--	--	232,687.13
2039	--	--	170,000	60,928.51	230,928.51	--	--	--	230,928.51
2040	--	--	180,000	53,867.26	233,867.26	--	--	--	233,867.26
2041	--	--	185,000	46,503.38	231,503.38	--	--	--	231,503.38
2042	--	--	195,000	38,836.88	233,836.88	--	--	--	233,836.88
2043	--	--	205,000	30,766.88	235,766.88	--	--	--	235,766.88
2044	--	--	210,000	22,394.25	232,394.25	--	--	--	232,394.25
2045	--	--	220,000	13,719.00	233,719.00	--	--	--	233,719.00
2046	--	--	230,000	4,640.25	234,640.25	--	--	--	234,640.25
<b>Total</b>	<b>\$17,915,000</b>	<b>\$9,456,864.58</b>	<b>\$ 3,720,000</b>	<b>\$ 2,212,093.27</b>	<b>\$ 33,303,957.85</b>	<b>\$1,510,000</b>	<b>\$ 870,979.17</b>	<b>\$10,498,919.35</b>	<b>\$ 46,183,856.37</b>

<sup>(1)</sup> Represents amounts due on the 2016 Bonds as described under the caption "CARPINTERIA VALLEY WATER DISTRICT- Outstanding Obligations." Includes amounts due on the DWR Joint Loan in Fiscal Year 2020 only. The District plans to apply a portion of the proceeds of the 2020A Bonds to prepay its share of the outstanding balance of the DWR Joint Loan and interest accrued thereon on or about the date of the initial issuance of the 2020 Bonds as described under the caption "REFUNDING PLAN."

## SECURITY FOR THE 2020 BONDS AND THE CERTIFICATES

### 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 2020 Bonds and the Certificates) held in any fund or account established pursuant to the Indenture, the Trust Agreement and the Installment Purchase Agreement (except the Rebate Fund) are irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2020 Bonds and the Installment Payments in accordance with their terms and the provisions of the Indenture and the Installment Purchase Agreement, 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 and the Installment Purchase Agreement, 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 2020 Bonds and the Installment Payments in accordance with the terms of the Indenture and the Installment Purchase Agreement, and shall attach, be perfected and be valid and binding from and after the Closing Date, 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 or the Installment Sale Agreement. See the caption “—Flow of Funds.” The Revenues will not be used for any other purpose while the 2020 Bonds remain Outstanding or the Installment Payments remain unpaid; 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 the Installment Purchase Agreement and described below.

The District is obligated to make payments of principal of and interest on the 2020 Bonds and to make Installment Payments 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 and the Installment Purchase Agreement. 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 2020 Bonds and to make Installment Payments 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 2020, the District projects that payments to the Authority under the Water Supply Agreement will be approximately \$4,062,672, including approximately \$2,404,903 in fixed costs attributable to the State Water Project and the Authority. See Appendix B—“DEFINITIONS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for a detailed discussion of the terms of the Indenture and the Installment Purchase Agreement.

THE OBLIGATIONS OF THE DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS AND TO MAKE INSTALLMENT PAYMENTS 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 2020 BONDS OR THE INSTALLMENT PAYMENT BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OF THE DISTRICT OTHER THAN THE NET REVENUES AND OTHER MONEYS PLEDGED THEREFOR UNDER THE INDENTURE AND INSTALLMENT PURCHASE AGREEMENT. THE OBLIGATIONS OF THE DISTRICT TO MAKE PAYMENTS IN ACCORDANCE WITH THE INDENTURE AND INSTALLMENT PURCHASE AGREEMENT ARE SPECIAL OBLIGATIONS OF THE DISTRICT AS SET FORTH IN THE INDENTURE AND INSTALLMENT PURCHASE AGREEMENT 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 AND THE INSTALLMENT PURCHASE AGREEMENT. THE OBLIGATIONS OF THE DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS AND TO MAKE INSTALLMENT PAYMENTS DO NOT CONSTITUTE DEBT 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 and the Installment Purchase Agreement, 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 2020 Bonds remain Outstanding and the Installment Payments remain unpaid) and will be accounted for and held in trust for the benefit of 2020 Bond Owners, the Certificate 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 and the Installment Purchase Agreement. 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 and the Installment Purchase Agreement.

“Revenues” are defined under the Indenture and the Installment Purchase Agreement 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; plus (4) deposits to the Revenue Fund from amounts on deposit in the Rate Stabilization Fund in accordance with the Indenture; but less (5) any Revenues transferred from the Revenue Fund to the Rate Stabilization Fund in accordance with the Indenture; 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 and the Installment Purchase Agreement 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:

**Interest and Principal Payments.** Not later than each Interest Payment Date and Installment Payment Date, the District shall, from the moneys in the Revenue Fund, transfer to the Trustee the interest and principal or Installment Payment due and payable on that Interest Payment Date or Installment 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.

**Reserve Funds.** On or before each Interest Payment Date and Installment 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 or the Installment Purchase Agreement, that sum, if any, necessary to restore such reserve fund and/or account to an amount equal to the reserve requirement therefor.

**Surplus.** Moneys on deposit in the Revenue Fund on each Interest Payment Date and Installment 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, including but not limited to transfer to the Rate Stabilization Fund or other unpaid amounts due on obligations subordinate to the District’s obligation to pay principal of and interest on the 2020 Bonds and to make Installment Payments, including the Cater Financing Agreement and the Siemens Lease.

#### **Rate Covenant**

The Indenture and the Installment Purchase Agreement 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 and the Installment Purchase Agreement 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 2020 Bonds and the Installment Payments. See the caption “—Additional Indebtedness.”

### **Rate Stabilization Fund**

There is established under the Indenture and the Installment Purchase Agreement a special fund designated as the “Rate Stabilization Fund” to be held by the District in trust thereunder, which fund the District has pledged to the payment of the 2020 Bonds and the Installment Payments under the Indenture and the Installment Purchase Agreement and has agreed and covenanted to maintain and to hold separate and apart from other funds so long as any 2020 Bonds or Installment Payments remain unpaid. On the date of delivery of the 2020 Bonds and Certificates, 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 and the Installment Purchase Agreement will be held in the Rate Stabilization Fund and applied in accordance with the Indenture and the Installment Purchase Agreement.

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 the Installment Purchase Agreement or, in the event that all or a portion of the 2020 Bonds or Installment Payments are discharged in accordance with the Indenture or the Installment Purchase Agreement, transfer all or any portion of such amounts for application in accordance with the Indenture or the Installment Purchase Agreement. Amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to the Indenture and the Installment Purchase Agreement 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 in the Indenture and the Installment Purchase Agreement 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 Municipal Advisor 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 Municipal Advisor 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 2020 Bonds or the Certificates.

## ESTIMATED SOURCES AND USES OF FUNDS

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

<i>Sources</i> <sup>(1)</sup> :	<i>2020A Bonds</i>	<i>2020B Bonds</i>	<i>Certificates</i>
Principal Amount	\$ 17,915,000	\$ 3,720,000	\$ 1,510,000
Original Issue Premium	3,668,272	--	311,254
District Contribution <sup>(2)</sup>	1,176,236	--	--
Total Sources	<u>\$ 22,759,508</u>	<u>\$ 3,720,000</u>	<u>\$ 1,821,254</u>
<i>Uses</i> <sup>(1)</sup> :			
Transfer to Escrow Agent for Refunding of 2010A Certificates	\$ 16,195,696	\$ --	\$ --
Prepayment of DWR Joint Loan	5,230,132	--	--
Refunding of the Pension Obligation	--	3,675,808	--
Transfer to the Acquisition Fund	--	--	1,800,000
Deposit to Bond Fund	1,138,177	--	--
Underwriter's Discount	49,416	10,261	4,165
Deposit to Costs of Issuance Fund <sup>(3)</sup>	146,087	33,931	17,089
Total Uses	<u>\$ 22,759,508</u>	<u>\$ 3,720,000</u>	<u>\$ 1,821,254</u>

<sup>(1)</sup> All amounts rounded to the nearest dollar.

<sup>(2)</sup> The District will apply District moneys to the prepayment of a portion of the DWR Joint Loan in addition to 2020 Bonds proceeds and District moneys to prepay interest on the 2020A Bonds through January 1, 2022.

<sup>(3)</sup> Includes certain legal fees, rating 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 15,346 and currently provides water to approximately 4,120 municipal and industrial customers and approximately 386 agricultural customers. The District obtains approximately 50% 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 50% of its water supplies from the local groundwater basin (based on 5-year average ending June 30, 2019). 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 11,300 acres, of which approximately 3,220 acres are currently used for agriculture and approximately 3,055 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 16,400.

**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>
Matthew Roberts, President	December 2022	Rancher and Director of Parks & Recreation for the City of Carpinteria
Shirley Johnson, Vice President	December 2022	Retired, Former International Trade Executive
Korey Capozza, Director	December 2022	Non-Profit Leader and Health Research Consultant
Polly Holcombe, Director	December 2020	International Trade Administration
Case Van Wingerden, Director	December 2020	Grower, Gallup & Stribling Orchids, Westland Floral and Alexander Ranch

Day-to-day management of the District is delegated to the General Manager (the “General Manager”), Robert McDonald. Mr. McDonald has served the District as its General Manager since July 1, 2016. Mr. McDonald served as District Engineer for sixteen years prior to being appointed as General Manager. Prior to serving at the District, Mr. McDonald worked as a consulting civil engineer for 7 years at various firms in California and Colorado. His focus while consulting was water resources giving him a well-rounded understanding of water systems. Mr. McDonald is a 1992 graduate of Cal Poly Pomona with a Bachelor of Science in Civil Engineering; he is a licensed Civil Engineer in California and has also earned a Master in Public Administration from Cal State Northridge in 2013.

**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 20 persons, of whom 12 work in engineering or administration, and 8 work in field operations. On May 9, 2016, 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, 2020, and the District is currently in negotiations to enter into a new agreement, which it expects will occur on about May 27, 2020. 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 qualified 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 issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information which are available from CALPERS at 400 Q Street, Sacramento, California, 95811 and at [www.calpers.ca.gov](http://www.calpers.ca.gov). CalPERS actuarial valuations for the District are also available at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**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. 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 .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.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

<i>Miscellaneous Plan - For the Year Ended June 30, 2018</i>			
	<i>Tier 1</i>	<i>Tier 2</i>	<i>PEPRA</i>
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
Retirement age 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	7.0%	7.00%	6.3%
Required employer contribution rates	8.9%	8.40%	6.6%

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

<i>Miscellaneous Plan - For the Year Ended June 30, 2017</i>			
	<i>Tier 1</i>	<i>Tier 2</i>	<i>PEPRA</i>
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
Retirement age 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	7.0%	7.00%	6.3%
Required employer contribution rates	8.9%	8.40%	6.6%

**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 all 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 fiscal years ended June 30, 2019 and 2018, the contributions recognized as part of pension expense for all Plans were as follows:

	<i>Miscellaneous Plan</i>	
	<i>June 30, 2019</i>	<i>June 30, 2018</i>
Contributions - Employer	\$429,354	\$379,661

***Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions.*** The District's net pension liability for all Plans is measured as the proportionate share of the net pension liability. As of June 30, 2019 and 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of all Plans as follows:

	<i>Proportionate Share of the Net Pension Liability</i>	
	<i>Fiscal Year Ended June 30, 2019</i>	<i>Fiscal Year Ended June 30, 2018</i>
Miscellaneous	\$3,540,891	\$3,672,110

For the fiscal year ended June 30, 2019, the net pension liability of all of the Plans is measured as of June 30, 2018, and the total pension liability for all Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures.

For the fiscal year ended June 30, 2018, the net pension liability of all of the Plans is measured as of June 30, 2017, and the total pension liability for all Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures.

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 with an actuarial valuation date of June 30, 2018 and 2017, was as follows:

	<i>Fiscal Year Ended June 30, 2019</i>		<i>Fiscal Year Ended June 30, 2018</i>	
	<i>Miscellaneous</i>		<i>Miscellaneous</i>	
Proportion - June 30, 2018	0.09315%		Proportion - June 30, 2017	0.09502%
Proportion - June 30, 2019	<u>0.09395</u>		Proportion - June 30, 2018	<u>0.09315</u>
Change - Increase (Decrease)	<u>(0.00080)%</u>		Change - Increase (Decrease)	<u>0.00187%</u>

For the fiscal years ended June 30, 2019 and 2018, the District recognized pension expense of \$476,471 and \$595,505, respectively. At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



	<i>June 30, 2019</i>		<i>June 30, 2018</i>	
	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Pension Contributions Subsequent to Measurement Date	\$ 429,354	\$ -	\$ 379,661	\$ -
Differences Between Actual and Expected Experience	135,858	(46,232)	3,833	(54,915)
Changes in Assumptions	403,671	(98,932)	475,588	(36,264)
Change in Employer's Proportion and Differences between Projected and Actual Earnings	119,612	(185,004)	131,679	(26,746)
Net Differences Between Projected and Actual Earnings on Plan Investments	17,505	-	107,558	-
Total	<u>\$ 1,106,000</u>	<u>\$ (330,168)</u>	<u>\$ 1,098,319</u>	<u>\$ (117,925)</u>

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.

During the fiscal year ended June 30, 2018, \$379,661 in deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability. During the fiscal year ended June 30, 2019, \$429,354 in deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<i>Fiscal Year Ending</i>	
<i>June 30,</i>	
2020	\$ 336,529
2021	184,885
2022	(143,087)
2023	(31,849)
Thereafter	-
Total	<u>\$ 346,478</u>

**Actuarial Assumptions.** The total pension liabilities in the June 30, 2017 and 2016 actuarial valuations were determined using the following actuarial assumptions:

	<i>Fiscal Year Ended June 30, 2019</i>	<i>Fiscal Year Ended June 30, 2018</i>
	<i>Miscellaneous</i>	<i>Miscellaneous</i>
Valuation Date	June 30, 2017	June 30, 2016
Measurement Date	June 30, 2018	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.75%
Payroll Growth	2.75%	2.75%
Projected Salary Increase	Varies by Entry Age and Service <sup>(1)</sup>	Varies by Entry Age and Service <sup>(1)</sup>
Investment Rate of Return	7.15% <sup>(2)</sup>	7.15% <sup>(2)</sup>
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract cost of living adjustment up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.	Contract cost of living adjustment up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

<sup>(1)</sup> Depending on age, service, and type of employment.

<sup>(2)</sup> Net of pension plan investment and administrative expenses, including inflation.

The actuarial assumptions used for the June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality, and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

For the fiscal year ended June 30, 2019, the discount rate used to measure the total pension liability was 7.15 percent 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF), including PERF C. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

***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:

	<i>Miscellaneous Plan</i>	<i>Miscellaneous Plan</i>
	<i>Fiscal Year Ended June 30, 2019</i>	<i>Fiscal Year Ended June 30, 2018</i>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$5,158,591	\$5,239,784
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$3,540,891	\$3,672,110
1% Increase	8.15%	8.15%
Net Pension Liability	\$2,205,507	\$2,373,735

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

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, 2019, attached as Appendix A to this Official Statement.

**Other Post-Employment Benefits.** In addition to providing pension benefits, the District currently provides retiree medical, dental, vision, and prescription drug coverage to current and future eligible retirees under a single-employer plan. Under the plan, retired employees who attain age 60 with at least 20 years of service are eligible to receive benefits. Spouses may elect to continue coverage at their own expense.

The contribution requirements of plan members and the District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements. Employees pay a portion of their monthly premium and the District contributes up to 5% of a retiree’s CalPERS benefit toward the cost of medical coverage for post-65 retirees.

At the OPEB liability measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Actives and Terminated Vested Fully Eligible to Retire	-
Actives and Terminated Vested Not Yet Fully Eligible to Retire	18
Retirees	<u>7</u>
Total	<u>25</u>

**Contributions.** The contribution requirements of plan members and the District are established and may be amended by the District Board. These contributions are neither mandated nor guaranteed. The District has retained the right to unilaterally modify its payment for retiree health care benefits. For the fiscal years ended June 30, 2019 and 2018, the District contributed \$21,317 and \$19,401, respectively. Employees are not required to contribute to the OPEB Plan.

**Net OPEB Liability.** At June 30, 2019 and 2018, the District reported a net OPEB liability of \$681,692 and \$645,559, respectively. The net OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017, based on the following actuarial methods and assumptions:

Valuation Date	July 1, 2017
Fiscal Year Ending	June 30, 2019
Measurement Date	July 1, 2017
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay – Under this cost method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the Total OPEB Liability (TOL).
Changes Since Last Valuation	No significant changes have occurred since the last valuation.
Method Used to Determine the Actuarial Value of Assets	N/A.
Amortization Method	Closed, straight-line for average remaining service period.

**Executive Summary.** This report provides the Net OPEB Liability/(Asset) (NOL) and the Annual OPEB Cost that will be required under GASB Statement No. 75. The calculations are as of July 1, 2018.

Net OPEB Liability (NOL)	<b>2019</b>
A. Actives	\$ 410,317
B. Retirees, spouses, and beneficiaries	<u>271,375</u>
C. Total reported	<u>\$ 681,692</u>
Annual Covered Payroll	\$ 1,613,620
NOL as a Percent of Covered Payroll	42.2%
Fiscal Year 2018 Net OPEB Expense	\$ 60,713

Net OPEB Liability (NOL)	<b>2018</b>
A. Actives	\$ 388,568
B. Retirees, spouses, and beneficiaries	<u>256,991</u>
C. Total reported	<u>\$ 645,559</u>
Annual Covered Payroll	\$ 1,543,895
NOL as a Percent of Covered Payroll	41.8%
Fiscal Year 2018 Net OPEB Expense	\$ 57,450

**Discount Rate.** The discount rate used to measure the total OPEB liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be sufficient to fully fund the obligation over a period not to exceed 30 years. Historic 30 year real rates of return for each asset class along with the assumed long-term inflation assumption were used to set the discount rate. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in the Net OPEB Liability.** The following tables show the changes in the net OPEB liability of the District for the fiscal years ending June 30, 2019 and 2018:

<b>2019</b>	
A. Net OPEB Obligation (NOO), Beginning of Prior Year	\$ 645,559
B. Fiscal Year 2018 OPEB Cost	
1. Annual Required Contribution	\$ 33,895
2. Interest on Net OPEB Obligation (NOO)	23,555
3. Adjustment to Annual Required Contribution	<u>-</u>
4. Total Net OPEB Cost	\$ 57,450
C. Employer Contributions	\$ 21,317
D. Transition Amount*	<u>\$ -</u>
E. Net OPEB Liability/(Asset) (NOL) [(A) + (B) + (C) + (D)]	<u>\$ 681,692</u>

\* Aggregate balance sheet effect of transition to GASB Statement No. 75 accounting requirements.

<b>2018</b>	
A. Net OPEB Obligation (NOO), Beginning of Prior Year	\$ 179,642
B. Fiscal Year 2017 OPEB Cost	
1. Annual Required Contribution	\$ 52,304
2. Interest on Net OPEB Obligation (NOO)	7,189
3. Adjustment to Annual Required Contribution	<u>(6,789)</u>
4. Total Net OPEB Cost	\$ 52,704
C. Employer Contributions	\$ 19,401
D. Transition Amount*	<u>\$ 393,812</u>
E. Net OPEB Liability/(Asset) (NOL) [(A) + (B) + (C) + (D)]	<u>\$ 645,559</u>

\* Aggregate balance sheet effect of transition to GASB Statement No. 75 accounting requirements.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates.** The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the discount rate:

<b>I.</b>	<b>Change in Healthcare Trend Rate</b>	<b>2019</b>
	A. Change in TOL for a 1% Increase	
	1. Dollar	\$ 43,314
	2. Percent	6.4%
	B. Change in TOL for a 1% Decrease	
	1. Dollar	\$ (37,627)
	2. Percent	(5.5)%
<b>II.</b>	<b>Change in Discount Rate</b>	
	A. Change in TOL for a 1% Increase	
	1. Dollar	\$ (78,728)
	2. Percent	(11.5)%
	B. Change in TOL for a 1% Decrease	
	1. Dollar	\$ 92,591
	2. Percent	13.6%
<b>I.</b>	<b>Change in Healthcare Trend Rate</b>	<b>2018</b>
	A. Change in TOL for a 1% Increase	
	1. Dollar	\$ 41,018
	2. Percent	6.4%
	B. Change in TOL for a 1% Decrease	
	1. Dollar	\$ (35,633)
	2. Percent	(5.5)%
<b>II.</b>	<b>Change in Discount Rate</b>	
	A. Change in TOL for a 1% Increase	
	1. Dollar	\$ (74,555)
	2. Percent	(11.5)%
	B. Change in TOL for a 1% Decrease	
	1. Dollar	\$ 87,683
	2. Percent	13.6%

**OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB.** For the fiscal years ended June 30, 2019 and 2018, the District recognized OPEB expense of \$60,713 and \$57,450, respectively. As of fiscal years ended June 30, 2019 and 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

<b>2019</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
OPEB Contributions Subsequent to Measurement Date	\$ 17,761	\$ -
Differences between Actual and Expected Experience	-	-
Changes in Assumptions	-	-
Net Differences between Projected and Actual Earnings on Plan Investments	-	-
Total	<u>\$ 17,761</u>	<u>\$ -</u>
<b>2018</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
OPEB Contributions Subsequent to Measurement Date	\$ 18,774	\$ -
Differences between Actual and Expected Experience	-	-
Changes in Assumptions	-	-
Net Differences between Projected and Actual Earnings on Plan Investments	-	-
Total	<u>\$ 18,774</u>	<u>\$ -</u>

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 2019 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 \$125 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 District managers. 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 holds public Board meetings and Board committee meetings commencing in January to each year to obtain comments from residents, ratepayers and the Board of Directors. The District reviews and updates its Cost of Service model annually. Subsequent to such Board meetings and Board committee meetings, the Board generally approves the budget prior to July 1. The Board approved the Fiscal Year 2020 budget on May 22, 2019. As of February 10, 2020, no material amendment to such budget has been approved.

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 is a member of Association of California Water Agency Joint Powers Insurance Authority ("ACWA/JPIA"), a risk sharing pool.

At June 30, 2019, the District's participation in the self-insurance programs of ACWA/JPIA is as follows:

**General Liability.** Including General, Automobile, Employment Practices & Public Officials' Liability. Broad coverage against third-party claims for the District, its directors, employees and volunteers. ACWA/JPIA self-insures for the first \$5,000,000 and purchases excess coverage with limit of up to \$55,000,000 with aggregated policy limits.

**Property coverage.** ACWA/JPIA provides coverage to scheduled property up to a total limit of \$500,000,000 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. Scheduled fixed equipment is covered for Accidental Mechanical Breakdown up to sub-limit of \$100,000,000 with deductible \$25,000 to \$50,000 depending on type of equipment.

Although the District maintains insurance, including flood insurance, for damage to the Water System, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers. Furthermore, significant portions of the Water System, including underground pipelines and manhole covers, are not covered by property casualty insurance. Damage to such portions of the Water System as a result of natural disasters could result in uninsured losses to the District.

The District maintains limited earthquake insurance in the amount of \$2,500,000 aggregate limit on scheduled Water System facilities. Included in the Property Program through the ACWA/JPIA, subject to

\$75,000 minimum deductible See the caption “CARPINTERIA VALLEY WATER DISTRICT—District Insurance.”

**Flooding.** Portions of the District are mapped within the 100-year flood plain and have the potential to flood if rain events exceed the floodplain capacity. The District maintains insurance covering damage to the Water System caused by flooding up to \$25,000,000 aggregate limit – included in the Property Program through ACWA JPIA, subject to \$100,000 deductible. See the caption “RISK FACTORS—Natural Disasters and Seismic Considerations—Climate Change.”

**Cyber Liability.** The District maintains cyber security insurance up to \$3,000,000 per occurrence and \$5,000,000 aggregate limit. The cyber liability deductible varies from \$10,000 to \$50,000 depending on District revenue.

## **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 three, water wells which extract water from the Carpinteria Basin. Based on annual availability of other supplies the District pumps approximately 2,000 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 2009 to 2019 is estimated to be 3,500 acre-feet. Private pumpage in calendar year 2019 was estimated at 3,800 acre-feet.

No individual groundwater pumper in the Carpinteria Basin (other than the District) pumps more than 3% 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 crop specific water application rates which are used to estimate private groundwater extraction.

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.

On September 16, 2014, the State Governor signed Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the Sustainable Groundwater Management Act, or “SGMA”) into law. SGMA constitutes a legislative effort to regulate groundwater on a statewide basis. Under SGMA, DWR prioritized groundwater basins in the State as ranked high, medium, low or very low priority for purposes of groundwater management. All areas within each groundwater basin or sub-basin were required to establish or designate an entity (referred to as a groundwater sustainability agency, or “GSA”), subject to DWR’s approval, to manage high and medium priority groundwater basins. Each GSA is tasked with submitting a groundwater sustainability plan (GSP) for DWR’s approval within 5 years after its ranking as a high or medium priority.

GSAs must consider the interests of all groundwater users in the basin and may require registration of groundwater users, the installation of flow meters to measure groundwater extractions and annual reporting of

extractions up to an amount specified in the groundwater sustainability plan. In addition, GSAs are authorized to impose spacing requirements on new wells, monitor, regulate and limit or condition groundwater production and establish production allocations among groundwater producers, among other powers. GSAs are authorized to impose fees to fund such activities and to fine or issue cease and desist orders against producers that violate the GSA's regulations. Groundwater sustainability plans must include sustainability goals and a plan to implement such goals within 20 years.

The groundwater basin underlying the District, often referred to as Carpinteria Groundwater Basin ("CGB"), was designated as a high priority groundwater basin in November of 2019. In response to the State new prioritization of CGB, the District formed a Joint Powers Authority (the "JPA-GSA") with the City of Carpinteria, the Santa Barbara County Water Agency and the County of Ventura for the purposes of forming a GSA for its groundwater basin. The JPA-GSA informed DWR that it would be the GSA for CGB on Feb 7, 2020. According to Water Code Section 10723.8 (c) after a 90-day period passes with no other agency filing to be the GSA for a basin the local agency that files under Water Code Section 10723.8 (a) first will be recognized as the GSA. Once the GSA is operational the District will participate in the activities of the GSA as a member of the JPA-GSA.

The District does not currently expect the enactment of the SGMA to have a material adverse effect on the District's ability to pay principal of and interest on the 2020 Bonds from Net Revenues. See the caption "SECURITY FOR THE 2020 BONDS AND THE CERTIFICATES."

***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. Santa Ynez River Water Conservation District, Improvement District No. 1 has withdrawn from COMB. The District, Montecito Water District, the City of Santa Barbara, and the Goleta Water District are 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. As of February 28, 2020, the volume of water in Lake Cachuma was at 137,764 acre feet (71% of capacity). 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 Diversion Permits 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. In September of 2019 the Final Water Rights Order (“WRO”) for Cachuma was adopted by the SWRCB. The WRO requires the U.S. Bureau of Reclamation to increase flows on the Santa Ynez River below Bradbury Dam to provide additional habitat for steelhead and prevent its extinction. To minimize impacts on local water users, higher flows will be required only during wetter years. Southern California steelhead, which include the population of the Santa Ynez River, have been federally listed as an endangered species since 1997 and are on the brink of

extinction. State law (Fish and Game Code section 5937) requires that dam owners keep fish species below the dam in good condition. In its evaluation of the project, the SWRCB determined that the steelhead were not in good condition and required actions that will help preserve the species.

Providing higher flows during wet years may reduce storage in Cachuma Reservoir going into drier years and could result in decreased supply for areas served by the reservoir during future droughts if alternatives, such as water conservation, are not utilized. The WRO requires that water supply managers for communities in the Santa Barbara area served by Cachuma Reservoir implement conservation measures to prepare for future dry periods. 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/](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 the next several years. 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"). The available water from the SWP is used to improve water supply reliability and provide backup supply when local supply may be stressed by drought. 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 2020 Bonds and make Installment Payments.

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 2020, the District projects that payments to the Authority under the Water Supply Agreement will be approximately \$4,062,672, including approximately \$2,404,903 in fixed costs attributable to the SWP and the Authority, and that such amounts will decrease to approximately \$3,757,349 in Fiscal Year 2021, including approximately \$2,053,203 in fixed costs attributable to the SWP and the Authority. The amount of Authority debt service costs and fixed costs attributable to the SWP allocable to the District under the Water Supply Agreement 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.

Based on a January 24, 2020 announcement by DWR, the current SWP allocation for 2020 is 15% of requested supplies.

**Groundwater Banking.** The District entered into several agreements with Irvine Ranch Water District (“IRWD”) in 2008, 2011 and 2019 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 and 2019 programs had similar terms, but the storage term was increased to 6 years and the total limit on storage was increased to 700 AF for 2011 and 5,000 AF for 2019. In total the District stored 2,431 AF of excess Project Allotment in the three programs. From April 2013 through April 2015 during the height of the recent drought approximately 900 AF of banked water was recovered and delivered to District through the Authority. The District will continue to evaluate annually, based on excess SWP supplies, whether to bank with IRWD or other groundwater banking programs.

The District’s Board 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 took delivery of the supplemental water for 2016 and repaid the exchange return of 333 AF in 2019. There are no plans to participate in a supplemental water program in 2020. The District may participate in the Authority’s Supplemental Water Program on an as needed basis in any given year.

**Challenges to Department of Water Resources Water Supplies.** DWR faces various challenges in continuing to supply imported water to its respective member agencies such as the Authority. 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 April 16, 2019, relating to its Central Valley Project Water System Revenue Bonds Series BA (“DWR’s Water Supply Disclosure”). DWR’s Water Supply Disclosure is the disclosure of DWR and, accordingly, the District does 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. DWR has not entered into any contractual commitment with the District, the Trustee or the Owners of the 2020 Bonds or the Certificates to provide Department of Water Resources Information to the District or the Owners of the 2020 Bonds or the Certificates. The District has not incorporated by reference the information filed by DWR described above and neither the District nor the Underwriter assumes any responsibility for the accuracy of DWR Information.

**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 DWR INFORMATION FOR THE BENEFIT OF COMB OR THE OWNERS OF THE 2020 BONDS OR THE CERTIFICATES 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.

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

On May 9, 2016, Governor Brown issued an executive order directing the SWRCB to adjust and extend the SWRCB's emergency water conservation regulations through the end of January 2017 (the "2016 Executive Order"). On May 18, 2016 and in accordance with the 2016 Executive Order, the SWRCB adopted an emergency water conservation regulation (the "2016 SWRCB Regulation") that replaced its February 2, 2016 emergency regulation and extended such regulations through January 31, 2017. The 2016 SWRCB Regulation requires urban water suppliers such as the District to develop conservation standards based upon each urban water supplier's specific circumstances and replaces the prior percentage reduction-based water conservation standard described above. The conservation standards developed under the 2016 SWRCB Regulation must equal the percentages which urban water suppliers' total potable water supplies are insufficient to meet their total potable water demands after three additional dry years.

Although the District's actions as described below under the caption "—District Drought Response Actions and Impact" in response to the drought regulations achieved reductions in water use, continued reduction in water sales 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." However, the District does not currently believe that such reductions will have a material adverse effect on the District's ability to pay the principal of and interest on the 2020 Bonds or make Installment Payments. See the caption "SECURITY FOR THE 2020 BONDS AND THE CERTIFICATES—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."

***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.

On May 22, 2019, the District's Board of Directors adopted Ordinance 19-2, lowering the drought condition from Stage II to Stage I. In compliance with the Stage I Water Shortage Condition, the District requests a continued voluntary reduction in water usage by 15% from 2013 consumption levels to help ensure adequate water supplies for the Carpinteria Valley until supplies are fully replenished.

## **Outstanding Obligations**

In addition to the Member Unit Contract and the Water Supply Agreement, the District has entered into or issued other long-term contractual obligations which will remain outstanding after the delivery of the 2020 Bonds and Certificates as described below.

### ***Obligations Payable on a Parity with 2020 Bonds and Installment Payments***

**2016 Bonds.** The District issued the 2016 Bonds, the payments of principal of and interest on which are payable from Net Revenues on a parity with the 2020 Bonds and the District's obligation to make Installment Payments. Average annual debt service on the 2016 Bonds is approximately \$719,080. The 2016 Bonds are outstanding in the aggregate principal amount of \$6,710,000 and mature on July 1, 2032. The obligation of the District to pay principal of and interest on the 2016 Bonds is on a parity with the District's obligations to pay principal of and interest on the 2020 Bonds and make Installment Payments.

### ***Obligations Payable Subordinate to 2020 Bonds and Installment Payments***

**Cater Financing Agreement.** The District entered into 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. The principal obligation of the District under the Cater Financing Agreement is currently \$1,168,720. 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 obligations to pay principal of and interest on the 2020 Bonds and make Installment Payments.

**Siemens Lease.** On August 2, 2017, the District entered into the Siemens Lease to finance the replacement of all installed mechanical water meters with digital meters with remote read and reporting capabilities, the installation of a solar carport and solar panels on a reservoir, and the replacement of all headquarter buildings with LED lights. The Siemens Lease is currently outstanding in the aggregate principal amount of \$5,963,739.89. Annual payments on the Siemens Lease are approximately \$538,677 with a final payment due on May 2, 2033. The obligation of the District to make payments under the Siemens Lease is subordinate to the District's obligations to pay principal of and interest on the 2020 Bonds and make Installment Payments.

## **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 3,900 acre-feet of water annually (based on 5-year average metered sales ending June 30, 2019).

**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, 2019 the District had approximately 4,120 domestic water and private fire connections and approximately 386 agricultural connections, for a total of approximately 4,506 active connections. Within the territory of the District, the District is the sole provider of water service to agricultural and domestic customers (excepting approximately 135 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

<u>Connections</u>						
<i>Fiscal Year</i>		<i>% Increase/</i>		<i>% Increase/</i>		<i>% Increase/</i>
<i>Ending</i>	<i>Domestic</i>	<i>(Decrease)</i>	<i>Agriculture</i>	<i>(Decrease)</i>	<i>Total</i>	<i>(Decrease)</i>
<i>June 30</i>						
2019	4,120	0.02%	386	(0.26)%	4,506	0.00%
2018	4,119	0.12	387	(0.51)	4,506	0.07
2017	4,114	(0.05)	389	1.04	4,503	0.04
2016	4,116	0.88	385	(4.94)	4,501	0.36
2015	4,080	1.04	405	(0.25)	4,485	0.92

<u>Sales Revenues</u>						
<i>Fiscal Year</i>		<i>% Increase/</i>		<i>% Increase/</i>		<i>% Increase/</i>
<i>Ending</i>	<i>Domestic</i>	<i>(Decrease)</i>	<i>Agriculture</i>	<i>(Decrease)</i>	<i>Total</i>	<i>(Decrease)</i>
<i>June 30</i>						
2019	\$ 9,905,792	4.8%	\$ 2,838,286	(4.9%)	\$12,744,079	2.50%
2018	9,448,287	1.27	2,984,583	5.24	12,432,870	2.20
2017	9,329,749	5.98	2,835,990	(4.15)	12,165,739	3.43
2016	8,803,715	8.46	2,958,852	10.29	11,762,567	8.91
2015 <sup>(1)</sup>	8,116,921	NA	2,682,792	NA	10,799,713	NA

<sup>(1)</sup> 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. Deliveries are affected by a number of factors including local precipitation.

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

<i>Fiscal Year Ending June 30</i>	<u>Metered Sales</u>					<i>Total</i>	<i>% Increase/ (Decrease)</i>
	<i>Residential</i>	<i>Commercial</i>	<i>Public Authority</i>	<i>Industrial</i>	<i>Irrigation</i>		
2019	1,237	268	117	72	1,719	3,413	(11.81)%
2018	1,307	261	127	67	2,108	3,870	13.99
2017	1,172	230	111	62	1,820	3,395	(5.80)
2016	1,182	226	107	64	2,025	3,604	(3.25)
2015 <sup>(2)</sup>	1,246	276	129	74	2,000	3,725	NA

<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>State Water<sup>(3)</sup></i>			
2019	1,374	782	1,430		3,586	(14.88)%
2018	1,744	1,165	1,304		4,213	11.84
2017	1,828	465	1,474		3,767	(8.01)
2016	2,849	976	270		4,095	0.84
2015	2,204	1,060	797		4,061	NA

<sup>(1)</sup> Unaccounted water due to general system loss, including leakage, line flushing and fire hydrant testing, has ranged from 3.0% to 5.5%, and is apportioned to all account types.

<sup>(2)</sup> 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.”

<sup>(3)</sup> 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, 2019, as determined by the amount of their respective annual payments.

**TEN LARGEST CUSTOMERS**

<i>Customer</i>	<i>Water Usage<sup>(1)</sup></i>	<i>Annual Payments</i>
Casitas Village Home Assn	19,682	\$ 286,930
Sandpiper Village	17,252	253,881
Villa Del Mar Hoa	17,809	251,416
City of Carpinteria	13,114	117,811
Cate School	18,665	105,883
Circle G <sup>(2)</sup>	30,446	76,623
Circle G <sup>(2)</sup>	29,040	71,535
Schaff, Victor	21,039	46,288
Van Wingerden, William	12,122	30,010
Norman, Francis L	11,592	27,221
<b>TOTAL</b>	<b>190,761</b>	<b>\$ 1,267,598</b>

<sup>(1)</sup> Hundred cubic feet.

<sup>(2)</sup> Represents two separate accounts at different parcels owned by the same owner.

Source: District.

These ten customers accounted for approximately 9.95% of water sales revenues for the year ended June 30, 2019.

### **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.

The District last raised rates in 2019. The District maintains a Cost of Service Model and updates it annually as part of the budget process. New rates are developed through the budget process that includes a number of Board Rate & Budget Committee meetings, a number of Board meetings and a public hearing required by Proposition 218. The District adheres to Proposition 218 notification and public hearing requirements.

**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 May 22, 2019, the Board established a rate of \$1.95 per hundred cubic feet (“HCF”) for agricultural customers. The District currently charges a two-tiered rate for domestic-residential, commercial, industrial and most public authority accounts as follows:

#### **DOMESTIC RESIDENTIAL TWO-TIERED RATE**

<i>Units</i>	<i>Charge</i>
Base <sup>(1)</sup>	\$3.83 HCF
Peak <sup>(2)</sup>	5.02 HCF

<sup>(1)</sup> Five-year December to March monthly average water usage.

<sup>(2)</sup> Consumption in excess of Base.

Source: District.



A schedule of the District's monthly service charges effective July 1, 2019 is shown below:

**CURRENT AND PROJECTED MONTHLY SERVICE CHARGE**

<i>Meter Size</i>	<i>Current Monthly Service Charge<sup>(1)</sup></i>	<i>Fiscal Year 2020-21 Projected Monthly Service Charges<sup>(2)</sup></i>
3/4"	\$ 13.56	\$ 16.37
1"	22.60	27.28
1 1/2"	45.20	54.55
2"	72.32	87.28
3"	144.64	174.56
4"	226.00	272.75
6"	452.00	545.50

<sup>(1)</sup> Effective July 1, 2019.

<sup>(2)</sup> A drought surcharge of \$0.34 per HCF (minimum of \$2.04 and maximum of \$42.50 per HCF) is currently in place to pay for additional District expenses relating to the drought conditions.

Source: District.

**Monthly Capital Improvement Program (CIP) Charge<sup>(1)</sup>**

<i>Current<sup>(2)</sup></i>			<i>Proposed</i>		
Rate:	\$ 2.90	per HCF	Rate:	\$ 3.15	per HCF
Minimum	17.40	6 HCF	Minimum	18.19	6 HCF
Maximum	290.00	100 HCF	Maximum	393.75	125 HCF

<sup>(1)</sup> Effective July 1, 2019.

<sup>(2)</sup> The District projects no change in capital expenditures charge for Fiscal Year 2020.

Source: District.

**CURRENT AND PROJECTED MONTHLY FIRE SERVICE CHARGE**

<i>Meter Size</i>	<i>Current Monthly Meter-based Service Charges<sup>(1)</sup></i>	<i>Fiscal Year 2020-2021 Projected Monthly Service Charge</i>
2"	\$ 9.04	\$ 10.91
3"	20.34	24.55
4"	36.16	43.64
6"	81.36	98.19
8"	144.64	174.56
10"	226.00	272.75

<sup>(1)</sup> Effective July 1, 2019.

Source: District.

The District has not approved any increases in water rates beyond Fiscal Year 2020. 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 2021-2024. The District currently expects the Board of Directors to consider a rate increase as a part of its adoption of the Fiscal Year 2020-21 budget and in connection with such rate increase send a Proposition 218 notification to District customers on or about April 8, 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 28<sup>th</sup> of the following month, a late notice is sent indicating failure to pay and a \$27 late fee is assessed to the account. Approximately 45 days after the billing date, a disconnect letter is sent to the customer of record. Approximately 52 days after the billing date, a door tag indicating service termination for non-payment is hung at the service address. Accounts not paid in full by that date are shut off approximately 60 days after the billing date. Accounts are not reconnected until the account is paid in full and a \$37 reconnection charge is paid.

Approximately 500 late fee notices are sent out monthly for accounts that have not paid by the 28<sup>th</sup> of the month. 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.

**Suspension of Disconnections From System.** In response to the recent novel coronavirus outbreak described under the caption "RISK FACTORS—Coronavirus," on April 2, 2020, Governor Newsom signed Executive Order N-42-20 ("Order N-42-20"), which, among other things, (i) suspends the authority of water systems, such as the District, from suspending water service for non-payment, (ii) orders that residential service to occupied residences that has been discontinued for nonpayment since March 4, 2020 be restored and (iii) provides that the SWRCB will identify best practices, guidelines, or both to be implemented during the COVID-19 emergency (a) to address non-payment or reduced payments, (b) to promote and to ensure continuity of service by water systems and wastewater systems, and (c) to provide measures such as the sharing of supplies, equipment and staffing to relieve water systems under financial distress. Order N-42-20 does not eliminate the obligation of water customers to pay for water service, prevent a water system, such as the District, from charging a customer for such service, or reduce the amount a customer already may owe to a water system, such as the District.

The District has reviewed Order N-42-20 and does not believe that such order will materially adversely affect the District's projected operating results set forth under the caption "CARPINTERIA VALLEY WATER DISTRICT—Projected Operating Results and Debt Service Coverage" or the District's ability to pay the 2020 Bonds or to pay the Installment Payments, which secure the Certificates.

**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 \$16,565 for a 3/4" meter to \$121,743 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, 2019, is shown below:

**CAPITAL COST RECOVERY FEES**

<i>Meter Size</i>	<i>Capital Cost Recovery Fee</i>
3/4"	\$ 16,565
1"	23,796
1 1/2"	41,936
2"	63,715
3"	121,743
4" and larger	Determined by General Manager

<i>Meter Size</i>	<i>Fire Service Capital Cost Recovery Fee</i>
2"	\$ 8,484
3"	17,204
4"	29,081
6"	63,445
8"	113,700
10"	185,197

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 conducts a Cost of Service analysis annually during the rate and budget cycle in order to determine if proposed rates are proportionate for each customer class. This analysis is updated after the completion of the District fiscal year. The District undertakes a Proposition 218 notification and hearing whenever rates and charges are proposed to increase. 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 table titled Current and Projected Monthly Service Charge under caption "—Water Service Rates and Charges" below 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 \$800,000 each year over the next five years, including identified resiliency and reliability projects. Currently, the District expects to fund such capital improvements through the proceeds of the Certificates, Revenues and existing reserves.

**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 2020 through 2024, together with the increase in the amount of its annual water sales revenues (exclusive of monthly service charges) projected by the District. The projected

increased water sales revenues results from modest increases in connections as well as projected increases in rates. See “—Current Cost of Service Study” above.

**PROJECTED WATER CONNECTIONS AND SALES REVENUES**

<u>Connections</u>						
<i>Fiscal Year 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>
2020	4,120	0.0%	386	0.0%	4,506	0.7%
2021	4,152	0.8	386	0.0	4,538	0.7
2022	4,158	0.1	387	0.3	4,545	0.2
2023	4,164	0.1	386	(0.3)	4,550	0.1
2024	4,170	0.1	386	0.0	4,556	0.1

<u>Sales Revenues</u>						
<i>Fiscal Year 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>
2020	\$ 10,247,495	3.4%	\$ 3,106,675	9.5%	\$13,354,170	4.8%
2021	10,678,182	7.8	3,185,527	12.2	13,863,709	3.8
2022	10,876,789	1.8	3,290,649	3.3	14,167,438	2.2
2023	11,206,713	3.0	3,385,748	2.9	14,592,461	3.0
2024	11,532,757	2.9	3,497,477	3.3	15,030,234	3.0

Source: District.

### Projected Water Deliveries

The District currently estimates that Water System deliveries, and the source of water to be delivered, for Fiscal Year 2020 through 2024 will be as shown in the following tables.

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

##### Metered Sales

<i>Fiscal Year Ending June 30</i>	<i>Residential</i>	<i>Commercial</i>	<i>Public Authority</i>	<i>Industrial</i>	<i>Irrigation</i>	<i>Total</i>	<i>% Increase/ (Decrease)</i>
2020	1,397	290	136	74	2,053	3,950	15.7%
2021	1,397	290	136	74	2,053	3,950	0.0
2022	1,441	300	142	77	2,040	4,000	1.3
2023	1,489	311	146	79	2,025	4,050	1.3
2024	1,507	314	148	81	2,050	4,100	1.2

##### Sources of Supply

<i>Fiscal Year Ending June 30</i>	<i>Groundwater</i>	<i>Cachuma Project</i>	<i>State Water Project</i>	<i>Total</i>	<i>% Increase/ (Decrease)</i>
2020	700	3,100	250	4,050	12.9%
2021	850	2,850	350	4,050	0.0
2022	950	2,800	350	4,100	1.2
2023	1,000	2,800	350	4,150	1.2
2024	1,050	2,800	350	4,200	1.2

Source: District.

The foregoing projections assume 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. See the caption “RISK FACTORS—Coronavirus” for a discussion of the potential impacts to the District associated with the recent novel coronavirus outbreak.

### Water System Financial Information

A copy of the most recent audited financial statements of the District prepared by Brown Armstrong, Accountancy Corporation, Bakersfield, 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, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the fiscal years 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 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 of accounting; as such, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

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 2019 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 statements 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**

	2015	2016	2017	2018	2019
<b>Revenues</b>					
Water Sales	\$ 10,799,713	\$ 11,762,567	\$ 12,165,739	\$ 12,432,870	\$ 12,744,079
Fire Protection	231,330	260,638	291,991	287,878	304,357
Capital Recovery Fees	134,208	276,212	107,766	104,343	715,610
Interest Income	24,178	40,132	75,150	151,304	301,713
Other <sup>(1)</sup>	98,419	772,560	120,205	348,701	326,183
Transfers from Rate Stabilization Fund	--	--	--	--	--
<b>Total Revenues</b>	<u>\$ 11,287,848</u>	<u>\$ 13,112,108</u>	<u>\$12,760,851</u>	<u>\$ 13,325,096</u>	<u>\$ 14,391,942</u>
<b>Maintenance and Operations Costs</b>					
Source of Water Supply	\$ 475,919	\$ 598,379	\$ 465,456	\$ 637,179	\$ 1,163,838
Water Supply Agreement	3,140,228	3,419,318	3,140,328	3,137,008	3,253,634
Pumping Expense	459,277	466,868	412,739	368,111	386,990
Water Treatment	698,525	653,464	1,026,479	1,088,862	1,227,394
Transportation and Distribution	981,118	1,220,745	973,640	1,196,620	1,236,637
Customer Accounting and Services	39,676	63,729	49,083	37,088	56,131
Cachuma Project Operating Expense	483,741	1,255,112	652,983	550,238	825,505
General and Administrative	2,328,957	2,087,634	2,060,747	2,631,700	2,575,356
Transfers to Rate Stabilization Fund	--	--	--	--	--
<b>Total Maintenance and Operations Costs</b>	<u>\$ 8,607,441</u>	<u>\$ 9,765,249</u>	<u>\$ 8,781,455</u>	<u>\$ 9,646,806</u>	<u>\$ 10,725,485</u>
<b>Net Revenues</b>	<u>\$ 2,680,407</u>	<u>\$ 3,346,859</u>	<u>\$ 3,979,396</u>	<u>\$ 3,678,290</u>	<u>\$ 3,666,457</u>
<b>Debt Service</b>					
2006 Installment Purchase Agreement	\$ 497,288	\$ 487,788	\$ --	\$ --	\$ --
2010 Installment Purchase Agreement <sup>(2)</sup>	--	--	--	--	--
2016 Bonds	--	--	604,368	737,000	974,500
DWR Loan	114,172	114,172	--	--	--
DWR Joint Loan <sup>(3)</sup>	590,419	590,419	590,419	590,419	590,419
<b>Total Debt Service</b>	<u>\$ 1,201,879</u>	<u>\$ 1,192,379</u>	<u>\$ 1,194,787</u>	<u>\$ 1,327,419</u>	<u>\$ 1,564,919</u>
<b>Coverage</b>	2.23	2.81	3.33	2.77	2.34
<b>Other Debt Service<sup>(4)</sup></b>					
Cater Financing Agreement	\$ 235,175	\$ 235,175	\$ 235,175	\$ 235,175	\$ 235,175
Siemens Lease	--	--	--	--	538,677
<b>Total</b>	<u>\$ 235,175</u>	<u>\$ 235,175</u>	<u>\$ 235,175</u>	<u>\$ 235,175</u>	<u>\$ 773,852</u>
<b>Balance Available for Capital Projects or Other Purposes</b>	<u>\$ 1,243,353</u>	<u>\$ 1,919,305</u>	<u>\$ 2,549,434</u>	<u>\$ 2,115,696</u>	<u>\$ 1,327,686</u>

<sup>(1)</sup> Includes other revenue and overhead charged to customers. In Fiscal Year 2016, includes \$561,073 of grant revenues for planning of a recycled water facility and for construction of an emergency pumping barge for obtaining surface water from a drought-depleted lake.

<sup>(2)</sup> The District expects to refund the outstanding 2010 Installment Purchase Agreement from a portion of the proceeds of the 2020A Bonds.

<sup>(3)</sup> The District expects to prepay the DWR Joint Loan from a portion of the proceeds of the 2020A Bonds.

<sup>(4)</sup> Excludes contingent obligation under the District's guarantee of \$608,000 of seven year \$3,200,000 lines of credit issued by the Bank of Santa Barbara to COMB, which was paid off in Fiscal Year 2018.

Source: District.

### **Management Discussion of Historic Operating Results and Debt Service Coverage**

In the District's audited Financial Statements for Fiscal Year 2015, the District recorded prior period adjustments to reflect the implementation of GASB No. 68 – Accounting and Financial Reporting for Pensions, as amended by GASB No. 71. Such prior period adjustment had no effect on Revenues, Maintenance and Operation Costs, Net Revenues, Debt Service or Coverage in Fiscal Year 2015 or any prior year which are calculated in accordance with the Indenture.

In the District's audited Financial Statements for Fiscal Year 2018, the District recorded prior period adjustments to reflect the implementation of GASB No. 75 and GASB No. 87, and for accruing accreted interest on the 2010A Certificates. The prior period adjustments affected the Statement of Revenues, Expenses and Changes in Net Position. Such prior period adjustments had no effect on Revenues, Maintenance and Operation Costs, Net Revenues, Debt Service or Coverage in Fiscal Year 2018 or any prior year which are calculated in accordance with the Indenture.

### **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 2020 through 2024 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**

	2020	2021	2022	2023	2024
Revenues					
Water Sales <sup>(1)</sup>	\$ 13,354,170	\$ 13,863,709	\$ 14,167,438	\$ 14,592,461	\$ 15,030,234
Fire Protection <sup>(2)</sup>	362,745	375,592	386,859	398,464	410,417
Capital Recovery Fees <sup>(3)</sup>	150,000	150,000	150,000	150,000	150,000
Interest Income	290,000	250,000	250,000	250,000	250,000
Other <sup>(4)</sup>	120,000	75,000	75,000	75,000	75,000
Transfers from Rate Stabilization Fund	--	--	--	--	--
Total Revenues	<u>\$ 14,276,915</u>	<u>\$ 14,714,301</u>	<u>\$ 15,029,297</u>	<u>\$ 15,465,925</u>	<u>\$ 15,915,651</u>
Maintenance and Operations Costs					
Source of Water Supply <sup>(5)</sup>	\$ 601,785	\$ 636,785	\$ 655,888	\$ 675,564	\$ 695,830
Water Supply Agreement <sup>(6)</sup>	3,884,303	3,550,114	3,613,233	2,778,083	2,786,020
Pumping Expense <sup>(7)</sup>	340,211	350,417	360,930	371,758	382,910
Water Treatment <sup>(7)</sup>	1,176,216	1,211,502	1,247,848	1,285,283	1,323,841
Transportation and Distribution <sup>(7)</sup>	1,391,196	1,432,932	1,475,920	1,520,197	1,565,803
Customer Accounting and Services <sup>(7)</sup>	53,900	55,517	57,183	58,898	60,665
Cachuma Project Operating Expense <sup>(7)</sup>	637,832	656,967	676,676	696,976	717,886
General and Administrative <sup>(7)(8)</sup>	2,961,467	2,697,133	2,753,819	2,818,074	2,895,156
Transfers to Rate Stabilization Fund	--	--	--	--	--
Total Maintenance and Operations Costs	<u>\$ 11,046,910</u>	<u>\$ 10,591,367</u>	<u>\$ 10,841,497</u>	<u>\$ 10,204,833</u>	<u>\$ 10,428,111</u>
Net Revenues	\$ 3,230,005	\$ 4,122,934	\$ 4,187,800	\$ 5,261,092	\$ 5,487,540
Debt Service					
2016 Bonds	\$ 1,100,500	\$ 1,115,500	\$ 719,625	\$ 722,250	\$ 718,750
2020A Bonds <sup>(9)</sup>	--	576,938	573,875	1,240,875	1,240,625
2020B Bonds	--	98,264	232,509	234,986	232,314
Installment Purchase Agreement	--	53,479	75,500	75,500	75,500
DWR Joint Loan <sup>(10)</sup>	590,419	--	--	--	--
Total Debt Service	<u>\$ 1,690,919</u>	<u>\$ 1,739,170</u>	<u>\$ 1,598,884</u>	<u>\$ 1,598,986</u>	<u>\$ 1,592,814</u>
Coverage	1.91	2.23	2.61	2.31	2.42
Other Debt Service					
Cater Financing Agreement	\$ 235,175	\$ 235,175	\$ 235,175	\$ 235,175	\$ 235,175
Siemens Lease	538,677	538,677	538,677	538,677	538,677
Total Other Debt Service	<u>\$ 773,852</u>	<u>\$ 773,852</u>	<u>\$ 773,852</u>	<u>\$ 773,852</u>	<u>\$ 773,852</u>
Balance Available for Capital Projects or Other Purposes	\$ 765,234	\$ 1,504,901	\$ 1,812,439	\$ 2,213,629	\$ 2,446,499

(1) Fiscal Year 2020 reflects budgeted amount. Assumes additional connections as projected under the caption “—Projected Water Connections and Sales Revenues.” Fiscal Year 2021 reflects preliminary budgeted amount. The District is projecting rate increases of approximately 3% per annum in Fiscal Years 2022-2024. 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 2020 reflects budgeted amount. Fiscal Year 2021 reflected preliminary budgeted amount. The District is projecting increases of approximately 3% per annum in Fiscal Years 2022-2024.

(3) Reflects Fiscal Year 2020 budgeted amounts. Fiscal Year 2021 reflects preliminary budgeted amount.

(4) Reflects Fiscal Year 2020 budgeted amounts and includes miscellaneous revenue, late fees and other revenue related to conservation efforts. Fiscal Year 2021 reflects preliminary budgeted amount.

(footnotes continued on following page)

(footnotes continued from previous page)

- (5) Reflects projected DWR and Authority variable rate costs based on deliveries of 0 AF and Warren Act and Trust Fund Charges based on the Water Supply Agreement. Assumes projected water purchases from Cachuma.
  - (6) Fiscal Year 2020 reflects budgeted amount. Includes projected DWR and Authority fixed costs and Authority bond payments.
  - (7) Reflects Fiscal Year 2020 budgeted amount and projects increase of approximately 3% per annum thereafter.
  - (8) The District expects to refund the District Pension Obligation from a portion of the proceeds of the 2020B Bonds. Includes projected savings as a result of the refunding of the District Pension Obligation in the amount of \$353,177 in Fiscal Year 2021, \$388,000 in Fiscal Year 2022, \$418,000 in Fiscal Year 2023 and \$438,000 in Fiscal Year 2024.
  - (9) Net of the District's prepayment of interest on the 2020A Bonds through January 1, 2022. See the caption "ESTIMATED SOURCES AND USES OF FUNDS."
  - (10) The District expects to prepay the DWR Joint Loan from a portion of the proceeds of the 2020A Bonds.
- Source: District.

## RISK FACTORS

*The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the 2020 Bonds and the Certificates. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the 2020 Bonds and the Certificates. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal or interest on the 2020 Bonds and with respect to the Certificates.*

### Accuracy of Assumptions

To estimate the Net Revenues which will be available to pay the 2020 Bonds and the Installment Payments, the District has made certain assumptions with regard to various matters, including but not limited to future development within the District, the rates and charges to be imposed in future years, the expenses associated with operating the Water System and the interest rate at which funds will be invested. The District believes these assumptions to be reasonable, but to the extent that any of such assumptions fail to materialize, the Net Revenues available to pay the 2020 Bonds and the Installment Payments will, in all likelihood, be less than those projected herein. See the caption "CARPINTERIA VALLEY WATER DISTRICT—Projected Operating Results and Debt Service Coverage." The District may choose, however, to maintain compliance with the rate covenant set forth in the Indenture in part by means of contributions from available reserves or resources, including the Rate Stabilization Fund. In such event, Net Revenues may generate amounts which are less than 125% of Debt Service in any given Fiscal Year. See the captions "SECURITY FOR THE 2020 BONDS AND THE CERTIFICATES—Rate Covenant" and "SECURITY FOR THE 2020 BONDS AND THE CERTIFICATES—Rate Stabilization Fund."

### System Demand

There can be no assurance that the demand for Water Service will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges in order to comply with the rate covenant. See the caption "SECURITY FOR THE 2020 BONDS AND THE CERTIFICATES—Rate Covenant." Demand for Water Service could be reduced or may not occur as projected by the District as a result of reduced levels of development in the District's service area, hydrological conditions, conservation efforts, an economic downturn, mandatory State conservation orders and other factors.

### System Expenses

There can be no assurance that the District's expenses will be consistent with the descriptions in this Official Statement. Maintenance and Operations Costs may vary with groundwater conditions, the cost of

imported water and the quality and amount of local supplies, as well as treatment costs, regulatory compliance costs, labor costs (including costs related to pension and other post-employment benefits) and other factors.

Some of the District water supply is sold to the District by other public agencies, including the Central Coast Water Authority and the Bureau of Reclamation through COMB, and increases in such agencies' costs or changes in such agencies' operations over which the District has limited control could impact the District's cost of water to supply its customers. See the caption "CARPINTERIA VALLEY WATER DISTRICT—Water Supply." Increases in Maintenance and Operations Costs could require an increase in rates or charges in order to comply with the rate covenant. See the caption "SECURITY FOR THE 2020 BONDS AND THE CERTIFICATES—Rate Covenant."

#### **Limited Recourse on Default**

If the District defaults on its obligation to pay the 2020 Bonds or the Installment Payments, the Trustee has the right to declare the total unpaid principal amount of the 2020 Bonds and the Installment Payments, together with the accrued interest thereon, to be immediately due and payable. However, in the event of a default and such acceleration, there can be no assurance that the District will have sufficient funds to pay such accelerated amounts from Net Revenues.

#### **Sustainable Groundwater Management Act**

There can be no assurance that groundwater will continue to be available to the District as a supplemental water source. Implementation of SGMA and the District's decision to form Joint Powers Authority with the City of Carpinteria, the Santa Barbara County Water Agency and the County of Ventura for the purposes of forming a GSA for its groundwater basin will require that such Joint Powers Authority prepare a Groundwater Sustainability Plan. The recommendations in such plan may include limitations on groundwater pumping, increased land fallowing and increased costs. Implementation of the plan could also result in claims against the District for failure to comply with applicable laws and regulations. See the caption "CARPINTERIA VALLEY WATER DISTRICT—Water Supply—Groundwater."

#### **Natural Disasters and Seismic Considerations**

**General.** The District, like all southern California communities, is subject to unpredictable seismic activity, fires, floods, high winds, landslides or other natural disasters. A severe natural disaster, such as an earthquake, fire, flood, high wind event or landslide, could result in substantial damage to the District, including the Water System.

Although the District maintains insurance, including flood insurance, for damage to the Water System as described under the caption "CARPINTERIA VALLEY WATER DISTRICT—District Insurance," there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers. Furthermore, significant portions of the Water System, including underground pipelines and manhole covers, are not covered by property casualty insurance. Damage to such portions of the Water System as a result of natural disasters could result in uninsured losses to the District.

**Seismic Activity.** The District is located in a seismically active region. Significant faults are located near the District, including the Mesa, Santa Ynez and Santa Rosa Faults. There is potential for destructive ground shaking during the occurrence of a major seismic event. In addition, land along fault lines may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure within the District, including the Water System. The District has an emergency response plan that would be implemented under such circumstances.

Newer Water System facilities are designed to withstand earthquakes with minimal damage, as earthquake loads are taken into consideration in the design of project structures. The District has also

undertaken a vulnerability assessment of critical Water System facilities. The vulnerability assessment ranks District infrastructure by importance, builds redundancy into existing operations and includes contingency plans in the event of damage to District assets and succession plans for critical staff. The impact of lesser magnitude events is expected by the District to be temporary, localized and repairable. The Water System has never sustained major damage to its facilities or experienced extended incidences of service interruptions as a result of seismic disturbances.

The District maintains limited earthquake insurance in the amount of \$2,500,000 aggregate limit on Water System facilities. See the caption “CARPINTERIA VALLEY WATER DISTRICT—District Insurance.”

***Flooding.*** Portions of the District are mapped within the 100-year flood plain and have the potential to flood if rain events exceed the floodplain capacity. Although the District maintains insurance, including flood insurance, for damage to the Water System as described under the caption “CARPINTERIA VALLEY WATER DISTRICT—District Insurance,” there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers. See the captions “CARPINTERIA VALLEY WATER DISTRICT—District Insurance” above and “—Climate Change” below.

***Fire.*** Wildfires have occurred in recent years in different regions of the State, including areas near the District’s service area. There can be no assurance that fires will not occur within the boundaries of the District in the future, leading to decreased usage of the District’s Water System and a decline in Net Revenues. The District carries property insurance for fire damage and sought FEMA assistance during the Thomas Fire disaster of 2017 and subsequent debris flows in January 2018. The District received insurance and FEMA proceeds of approximately \$156,061. There is currently one pipeline damaged in the Thomas Fire that is pending repair.

***Drought.*** On April 1, 2015, for the first time in California’s history, the State Governor directed the SWRCB to implement mandatory water reductions in cities and towns across California to reduce total water usage in the State by 25%. Such restrictions applied to the District, as described under the caption “CARPINTERIA VALLEY WATER DISTRICT—California Drought and Response.” Although most of such mandatory water reductions have since been lifted, the State has since enacted permanent restrictions on water usage. There can be no assurance that future drought conditions will not re-appear in the future, leading to decreased usage of the District’s Water System, or that the State’s permanent water usage restrictions will not lead to decreased usage of the District’s Water System.

***Climate Change.*** Climate change caused by human activities may have adverse effects on the District’s Water System. Climate change can also result in more variable weather patterns throughout the State, which can lead to longer and more severe droughts as well as increased risk of flooding and a rise in sea levels. The District considers the potential effects of climate change in its planning.

The District has recently completed an Annex to the Santa Barbara County 2017 Multi-jurisdictional Hazard Mitigation plan (January 4, 2019). In addition, the District completed a Climate Action Plan in December 2019. Both of these plans are available from the District. Projections of the impacts of global climate change on the District are complex and depend on many factors that are outside the District’s control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, while the District has considered climate change in constructing its Water System, the District is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts. While the impacts of climate change may be mitigated by the District’s past and future investment in adaptation strategies, the District can give no assurance about the net effects of those strategies and whether the District will be required to take additional adaptive mitigation measures.

### **Limitations on Remedies Available; Bankruptcy**

The enforceability of the rights and remedies of the Owners of the 2020 Bonds and Certificates and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners of the 2020 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation or modification of their rights.

The opinions to be delivered by Bond Counsel concurrently with the issuance of the 2020 Bonds and by Special Counsel concurrently with the execution and delivery of the Certificates will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the 2020 Bonds and the execution and delivery of the Certificates will be similarly qualified. See Appendix C and Appendix D. In the event that the District fails to comply with its covenants under the Indenture or the Installment Purchase Agreement or fails to principal of and interest on the 2020 Bonds or make Installment Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the Owners of the 2020 Bonds and the Certificates.

### **Special Obligations**

The 2020 Bonds and the Installment Purchase Agreement are each special obligations of the District payable solely from Net Revenues and secured solely by the Revenues pledged in the Indenture and the Installment Purchase Agreement. If for any reason, the District does not collect sufficient Revenues to pay principal of and interest on the 2020 Bonds and to make Installment Payments, the District will not be obligated to utilize any other of its funds, other than certain amounts on deposit in the funds and accounts established under the Indenture and the Trust Agreement, to pay the 2020 Bonds and the Certificates, as applicable. The District has no taxing power. The obligation of the District does not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction.

### **Statutory and Regulatory Compliance**

Laws and regulations governing treatment and delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

Claims against the Water System for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the Water System and constitute Maintenance and Operations Costs or from other legally available sources. In addition to claims by private parties, changes in the scope and standards for municipal water systems such as that operated by the District may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the District. In addition to the other limitations described herein, the State electorate or Legislature could adopt a Constitutional amendment, legislation or an initiative with the effect of reducing revenues payable to or collected by the District. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the District to generate Net Revenues in amounts that are sufficient to pay principal of and interest on the 2020 Bonds and make Installment Payments.

## **Parity Obligations**

The Indenture and the Installment Purchase Agreement each permits the District to enter into Bonds and Contracts payable from Net Revenues on a parity with the 2020 Bonds and the Installment Payments, which secure the Certificates, subject to the terms and conditions set forth therein. The entry into of additional Bonds and Contracts could result in reduced Net Revenues available to pay principal of and interest on the 2020 Bonds and make Installment Payments. The District has covenanted to maintain coverage of at least 125% of Debt Service, as further described under the caption “SECURITY FOR THE 2020 BONDS AND THE CERTIFICATES—Additional Indebtedness.”

## **Loss of Tax Exemption**

Interest on the 2020A Bonds and Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the 2020 Bonds and Certificates as a result of future acts or omissions of the District in violation of its covenants in the Indenture, the Trust Agreement and the Installment Purchase Agreement. In addition, current and future legislative proposals, if enacted into law, may cause interest on the 2020A Bonds or with respect to the Certificates to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals. See the caption “TAX MATTERS.” Should such an event of taxability occur, the 2020A Bonds and the Certificates are not subject to a special redemption or prepayment and will remain outstanding until maturity.

## **Secondary Market**

There can be no guarantee that there will be a secondary market for the 2020 Bonds or the Certificates or, if a secondary market exists, that any 2020 Bonds or Certificates can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

## **Coronavirus**

The spread of the novel strain of coronavirus and the disease it causes (now known as “COVID-19”) is having significant negative impacts throughout the world, including in Southern California. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the United States, the State, and numerous counties throughout the State, including Santa Barbara County. The purpose behind these declarations are to coordinate and formalize emergency actions and across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

To date there have been a number of confirmed cases of COVID-19 in the State, including Santa Barbara County, and health officials are expecting the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools. The United States is restricting certain non-United States citizens and permanent residents from entering the country. In addition, financial markets in the United States and globally have been volatile, with significant declines attributed to coronavirus concerns.

Potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the District’s service area, cancellations of public events and disruption of the regional and local economy with corresponding decreases in the District’s Water System revenues. Further, an economic downturn affecting the District’s service area

could have an adverse impact on development activities within the District's service area, which would have a corresponding adverse effect on the receipt of Capital Cost Recovery Fees by the District. See the caption "CARPINTERIA VALLEY WATER DISTRICT—Water System Rates and Charges—Collection Procedures—Suspension of Disconnections From System" for a discussion of Order N-42-20, which, among other things, suspends the authority of water systems, such as the District, from suspending water service for non-payment during the COVID-19 emergency.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the District is unknown and there can be no assurance that the outbreak of COVID-19 will not affect the District's ability to pay the 2020 Bonds and the Installment Payments, which secure the Certificates.

### **Cybersecurity**

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. Recently, there have been significant cyber security incidents affecting municipal agencies, including a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore's 911 system, an attack on the Colorado Department of Transportation's computers and an attack that resulted in the temporary closure of the Port of Los Angeles' largest terminal.

The District and its vendors employ a multi-level cyber protection scheme that includes firewalls, anti-virus software, anti-spam/malware software, intrusion protection and domain name system filtering software, Payment Card Industry ("PCI") best practices and PCI annual audits. The District regularly analyzes the network construct for potential weaknesses in cyber security and thereafter promptly implements solutions for identified shortfalls. In addition, the District contracts with third party vendors to monitor and augment internal monitoring of the District's computer systems. To date, the District has not experienced an external attack on its computer operating systems resulting in a data breach. Staff is regularly trained to spot potential scams or inconsistencies in network performance which may indicate system vulnerability. However, there can be no assurance that a future attack or attempted attack would not result in disruption of District operations. The District expects that any such disruptions would be temporary in nature.

Although the District maintains cyber security liability insurance as described under the caption "CARPINTERIA VALLEY WATER DISTRICT—District Insurance," there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

### **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 2020 Bonds or the execution and delivery of the Certificates, the application of the proceeds thereof in accordance with the Indenture and the Trust Agreement, respectively, or in any way contesting or affecting the validity or enforceability of the 2020 Bonds, the Indenture, the Trust Agreement, the Installment Sale Agreement, the Certificates 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 2020 Bonds or the Certificates 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 2020 Bonds or make Installment Payments.

## 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 2020 Bonds and the Installment Payments 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 XIII C and Article XIII D 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 XIII D.** Article XIII D 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 XIII D 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 May 22, 2019. 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 2020 Bonds. Remedies available to beneficial owners of the 2020 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 2020 Bonds, the Certificates, the Indenture, the Installment Purchase Agreement and the Trust Agreement 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) and the opinion of Special Counsel (the form of which is attached as Appendix D), 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 XIIB, XIIC and XIID 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**

Bond Counsel will render an opinion with respect to the 2020 Bonds substantially in the form set forth in Appendix C hereto and Special Counsel will render an opinion with respect to the Certificates substantially in the form set forth in Appendix D hereto. Bond Counsel and Special Counsel expresses no opinion as to the

accuracy, completeness or fairness of this Official Statement or other offering materials relating to the 2020 Bonds and the Certificates and expressly disclaims any duty to advise the Owners of the 2020 Bonds and the Certificates 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. Nixon Peabody LLP, Los Angeles, California, has acted as counsel to the Underwriter in connection with the issuance of the 2020 Bonds and the execution and delivery of the Certificates.

The payment of the fees of Bond Counsel are contingent upon issuance of the 2020 Bonds and the payment of the fees of Special Counsel are contingent upon the execution and delivery of the Certificates.

## TAX MATTERS

### 2020 Bonds

**2020A Bonds.** In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2020A 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. In the further opinion of Bond Counsel, interest on the 2020A Bonds is exempt from State of California personal income tax.

The difference between the issue price of a 2020A Bond (the first price at which a substantial amount of the 2020A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the 2020A Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to an Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by an Owner will increase the Owner's basis in the applicable 2020A Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of the 2020A Bond is excluded from gross income of such Owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of the 2020A Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2020A Bonds is based upon certain representations of fact and certifications made by the Agency and others and is subject to the condition that the Agency 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 2020A Bonds to assure that interest (and original issue discount) on the 2020A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the 2020A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2020A Bonds. The Agency will covenant to comply with all such requirements.

The amount by which an Owner's original basis for determining loss on sale or exchange in the applicable 2020A 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 Owner's basis in the applicable 2020A 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 bond premium may result in an Owner realizing a taxable gain when a 2020A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the

original cost of the 2020A Bond to the Owner. Purchasers of the 2020A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

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 2020A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any 2020A Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the 2020A Bonds is excluded from gross income for federal income tax purposes provided that the Agency continues to comply with certain requirements of the Code, the ownership of the 2020A Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 2020A 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 2020A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2020A Bonds.

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 2020A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2020A Bonds might be affected as a result of such an audit of the 2020A Bonds (or by an audit of similar bonds). 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 2020A Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2020A Bonds or their market value.

FOLLOWING THE ISSUANCE OF THE 2020A BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE 2020A BONDS OR THE MARKET VALUE OF THE 2020A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2020A BONDS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES WILL BE INTRODUCED WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2020A BONDS. NO ASSURANCE CAN BE GIVEN THAT FOLLOWING THE ISSUANCE OF THE 2020A BONDS, STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE 2020A 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 2020A BONDS.

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

**2020B Bonds.** In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest with respect to the 2020B Bonds is exempt from State of California personal income tax.

The difference between the issue price of a 2020B Bond (the first price at which a substantial amount of the 2020B Bonds of the same series and maturity is to be sold to the public) and the stated redemption price

at maturity with respect to such 2020B Bond constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the 2020B Bond Owner will increase the 2020B Bond Owner's basis in the 2020B Bond.

The amount by which a 2020B Bond Owner's original basis for determining loss on sale or exchange in the applicable 2020B Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2020B Bond premium, which a 2020B Bond holder may elect to amortize under Section 171 of the Code; such amortizable 2020B Bond premium reduces the 2020B Bond Owner's basis in the applicable 2020B Bond (and the amount of taxable interest received), and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2020B Bond premium may result in a 2020B Bond Owner realizing a taxable gain when a 2020B Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2020B Bond to the Owner. Purchasers of the 2020B Bond should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable 2020B Bond premium.

In the event of a legal defeasance of a 2020B Bond, such bond might be treated as retired and "reissued" for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable 2020B Bond Owner generally equal to the difference between the amount deemed realized from the deemed redemption and reissuance and the 2020B Bond Owner's adjusted tax basis in such bond.

The federal tax and State of California personal income tax discussion set forth above is included for general information only and may not be applicable depending upon an owner's particular situation. The ownership and disposal of the 2020B Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 2020B 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 2020B Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2020B Bonds.

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

### **Certificates**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California, Special 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, the portion of each Installment Payment constituting interest (and original issue discount) 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. In the further opinion of Special Counsel, the portion of each Installment Payment constituting interest (and original issue discount) is exempt from State of California personal income tax.

Special Counsel's opinion as to the exclusion from gross income of the portion of each Installment Payment constituting interest (and original issue discount) 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 Code, that must be satisfied subsequent to the execution and delivery of the Certificates to assure that the portion of each Installment Payment constituting interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each Installment Payment constituting interest (and original issue discount) to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The District has covenanted to comply with all such requirements.

The excess of the stated redemption price at maturity over the issue price of a Certificate (the first price at which a substantial amount of the Certificates of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to the Owner of the Certificate before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Owner of a Certificate will increase the Owner's basis in the applicable Certificate. Original issue discount that accrues to the Owner of a Certificate is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and is exempt from State of California personal income tax.

The amount by which a Certificate Owner's original basis for determining gain or loss on sale or exchange of the applicable Certificates (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 Certificate Owner's basis in the applicable Certificate (and the amount of tax-exempt interest received with respect to the Certificate), 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 Certificate Owner realizing a taxable gain when a Certificate is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Certificate to the Owner. Purchasers of the Certificates should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

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 Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates might be affected as a result of such an audit of the Certificates (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 execution and delivery of the Certificates to the extent that it adversely affects the exclusion of the portion of each Installment Payment constituting interest from gross income of the owners thereof for federal income tax purposes or the market value of the Certificates.

Special Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Special Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Trust Agreement and the Tax Certificate relating to the Certificates permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. Special Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Certificate if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

SUBSEQUENT TO THE EXECUTION AND DELIVERY OF THE CERTIFICATES, 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 PORTION OF THE INSTALLMENT PAYMENTS CONSTITUTING INTEREST OR THE MARKET VALUE OF THE CERTIFICATES. LEGISLATIVE CHANGES HAVE FROM TIME-TO-TIME BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE CERTIFICATES. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE CERTIFICATES. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE EXECUTION AND DELIVERY OF THE CERTIFICATES, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE CERTIFICATES, 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 CERTIFICATES.**

Although Special Counsel has rendered an opinion that the portion of the Installment Payments constituting interest (and original issue discount) on the Certificates 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 Certificates and the accrual or receipt of interest (and original issue discount) with respect to the Certificates may otherwise affect the tax liability of certain persons. Special Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Certificates, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Certificates.

A complete copy of the proposed opinion of Special Counsel is set forth in Appendix D—“FORM OF OPINION OF SPECIAL COUNSEL.”

**MUNICIPAL ADVISOR**

The District has retained Fieldman, Rolapp & Associates, Inc., Irvine, California, as municipal advisor (the “Municipal Advisor”) in connection with the issuance of the 2020 Bonds and the execution and delivery of the Certificates. The Municipal 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 Municipal Advisor are contingent upon the issuance of the 2020 Bonds and the execution and delivery of the Certificates.

The Municipal 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 Global Ratings (“S&P”) will assign the 2020 Bonds and the Certificates the rating of “AA-.” There is no assurance that any credit rating given to the 2020 Bonds and the Certificates 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 2020 Bonds and the Certificates. 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.

In providing a rating on the 2020 Bonds and the Certificates, S&P may have performed independent calculations of coverage ratios using its own internal formulas and methodology which may not reflect the provisions of the Indenture or the Installment Purchase Agreement. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any bond covenants, the availability of particular revenues for the payment of debt service on the 2020 Bonds and the Certificates or for any other purpose.

The District has covenanted in the Continuing Disclosure Certificates to file on EMMA, notices of any rating changes on the 2020 Bonds and Certificates. See the caption “CONTINUING DISCLOSURE” below and the forms of the Continuing Disclosure Certificates set forth in Appendix F and Appendix G. Notwithstanding such covenant, information relating to rating changes on the 2020 Bonds and the Certificates 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 2020

Bonds and the Certificates are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the 2020 Bonds and the Certificates after the initial issuance of the 2020 Bonds and the Certificates.

## **UNDERWRITING**

The 2020 Bonds will be purchased by J.P. Morgan Securities LLC (the “Underwriter”), pursuant to a Bond Purchase Agreement, dated April 6, 2020 (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 2020A Bonds for an aggregate purchase price of \$21,533,855.66 (representing the principal amount of the 2020A Bonds, less an Underwriter’s discount of \$49,416.04, plus an original issue premium of \$3,668,271.70) and 2020B Bonds for an aggregate purchase price of \$3,709,738.90 (representing the principal amount of the 2020B Bonds, less an Underwriter’s discount of \$10,261.10). The Bond Purchase Agreement provides that the Underwriter will purchase all of the 2020 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 Certificates will be purchased by Underwriter, pursuant to a Certificate Purchase Agreement, dated April 6, 2020 (the “Certificate Purchase Agreement”), by and between the District and the Underwriter. Under the Certificate Purchase Agreement, the Underwriter has agreed to purchase all, but not less than all, of the Certificates for an aggregate purchase price of \$1,817,088.58 (representing the principal amount of the Certificates, less an Underwriter’s discount of \$4,165.12, plus an original issue premium of \$311,253.70). The Certificate Purchase Agreement provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Certificate 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 2020 Bonds and the Certificates to certain dealers (including dealers depositing the 2020 Bonds and the Certificates into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

J.P. Morgan Securities LLC (“JPMS”), the Underwriter of the 2020 Bonds and the Certificates, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase 2020 Bonds and Certificates from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2020 Bonds and Certificates that such firm sells.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and certain of its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District, for which they received or will receive customary fees and expenses.

## **CONTINUING DISCLOSURE UNDERTAKING**

The District has covenanted in Continuing Disclosure Certificates dated the date of delivery of the 2020 Bonds and the Certificates 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, 2020, including the audited Financial Statements of the District for each such Fiscal Year (together, the “Annual Reports”), and to provide notices of the occurrence of certain other enumerated events.



The Annual Reports 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 for the 2020 Bonds is attached hereto as Appendix F and the form of the Continuing Disclosure Certificate for the Certificates is attached hereto as Appendix G.

In the past five years, the District has been subject to certain continuing disclosure undertakings previously entered into with respect to the 2010A Certificates and the 2016 Bonds (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 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 updated disclosure procedures on March 25, 2020 (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 2020 Bonds or the Certificates.

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

#### **CARPINTERIA VALLEY WATER DISTRICT**

By: \_\_\_\_\_ /s/ Matthew Roberts  
President

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**APPENDIX A**  
**CARPINTERIA VALLEY WATER DISTRICT FINANCIAL STATEMENTS**

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**CARPINTERIA VALLEY WATER DISTRICT**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED**  
**JUNE 30, 2019 AND 2018**

**CARPINTERIA VALLEY WATER DISTRICT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

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**FINANCIAL SECTION**



# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Carpinteria Valley Water District

### Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the Carpinteria Valley Water District (District) as of and for the fiscal years ended June 30, 2019 and 2018, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 basic financial statements based on our audits. 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic financial statements.

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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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the fiscal years 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.

### **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 11, the California Public Employees' Retirement System – Schedule of the District's Proportionate Share of the Net Pension Liability on page 47, the California Public Employees' Retirement System – Schedule of Contributions on page 48, and the Other Post-Employment Benefits (OPEB) Plan – Schedule of Changes in Net OPEB Liability and Related Ratios on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
December 10, 2019

**CARPINTERIA VALLEY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

Management's discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2019 and 2018. Please read it in conjunction with the District's basic financial statements, which follow this section.

**FINANCIAL STATEMENTS**

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

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

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

- Net Investment in Capital Assets
- Restricted for Debt Service
- 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
- Capital and related financing
- Investing
- Non-financing activities

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

## FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2019, the assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$24,226,526. Of this amount, referred to as net position, \$12,867,347, or 53%, is unrestricted and may be used for the District's operating expenses, ongoing obligations and future capital projects. The remaining net position is net investment in capital assets of \$9,621,800, or 40%, or restricted for debt service payments and reserves of \$1,737,379 or 7%. At June 30, 2018, unrestricted net position was \$13,641,973, or 56%, net investment in capital assets was \$9,257,196 or 38%, and restricted net position was \$1,548,900, or 6%.
- At the end of fiscal year 2019, the District's net position decreased by \$221,543, or 1%, from the prior year. This decrease is primarily due to an increase in operating revenue of \$881,652 or 6%, offset by an increase in operating expenses of \$1,239,105, increased non-operating expense of \$155,082 and decreased infrequent or unusual net expenses of \$237,462 as compared to the fiscal year ended June 30, 2018.

### Adopted Financial Accounting Standards

During the fiscal year ended June 30, 2018, the District adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB): Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 87, *Leases*. Refer to Note 7 for a discussion of the District's Other Postemployment Benefit (OPEB) plan. Refer to Note 9 for a discussion of the District's leases. A detailed discussion of the implementation of new accounting pronouncements appears in Note 1.

GASB Statement No. 75 and GASB Statement No. 87 specify retroactive implementation by restating financial statements, if practical, for all periods presented. Refer to Note 13 for a discussion of the prior period adjustment.

During the fiscal year ended June 30, 2019, the District adopted two new statements of financial accounting standards issued by GASB: Statement No. 83, *Certain Asset Retirement Obligations*, and Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. There was no impact on the basic financial statements due to the implementation of these standards.

### Prior Period Adjustments

Prior period adjustments were recorded during the fiscal year ended June 30, 2018 for adoption of GASB Statements No. 75 and No. 87 as discussed above. In addition, a prior period adjustment was posted to reflect to-date accreted interest on the Series 2010A Revenue (Capital Appreciation) Certificates of Participation (Series 2010A COPs). Refer to Note 5 for a discussion of the Series 2010A COPs and Note 13 for a discussion of the prior period adjustments.

No prior period adjustments were recorded during the fiscal year ended June 30, 2019.

## FINANCIAL POSITION

The District's overall financial position continues to be strong and provides sufficient liquidity to support stable, ongoing operations. There are no restrictions, commitments or other limitations that would significantly affect the availability of fund resources for future use. Capital assets have continued to increase as new connections and investments continue to be made to upgrade and replace necessary infrastructure and facilities.

### Condensed Statement of Net Position – Analysis:

	June 30, 2019	June 30, 2018	June 30, 2017	% Change FYE 2019 and 2018	% Change FYE 2018 and 2017
<b>Assets:</b>					
Current and other assets	\$ 20,973,844	\$ 21,616,771	\$ 19,761,043	-3%	9%
Capital assets, net of depreciation	46,786,792	46,157,241	40,990,917	1.4%	13%
Total assets	67,760,636	67,774,012	60,751,960	0%	12%
<b>Deferred outflows of resources:</b>	1,513,981	1,540,796	1,470,739	-2%	5%
<b>Liabilities:</b>					
Current liabilities	4,186,788	3,570,981	2,701,299	17%	32%
Long-term liabilities	4,624,848	4,688,908	3,837,966	-1%	22%
Long-term debt	35,781,418	36,488,925	25,722,815	-2%	42%
Total liabilities	44,593,054	44,748,814	32,262,080	0%	39%
<b>Deferred inflows of resources:</b>	455,037	117,925	165,134	286%	-29%
<b>Net position:</b>					
Net investment in capital assets	9,621,800	9,257,196	15,661,654	4%	-41%
Restricted net position	1,737,379	1,548,900	1,228,519	12%	26%
Unrestricted	12,867,347	13,641,973	12,905,312	-6%	6%
Total net position	\$ 24,226,526	\$ 24,448,069	\$ 29,795,485	-1%	-18%

### Analysis of changes in Total Net Position from June 30, 2018 to June 30, 2019:

For the twelve months ended June 30, 2019, the District's total net position decreased by \$221,543 or 1% from the prior year. The amount of net investment in capital assets, net of related debt, increased by \$364,604 or 4% primarily due to capital asset additions, such as additions to the transmission, distribution and metered services infrastructure, exceeding current year depreciation (Note 4). Restricted net position increased \$188,479 or 12% primarily due to increases in bond principal payments and bond reserve funds (Note 5). Unrestricted net position, the amount which may be used to meet the District's ongoing obligations, including future capital investments, decreased by \$774,626 or 6%.

### Capital Assets

At June 30, 2019, the District had \$46,786,792 invested in net capital assets, including construction in progress. This amount represents an increase of \$629,551 or 1% over the prior year. See Note 4 for a summary of the capital assets by asset type.

- Capital expenditures in the fiscal year ended June 30, 2019 included maintenance and upgrades to the transmission, distribution and service infrastructure as well as maintenance and upgrades to water treatment equipment and tanks and reservoirs. Large expenditures included the installation of solar carports at District headquarters and the connection of a rehabilitated well to a water treatment facility.

### Long-Term Liabilities

At the end of the current fiscal year, the District had long-term debt of \$35,781,418 which is a net decrease of \$707,507, or 2%, over the fiscal year ended June 30, 2018. See Note 5 for additional detailed information about the District's long-term debt.

- In the fiscal year ended June 30, 2019, principal payments on long-term debt were \$1,567,812 (Note 5).

**Condensed Statement of Net Position – Analysis: (Continued)**

- In the fiscal year ended June 30, 2018, long-term debt increased by \$6,468,856 arising from a master lease agreement to fund the cost of the advanced metering infrastructure and installation of solar systems at several District locations.

**Condensed Statement of Revenues, Expenses, and Changes in Net Position – Analysis:**

	June 30, 2019	June 30, 2018	June 30, 2017	% Change FYE 2019 and 2018	% Change FYE 2018 and 2017
Operating revenues	\$ 14,043,938	\$ 13,162,286	\$ 12,651,107	7%	4%
Operating expenses	13,101,293	11,862,188	10,823,002	10%	10%
Operating income	942,645	1,300,098	1,828,105	-27%	-29%
Interest and investment income	301,713	151,304	75,150	99%	101%
Interest expense	(1,683,953)	(1,378,462)	(523,377)	22%	163%
Net non-operating income (expense)	(1,382,240)	(1,227,158)	(448,227)	13%	174%
Excess before capital contributions	(439,595)	72,940	1,379,878	-703%	-95%
Capital contributions	105,738	14,072	56,130	651%	-75%
Infrequent and unusual income	112,314	43,747	-	-100%	0%
Infrequent and unusual expenses	-	(168,895)	-	-100%	0%
Change in net position	(221,543)	(38,136)	1,436,008	481%	-103%
Net position, beginning of year, as previously stated	24,448,069	29,795,485	28,359,477	-18%	5%
Effect of prior period adjustment	-	(5,309,280)	-	-100%	0%
Net position, beginning of year	24,448,069	24,486,205	28,359,477	0%	-14%
Net position, end of year	\$ 24,226,526	\$ 24,448,069	\$ 29,795,485	-1%	-18%

As required by GASB Statement No. 34, capital contributions are presented as a component of Change in Net Position on the Statement of Revenues, Expenses and Changes in Net Position. Capital contributions consist of \$105,738 for the fiscal year ended June 30, 2019.

**Condensed Statement of Revenues, Expenses, and Changes in Net Position – Analysis:**  
(Continued)

**Operating Revenues**

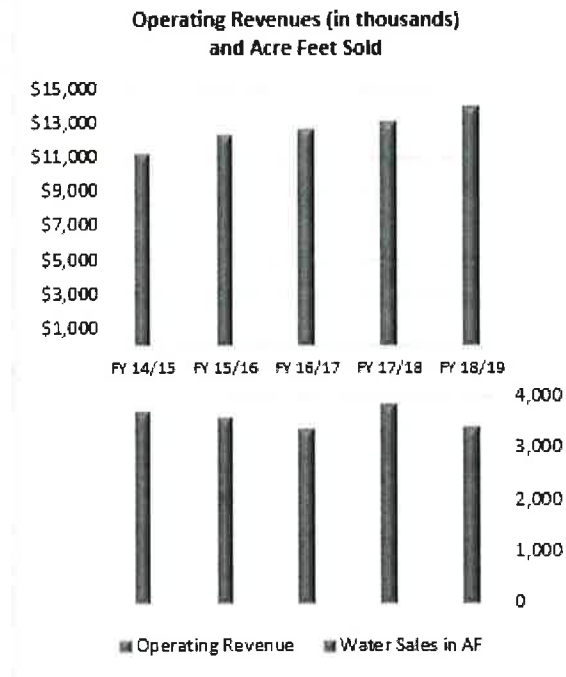
	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19
Water Sales and Service Charges	\$ 10,799,713	\$ 11,762,567	\$ 12,165,739	\$ 12,432,870	\$ 12,744,079
Capital Recovery Fees	134,208	276,212	107,766	104,343	715,610
Fire Protection	231,330	260,638	291,991	287,878	304,357
Other Operating Revenues	43,170	119,489	85,611	337,195	279,892
<b>Total Operating Revenues</b>	<b>\$ 11,208,421</b>	<b>\$ 12,418,906</b>	<b>\$ 12,651,107</b>	<b>\$ 13,162,286</b>	<b>\$ 14,043,938</b>

**Definitions:**

Water Sales and Service Charges: Water sales, based on the amount of water consumed, and service charges, based on meter location and size, type of service account and historical water consumption.

Capital Recover Fees: One-time fees paid to connect to the water distribution infrastructure.

Fire Protection: Revenue associated with providing service to private fire suppression systems.



**Analysis of Changes in Operating Revenues from June 30, 2018 to June 30, 2019:**

Water sales and service charge revenue increased \$311,209, or 3%, in the fiscal year ended June 30, 2019, despite a decrease in water sales by 460 acre feet or 12%, due to rate structure modifications. Capital recovery fees increased \$611,267, or 586%, primarily due to a residential development project and an increase in the number of fire service installation projects. Other operating revenues decreased \$57,303, or 17%, primarily due to decreases in returned Cachuma Operations and Maintenance Board unexpended funds and insurance joint powers authority retrospective premium adjustment fund refunds. Total operating revenues increased \$881,652, or 6%.

**Condensed Statement of Revenues, Expenses, and Changes in Net Position – Analysis:**  
(Continued)

Analysis of Changes in Operating Revenues from June 30, 2017 to June 30, 2018:

During the fiscal year ended June 30, 2018, water sales increased by 478 acre feet, resulting in increased water sales revenue of approximately \$464,381 partially offset by a decrease in service charge revenue of \$197,250. Other revenues increased \$251,584 primarily due to receipt of unexpended Cachuma Operations and Maintenance Board fees of \$207,823 and an insurance joint powers authority retrospective premium adjustment fund refund of \$55,184. Total operating revenues increased \$511,179, or 4%.

**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 (DWR) variable costs.

CCWA Source of Supply: CCWA bond principal & interest, CCWA operating expenses and DWR fixed costs.

Cachuma Operating Expense: Cachuma Operations and Maintenance Board (COMB) operating expenses, special projects, storm damage, barge operation and safety of dam (SOD) expenses.

Pumping Expense: Maintenance of wells and pumping equipment as well as power and telephone for pumping.

Water Treatment: Cater Treatment Plant, chlorination, AB3030 groundwater management plan updates, and water quality and water testing expenses.

Transmission & Distribution: Maintenance of mains, hydrants and meters, engineering expenses, vehicle maintenance, cross connection expenses and other miscellaneous expenses.

Customer Accounting and Service: Meter reading and customer service orders, and uncollectible accounts.

General & Administrative: Salaries and benefits, legal expenses, administration, utilities, water conservation, Cachuma Conservation Release Board cost share, auditor fees and public information.

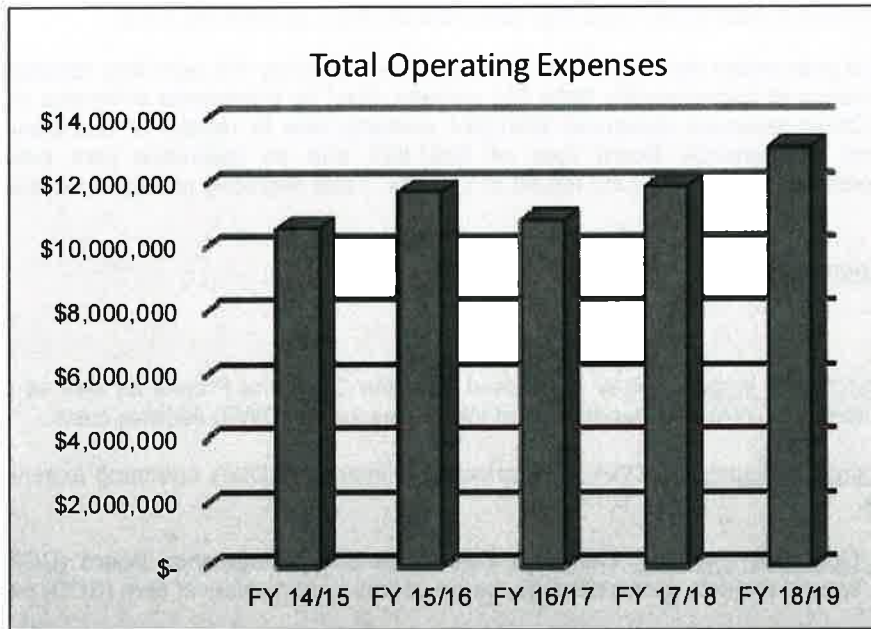
Depreciation and Amortization: Depreciation and amortization of District capital and intangible assets.

Overhead Charged to Customers: Overhead on work orders.

**OPERATING EXPENSES**

	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
Cost of Purchased Water	\$ 475,919	\$ 598,379	\$ 465,456	\$ 637,179	\$ 1,163,838
CCWA Source of Supply	3,140,228	3,419,318	3,140,328	3,137,008	3,253,634
Cachuma Operating Expense	483,741	1,255,112	652,983	550,238	825,505
Pumping Expense	459,277	466,868	412,739	368,111	386,990
Water Treatment	698,525	653,464	1,026,479	1,088,862	1,227,394
Transmission and Distribution	981,118	1,220,745	973,640	1,196,620	1,236,637
Customer Accounting and Service	39,676	63,729	49,083	37,088	56,131
General and Administrative	2,328,957	2,087,634	2,060,747	2,631,700	2,575,356
Depreciation and Amortization	2,014,314	2,040,171	2,076,141	2,226,888	2,422,099
Overhead Charged to Customers	(55,249)	(91,998)	(34,594)	(11,506)	(46,291)
<b>Total Operating Expenses</b>	<b>\$ 10,566,506</b>	<b>\$ 11,713,422</b>	<b>\$ 10,823,002</b>	<b>\$ 11,862,188</b>	<b>\$ 13,101,293</b>

**Condensed Statement of Revenues, Expenses, and Changes in Net Position – Analysis:**  
(Continued)



Analysis of Changes in Operating Expenses from June 30, 2018 to June 30, 2019:

- Overall operating expenses increased by \$1,239,105, or 10%.
- Cost of purchased water increased \$526,659, or 83%, primarily due to increases in water purchased via exchange agreements and increased DWR variable costs.
- Cachuma operating expense increased \$275,267, or 50%, primarily due to retroactive increases in Bureau of Reclamation operating costs of \$231,300.
- Water Treatment costs increased \$138,532, or 13%, primarily due to Cater Treatment Plant increased per acre foot costs and to an increase in professional services related to groundwater studies.
- Depreciation costs increased \$195,211, or 9%, primarily due to capital asset additions placed in service during the fiscal year.



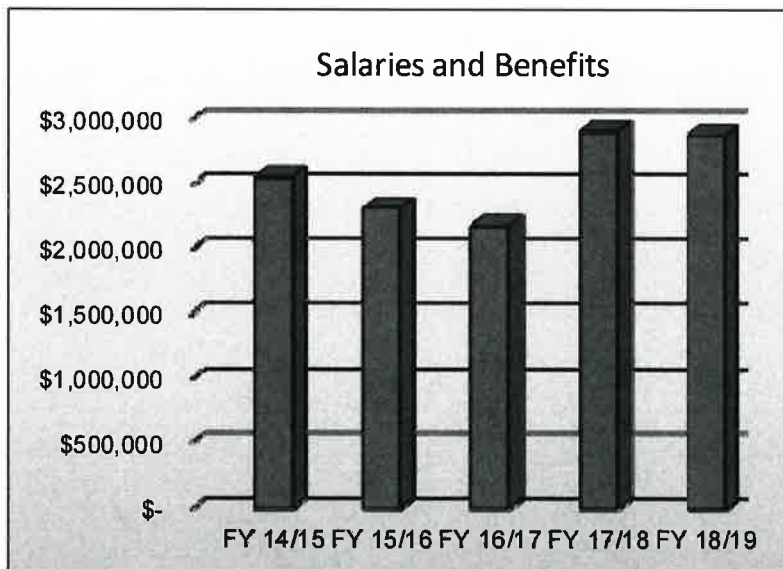
**Condensed Statement of Revenues, Expenses, and Changes in Net Position – Analysis:**  
(Continued)

Analysis of Changes in Operating Expenses from June 30, 2017 to June 30, 2018:

- Overall operating expenses increased by \$1,036,186, or 10%.
- Cost of purchased water increased \$171,723, or 37%, primarily due to increases in DWR and CCWA variable costs partially offset by reduced water purchase agreements with other water agencies.
- Cachuma operating expense decreased \$102,745, or 16%, primarily due to the decommissioning of a drought-related barge facility, partially offset by increased COMB variable costs.
- Transmission and distribution costs increased by \$222,980, or 23%, primarily due to achieving full staffing levels and to increased meters and services expenses related to implementing digital meters across the entire meter system.
- General and administrative expenses increased \$570,953, or 28%, primarily due to GASB Statement No. 68 related adjustments as discussed under Salaries and Benefits below.

**SALARIES AND BENEFITS**

	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
Salaries	\$ 1,706,343	\$ 1,762,507	\$ 1,581,048	\$ 1,736,159	\$ 1,827,308
Social Security	127,141	130,554	116,431	129,171	132,540
Employee Retirement - CalPERS	299,473	25,971	88,359	619,792	505,685
Employee Group Insurance	382,180	358,019	359,155	391,084	377,233
Deferred Compensation	35,951	37,056	32,986	33,713	34,558
<b>Total</b>	<b>\$ 2,551,088</b>	<b>\$ 2,314,107</b>	<b>\$ 2,177,979</b>	<b>\$ 2,909,919</b>	<b>\$ 2,877,324</b>



Analysis of Changes in Salaries and Benefits from June 30, 2018 to June 30, 2019:

Salaries and benefits expenses decreased \$26,436, or 1%, primarily due to a GASB Statement No. 68 related decrease in unfunded pension liabilities of \$131,219 offset by an increase in employer retirement contribution rates and a 3.33% cost of living adjustment.

**Condensed Statement of Revenues, Expenses, and Changes in Net Position – Analysis:**  
(Continued)

Analysis of Changes in Salaries and Benefits from June 30, 2017 to June 30, 2018:

Salaries and benefits expenses increased \$745,281, or 34%, primarily due to a GASB Statement No. 68 related increase in unfunded pension liabilities of \$303,821, an increase in employer retirement contribution rates, increased costs due to achieving full staffing levels, and a 2% cost of living adjustment.

**Non-Operating Income and Expenses:**

Analysis of Changes in Non-Operating Income (Expenses) from June 30, 2018 to June 30, 2019:

Non-operating expenses of \$1,382,240 consisted primarily of interest expense of \$1,683,953 partially offset by \$301,713 of interest revenue.

Capital contributions of \$105,738 consisted entirely of customer-funded extensions to water service line installations and upgrades and fire hydrant installations.

Infrequent and unusual income of \$112,314 arose from FEMA reimbursements for damages from the Thomas Fire of December 2017 and the subsequent debris flows in January 2018.

Analysis of Changes in Non-Operating Income (Expenses) from June 30, 2017 to June 30, 2018:

Non-operating expenses of \$1,227,158 consisted primarily of interest expense of \$1,378,462 partially offset by \$151,304 of interest revenue.

Capital contributions of \$14,072 consisted entirely of customer-funded extensions to water mains and to water service line installations and upgrades.

Infrequent and unusual expenses of \$125,148 arose from the Thomas Fire of December 2017 and the subsequent debris flows in January 2018. Expenses of \$168,895 were partially offset by insurance claim proceeds of \$43,747.

**BASIC FINANCIAL STATEMENTS**

**CARPINTERIA VALLEY WATER DISTRICT  
STATEMENTS OF NET POSITION  
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 12,129,201	\$ 12,394,603
Restricted - cash and cash equivalents	1,233,414	1,771,915
Accounts receivable - water sales and services, net	1,423,036	1,255,170
Accounts receivable - other	208,738	562,834
Materials and meters	152,578	116,146
Water-in-storage inventory	349,416	192,176
Prepaid expenses	4,027,587	3,933,832
Deposits with CCWA	945,909	930,001
	<u>20,469,879</u>	<u>21,156,677</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash and investments	<u>503,965</u>	<u>460,094</u>
<b>CAPITAL ASSETS</b>		
Property and equipment	65,315,789	63,359,060
Less: accumulated depreciation	(26,960,165)	(25,202,445)
Land and land improvements	1,034,008	1,034,008
Construction in process	2,352,250	1,780,291
Capacity rights, net of amortization	4,608,777	5,010,334
Capital leases, net of amortization	336,897	63,621
Intangible assets, net of amortization	99,236	112,372
	<u>46,786,792</u>	<u>46,157,241</u>
<b>Total Non-Current Assets</b>	<u>47,290,757</u>	<u>46,617,335</u>
<b>Total Assets</b>	<u>67,760,636</u>	<u>67,774,012</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension cost	1,106,000	1,098,320
Deferred OPEB	17,761	18,774
Deferred loss on refunding	390,220	423,702
	<u>1,513,981</u>	<u>1,540,796</u>
<b>Total Deferred Outflows of Resources</b>	<u>1,513,981</u>	<u>1,540,796</u>

See accompanying notes to the basic financial statements.

**CARPINTERIA VALLEY WATER DISTRICT  
STATEMENTS OF NET POSITION (Continued)  
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	1,295,344	1,103,582
Customer deposits	166,397	181,251
Interest payable	282,300	268,198
Advances for construction	598,698	499,214
Current portion of long-term debt	<u>1,844,049</u>	<u>1,518,736</u>
Total Current Liabilities	<u>4,186,788</u>	<u>3,570,981</u>
<b>NON-CURRENT LIABILITIES</b>		
Long-term liabilities		
Compensated absences payable	402,265	371,239
Capital Leases	297,721	64,426
Cater Treatment Plan Expansion Project financing agreement	1,203,511	1,405,615
Department of Water Resources loan contracts	5,192,072	5,643,478
Revenue Certificates of Participation Series 2010A	15,207,718	14,274,485
Revenue Bonds 2016A	8,010,287	8,860,309
Siemens Master Lease purchase agreement	5,870,109	6,240,612
Net pension liability	3,540,891	3,672,110
Net OPEB liability	<u>681,692</u>	<u>645,559</u>
Total Non-Current Liabilities	<u>40,406,266</u>	<u>41,177,833</u>
Total Liabilities	<u>44,593,054</u>	<u>44,748,814</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension cost	330,168	117,925
Deferred other	<u>124,869</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>455,037</u>	<u>117,925</u>
Total Liabilities and Deferred Inflows of Resources	<u>45,048,091</u>	<u>44,866,739</u>
<b>NET POSITION</b>		
Net investment in capital assets	9,621,800	9,257,196
Restricted for debt service	1,737,379	1,548,900
Unrestricted	<u>12,867,347</u>	<u>13,641,973</u>
Total Net Position	<u>\$ 24,226,526</u>	<u>\$ 24,448,069</u>

See accompanying notes to the basic financial statements.

**CARPINTERIA VALLEY WATER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>OPERATING REVENUES</b>		
Water sales	\$ 12,744,079	\$ 12,432,870
Capital recovery fees	715,610	104,343
Fire protection	304,357	287,878
Other revenues	279,892	337,195
	<u>14,043,938</u>	<u>13,162,286</u>
Total operating revenues		
<b>OPERATING EXPENSES</b>		
CCWA source of supply	3,253,634	3,137,008
Cost of purchased water	1,163,838	637,179
Cachuma operating expense	825,505	550,238
Pumping expense	386,990	368,111
Water treatment	1,227,394	1,088,862
Transmission and distribution	1,236,637	1,196,620
Customer accounting and service	56,131	37,088
General and administrative	2,575,356	2,631,700
Amortization	614,385	610,803
Depreciation	1,807,714	1,616,085
Overhead charged to customers	(46,291)	(11,506)
	<u>13,101,293</u>	<u>11,862,188</u>
Total operating expenses		
Operating income	<u>942,645</u>	<u>1,300,098</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>		
Investment income	301,713	151,304
Interest expense	(1,683,953)	(1,378,462)
	<u>(1,382,240)</u>	<u>(1,227,158)</u>
Total non-operating revenue (expense), net		
Net income before capital contributions	<u>(439,595)</u>	<u>72,940</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Capital contributions	105,738	14,072
	<u>105,738</u>	<u>14,072</u>
Total capital contributions		
<b>INFREQUENT INCOME (EXPENSE)</b>		
Infrequent or unusual income/(expenses), net	112,314	(125,148)
	<u>112,314</u>	<u>(125,148)</u>
Total infrequent income (expense)		
<b>DECREASE IN NET POSITION</b>	<u>(221,543)</u>	<u>(38,136)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	24,448,069	29,795,485
Prior period adjustment	-	(5,309,280)
	<u>24,448,069</u>	<u>24,486,205</u>
<b>ADJUSTED NET POSITION</b>		
<b>NET POSITION, END OF YEAR</b>	<u>\$ 24,226,526</u>	<u>\$ 24,448,069</u>

See accompanying notes to the basic financial statements.

**CARPINTERIA VALLEY WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 14,355,037	\$ 13,141,477
Cash payments to suppliers for goods and services	(7,795,401)	(6,834,682)
Cash payments to employees for services	(2,756,878)	(2,653,223)
	3,802,758	3,653,572
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from issuance of long-term debt	-	6,468,656
Repayments of long-term debt	(1,567,812)	(1,023,176)
Interest payments	(736,618)	(477,959)
Capital assets purchased	(2,724,962)	(6,997,885)
Investment in water facilities	33,482	(187,168)
Infrequent and unusual expenses	112,314	(125,148)
	(4,883,596)	(2,342,680)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	19,093	3,013
Interest received	301,713	151,304
	320,806	154,317
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(760,032)	1,465,209
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	14,626,612	13,161,403
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 13,866,580	\$ 14,626,612
Reconciliation of cash and cash equivalents to statement of net position:		
Unrestricted cash and cash equivalents	\$ 12,129,201	\$ 12,394,603
Restricted cash and investments - current	1,233,414	1,771,915
Restricted cash and investments - non-current	503,965	460,094
	13,866,580	14,626,612
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	\$ 13,866,580	\$ 14,626,612

See accompanying notes to the basic financial statements.

**CARPINTERIA VALLEY WATER DISTRICT  
STATEMENTS OF CASH FLOWS (Continued)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 942,645	\$ 1,300,098
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,807,714	1,515,249
Amortization	607,637	597,518
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	186,230	(15,387)
Inventories	(193,672)	(52,570)
Prepaid expenses	(93,755)	(317,140)
Deposit with CCWA	(15,908)	(5,422)
Deferred outflows of resources	(6,667)	(103,539)
Increase (decrease) in liabilities:		
Accounts payable	191,762	107,482
Customer deposits	(14,854)	18,967
Compensated absences	50,116	(11,052)
OPEB benefits payable	36,133	27,505
Deferred inflows of resources	337,112	(47,209)
Net pension	(131,219)	371,231
Advances for construction	99,484	267,841
	<u>\$ 3,802,758</u>	<u>\$ 3,653,572</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES</b>		
Capital Contributions	<u>\$ 105,738</u>	<u>\$ 14,072</u>
Disposition of Assets	<u>\$ 15,523</u>	<u>\$ 678</u>
Capitalized Interest on Capital Asset Additions	<u>\$ 70,519</u>	<u>\$ 11,661</u>
Accretion of Interest on 2010A Capital Appreciation Bonds	<u>\$ 933,233</u>	<u>\$ 875,917</u>

See accompanying notes to the basic financial statements.



**CARPINTERIA VALLEY WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 (the Board) consisting of five members elected from voters of the District.

**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 of accounting; 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 non-current) 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.

**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.

**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.

**Inventories**

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

**Restricted Assets**

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

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(Continued)

**Long-Term Assets**

Property, plant, 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 acquisition value on the date donated. The assets, excluding land, are depreciated or amortized using the straight-line method over estimated useful lives. Intangible assets consist of contract renegotiation costs and title transfers. The title transfers are being amortized over the life of the capital asset that was part of the transfer and the contract renegotiation costs are being amortized over the life of the contract.

Estimated useful lives are:

Buildings	30 years
Improvements other than buildings	25 years
Furnishings, machinery, and equipment	5 years
Transmission and distribution infrastructure	30 years
Wells and water treatment infrastructure	30 years
Water storage infrastructure	30 years
Water delivery infrastructure	25 years
Intangible assets	25 – 30 years

**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.

**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 expenses and reserves needed for operation of District facilities.

**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.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, 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.

Restricted net position exists when there are limitations imposed on its 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.

## **NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(Continued)

### **Concentration of Credit Risk**

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

### **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.

### **Prepaid Expenses**

Prepaid expenses consist primarily of State water debt service and operating expenses through the Central Coast Water Authority (CCWA).

### **Infrequent and Unusual Expenses**

The District's properties, such as metering infrastructure and reservoir control equipment, were damaged or destroyed during the December 2017 Thomas Fire. Ash and air quality mitigations were required in the fire's aftermath. In January 2018 heavy rains caused debris flows from the hillsides denuded by the fire. These debris flows damaged or destroyed water transmission infrastructure. The District received \$112,317 of disaster relief funds from California's Office of Emergency Service and the Federal Emergency Management Agency for repairs and mitigations necessitated by both disasters. Net infrequent and unusual income/expenses as of June 30, 2019 and 2018, were \$112,314 and \$(125,148), respectively.

### **Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

### **Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the accrual basis of accounting. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

### **Implementation of New Accounting Pronouncements**

The following Governmental Accounting Standards Board (GASB) Statements were implemented in the current financial statements:

**GASB Statement No. 83 – *Certain Asset Retirement Obligations*.** The requirements of this statement are effective for the reporting periods beginning after June 15, 2018. There was no impact on the basic financial statements due to the implementation of this statement.

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(Continued)

**Implementation of New Accounting Pronouncements (Continued)**

**GASB Statement No. 88** – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The requirements of this statement are effective for periods beginning after June 15, 2018. There was no impact on the basic financial statements due to the implementation of this statement.

**Future GASB Statements**

The GASB statements listed below will be implemented in future financial statements:

**GASB Statement No. 84** – *Fiduciary Activities*. The requirements for this statement are effective for fiscal years beginning after December 15, 2018. The District has not fully judged the effect of implementation of GASB Statement No. 84 as of the date of the basic financial statements.

**GASB Statement No. 89** – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The requirements of this statement are effective for periods beginning after December 15, 2019. The District has not fully judged the effect of implementation of GASB Statement No. 89 as of the date of the basic financial statements.

**GASB Statement No. 90** – *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*. The requirements of this statement are effective for periods beginning after December 15, 2018. The District has not fully judged the effect of implementation of GASB Statement No. 90 as of the date of the basic financial statements.

**GASB Statement No. 91** – *Conduit Debt Obligations*. The requirements of this statement are effective for periods beginning after December 15, 2020. The District has not fully judged the effect of implementation of GASB Statement No. 91 as of the date of the basic financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

**Changes in Presentation of Comparative Statements**

Certain amounts presented in the prior year's data may have been reclassified to be consistent with the current year's presentation.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments as of June 30 consist of the following:

	<u>2019</u>	<u>2018</u>
Cash on in banks and in hand	\$ 2,326,589	\$ 3,300,091
Cash with fiscal agent	932,750	757,944
Local Agency Investment Fund (LAIF)	<u>10,607,241</u>	<u>10,568,577</u>
Total cash and investments	<u>\$ 13,866,580</u>	<u>\$ 14,626,612</u>

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Investments Authorized by the California Government Code and 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 Federal Deposit Insurance Corporation (FDIC) determined limit of \$250,000. 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, 2019 and 2018.

2019		Remaining Maturity (in Months)				
Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	25 to 60 Months	More than 60 Months
Cash with fiscal agent	\$ 932,750	\$ 932,750	\$ -	\$ -	\$ -	\$ -
Local Agency Investment Fund	10,607,241	10,607,241	-	-	-	-
<b>Total</b>	<b>\$ 11,539,991</b>	<b>\$ 11,539,991</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

2018		Remaining Maturity (in Months)				
Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	25 to 60 Months	More than 60 Months
Cash with fiscal agent	\$ 757,944	\$ 757,944	\$ -	\$ -	\$ -	\$ -
Local Agency Investment Fund	10,568,577	10,568,577	-	-	-	-
<b>Total</b>	<b>\$ 11,326,521</b>	<b>\$ 11,326,521</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**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 or the District's investment policy, and the actual rating as of June 30, 2019 and 2018, for each investment type.

2019		Rating as of Fiscal Year End				
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt from Disclosure	AAA	AA-	BB-
Cash with fiscal agent	\$ 932,750	Not rated	\$ -	\$ 932,750	\$ -	\$ -
Local Agency Investment Fund	10,607,241	Not rated	10,607,241	-	-	-
<b>Total</b>	<b>\$ 11,539,991</b>		<b>\$ 10,607,241</b>	<b>\$ 932,750</b>	<b>\$ -</b>	<b>\$ -</b>

**NOTE 2 – CASH AND INVESTMENTS** (Continued)**Disclosures Relating to Credit Risk** (Continued)

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt from Disclosure	Rating as of Fiscal Year End		
				AAA	AA-	BB-
Cash with fiscal agent	\$ 757,944	Not rated	\$ -	\$ 757,944	\$ -	\$ -
Local Agency Investment Fund	10,568,577	Not rated	10,568,577	-	-	-
Total	\$ 11,326,521		\$ 10,568,577	\$ 757,944	\$ -	\$ -

**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.

None of the District's deposits with financial institutions in excess of FDIC 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).

**Fair Value Measurements**

The District is a voluntary participant in the 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. The District has no investments that are measured at fair value as of June 30, 2019 and 2018.

### NOTE 3 – RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Restricted for capital improvements	\$ 590	\$ 683,109
Restricted for debt service payments	<u>1,736,789</u>	<u>1,548,900</u>
<b>Total restricted assets</b>	<b><u>\$ 1,737,379</u></b>	<b><u>\$ 2,232,009</u></b>
Restricted cash and investments - current	\$ 1,233,414	\$ 1,771,915
Restricted cash and investments - non-current	<u>503,965</u>	<u>460,094</u>
<b>Total restricted assets</b>	<b><u>\$ 1,737,379</u></b>	<b><u>\$ 2,232,009</u></b>

### NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets, as well as depreciation and amortization, for the fiscal year ended June 30, 2019, is shown below:

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Capital Assets, Non-Depreciable:					
Land and land improvements	\$ 1,034,008	\$ -	\$ -	\$ -	\$ 1,034,008
Construction-in-process	<u>1,780,291</u>	<u>2,457,537</u>	<u>-</u>	<u>(1,885,578)</u>	<u>2,352,250</u>
<b>Total Capital Assets, Non-Depreciable</b>	<b><u>2,814,299</u></b>	<b><u>2,457,537</u></b>	<b><u>-</u></b>	<b><u>(1,885,578)</u></b>	<b><u>3,386,258</u></b>
Depreciable Capital Assets:					
Buildings	871,948	-	-	929,238	1,801,186
Improvements other than buildings	458,026	-	-	-	458,026
Furnishings, machinery, and equipment	1,871,459	-	(42,854)	95,402	1,924,007
Transmission and distribution system	7,933,860	97,859	-	388,105	8,419,824
Wells and water treatment infrastructure	12,315,238	-	(26,234)	376,290	12,665,294
Water storage infrastructure	29,648,138	-	-	96,543	29,744,681
Water delivery infrastructure	10,260,391	42,380	-	-	10,302,771
Capacity rights	13,169,687	170,053	-	-	13,339,740
Capital leases	63,621	296,166	-	-	359,787
Intangible assets	<u>362,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>362,336</u>
<b>Total Depreciable Capital Assets</b>	<b><u>76,954,704</u></b>	<b><u>606,458</u></b>	<b><u>(69,088)</u></b>	<b><u>1,885,578</u></b>	<b><u>79,377,652</u></b>
Capital Assets Accumulated Depreciation/Amortization:					
Buildings	(780,327)	(26,536)	-	-	(806,863)
Improvements other than buildings	(210,392)	(29,295)	-	-	(239,687)
Furnishings, machinery, and equipment	(1,740,070)	(45,125)	42,854	-	(1,742,341)
Transmission and distribution system	(5,101,172)	(146,213)	-	-	(5,247,385)
Wells and water treatment infrastructure	(5,051,530)	(375,746)	7,141	-	(5,420,135)
Water storage infrastructure	(9,387,971)	(819,904)	-	-	(10,207,875)
Water delivery infrastructure	(2,930,983)	(364,896)	-	-	(3,295,879)
Capacity rights	(8,159,353)	(571,610)	-	-	(8,730,963)
Capital leases	-	(22,890)	-	-	(22,890)
Intangible assets	<u>(249,964)</u>	<u>(13,136)</u>	<u>-</u>	<u>-</u>	<u>(263,100)</u>
<b>Total Accumulated Depreciation/Amortization</b>	<b><u>(33,611,762)</u></b>	<b><u>(2,415,351)</u></b>	<b><u>49,995</u></b>	<b><u>-</u></b>	<b><u>(35,977,118)</u></b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b><u>\$ 43,342,942</u></b>	<b><u>\$ (1,808,893)</u></b>	<b><u>\$ (19,093)</u></b>	<b><u>\$ 1,885,578</u></b>	<b><u>\$ 43,400,534</u></b>
<b>Capital Assets, Net</b>	<b><u>\$ 46,157,241</u></b>	<b><u>\$ 648,644</u></b>	<b><u>\$ (19,093)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 46,786,792</u></b>

**NOTE 4 – CAPITAL ASSETS (Continued)**

Depreciation and amortization expense for the fiscal year ended June 30, 2019, was \$2,415,351.

A schedule of changes in capital assets, as well as depreciation and amortization, for the fiscal year ended June 30, 2018, is shown below:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
<b>Capital Assets, Non-Depreciable:</b>					
Land and land improvements	\$ 1,034,008	\$ -	\$ -	\$ -	\$ 1,034,008
Construction-in-process	440,157	1,844,809	(84,438)	(420,237)	1,780,291
<b>Total Capital Assets, Non-Depreciable</b>	<b>1,474,165</b>	<b>1,844,809</b>	<b>(84,438)</b>	<b>(420,237)</b>	<b>2,814,299</b>
<b>Depreciable Capital Assets:</b>					
Buildings	831,988	25,501	(17,886)	32,345	871,948
Improvements other than buildings	463,569	-	(5,543)	-	458,026
Furnishings, machinery, and equipment	1,874,265	-	(48,351)	45,545	1,871,459
Transmission and distribution system	7,874,672	11,661	(101,412)	148,939	7,933,860
Wells and water treatment infrastructure	12,278,034	-	(36,083)	73,287	12,315,238
Water storage infrastructure	29,648,138	-	-	-	29,648,138
Water delivery infrastructure	4,724,962	5,415,308	-	120,121	10,260,391
Capacity rights	12,982,519	187,168	-	-	13,169,687
Capital leases	-	63,621	-	-	63,621
Intangible assets	362,336	-	-	-	362,336
<b>Total Depreciable Capital Assets</b>	<b>71,040,483</b>	<b>5,703,259</b>	<b>(209,275)</b>	<b>420,237</b>	<b>76,954,704</b>
<b>Capital Assets Accumulated Depreciation/Amortization:</b>					
Buildings	(785,947)	-	5,620	-	(780,327)
Improvements other than buildings	(192,371)	(18,021)	-	-	(210,392)
Furnishings, machinery, and equipment	(1,751,098)	(37,322)	48,350	-	(1,740,070)
Transmission and distribution system	(4,866,088)	(235,084)	-	-	(5,101,172)
Wells and water treatment infrastructure	(4,705,590)	(345,940)	-	-	(5,051,530)
Water storage infrastructure	(8,574,479)	(813,492)	-	-	(9,387,971)
Water delivery infrastructure	(2,828,271)	(102,712)	-	-	(2,930,983)
Capacity rights	(7,583,059)	(576,294)	-	-	(8,159,353)
Intangible assets	(236,828)	(13,136)	-	-	(249,964)
<b>Total Accumulated Depreciation/Amortization</b>	<b>(31,523,731)</b>	<b>(2,142,001)</b>	<b>53,970</b>	<b>-</b>	<b>(33,611,762)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>\$ 39,516,752</b>	<b>\$ 3,561,258</b>	<b>\$ (155,305)</b>	<b>\$ 420,237</b>	<b>\$ 43,342,942</b>
<b>Capital Assets, Net</b>	<b>\$ 40,990,917</b>	<b>\$ 5,406,067</b>	<b>\$ (239,743)</b>	<b>\$ -</b>	<b>\$ 46,157,241</b>

Depreciation and amortization expense for the fiscal year ended June 30, 2018, was \$2,142,001.



**NOTE 5 – LONG-TERM DEBT**

Long-term debt of the District for the fiscal years ended June 30, 2019 and 2018, are as follows:

	Balance June 30, 2018	Additions	Retirements/ Amortizations	Balance June 30, 2019	Due Within One Year
Series 2010A Certificates of Participation	\$ 8,475,844	\$ -	\$ -	\$ 8,475,844	\$ -
Accreted Interest	5,798,641	933,233	-	6,731,874	-
Total Series 2010A Certificates of Participation	14,274,485	933,233	-	15,207,718	-
Series 2016A Refunding Revenue Bonds	8,060,000	-	(600,000)	7,460,000	750,000
Unamortized Bond Premium	1,500,331	-	(100,022)	1,400,309	100,022
Total Series 2016A Refunding Revenue Bonds	9,560,331	-	(700,022)	8,860,309	850,022
Department of Water Resources Loan Contracts	6,083,749	-	(440,271)	5,643,478	451,406
Cater Treatment Plant Financing Agreement	1,504,849	-	(199,675)	1,305,174	101,663
Siemens Master Lease Purchase Agreement	6,468,656	-	(227,844)	6,240,812	370,703
Compensated Absences	422,404	290,149	(240,033)	472,520	70,255
Long-Term Debt	\$ 38,314,474	\$ 1,223,382	\$ (1,807,845)	\$ 37,730,011	\$ 1,844,049

	Balance June 30, 2017	Additions	Retirements/ Amortizations	Balance June 30, 2018	Due Within One Year
Series 2010A Certificates of Participation	\$ 8,475,844	\$ -	\$ -	\$ 8,475,844	\$ -
Accreted Interest	4,922,724	875,917	-	5,798,641	-
Total Series 2010A Certificates of Participation	13,398,568	875,917	-	14,274,485	-
Series 2016A Refunding Revenue Bonds	8,410,000	-	(350,000)	8,060,000	600,000
Unamortized Bond Premium	1,600,353	-	(100,022)	1,500,331	100,022
Total Series 2016A Refunding Revenue Bonds	10,010,353	-	(450,022)	9,560,331	700,022
Department of Water Resources Loan Contracts	6,513,161	-	(429,412)	6,083,749	440,217
Cater Treatment Plant Financing Agreement	1,699,755	-	(194,906)	1,504,849	99,234
Siemens Master Lease Purchase Agreement	-	6,468,656	-	6,468,656	228,044
Compensated Absences	382,292	229,285	(189,173)	422,404	51,165
Long-Term Debt	\$ 32,004,129	\$ 7,573,858	\$ (1,263,513)	\$ 38,314,474	\$ 1,518,682

**NOTE 5 – LONG-TERM DEBT** (Continued)

**Revenues of Certificates of Participation and Bonds**

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.

Prior to the maturity date, the 2010A COPs will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. At June 30, 2019, \$6,731,874 in accreted interest has been accrued and included in long-term debt for the 2010A COPs.

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 was \$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, 2019 and 2018, there was \$0 of defeased Series 2006A Refunded Certificates outstanding, to be paid from escrow funds.

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

Fiscal Year Ending	Principal	Interest	Total
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	439,912	440,088	880,000
2024	424,342	485,658	910,000
2025-2029	2,831,582	4,968,418	7,800,000
2030-2034	3,418,381	10,291,619	13,710,000
2035-2036	1,361,627	5,848,373	7,210,000
	<u>\$ 8,475,844</u>	<u>\$ 22,034,156</u>	<u>\$ 30,510,000</u>

Series 2016A:

In May 2016, the District issued the Refunding Revenue Bonds, Series 2016A ("2016A Bonds") with a principal amount of \$8,765,000 and premium of \$1,713,989 with interest rates ranging from 2% to 5%. The Bonds were executed and delivered 1) to refund the entire outstanding aggregate principal amount and interest of the 2006A COPs and 2) to refund a portion of the District's obligations under the Safe Drinking Water State Revolving Fund Contract #SRF99CX125. The remaining obligations under the Safe Drinking Water State Revolving Fund Contract #SRF99CX125 were repaid by funds contributed by the District.

**NOTE 5 – LONG-TERM DEBT** (Continued)

**Revenues of Certificates of Participation and Bonds** (Continued)

The refunding resulted in decreased total debt service payments from \$11,851,263 to \$10,302,396. This decreased cash flow created an economic gain of approximately \$1,344,787 when discounted at the 2016A Bonds' effective interest rate of 1.8115713%. Total annual requirements to amortize the Series 2016A Bonds are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 750,000	\$ 350,500	\$ 1,100,500
2021	800,000	315,500	1,115,500
2022	435,000	284,625	719,625
2023	460,000	262,250	722,250
2024	480,000	238,750	718,750
2025-2029	2,575,000	810,875	3,385,875
2030-2033	1,960,000	186,000	2,146,000
	<u>\$ 7,460,000</u>	<u>\$ 2,448,500</u>	<u>\$ 9,908,500</u>

**Safe Drinking Water State Revolving Fund Contracts**

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. The 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 is required to accumulate a reserve fund equal to two semi-annual loan payments during the first ten years of the repayment period. At minimum, half of the semi-annual reserve fund must be on deposit by the time the first ten semi-annual payments are made. Once the reserve fund is accumulated, the District must maintain the reserve fund at this level until the loan is repaid in full.

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

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 451,406	\$ 139,013	\$ 590,419
2021	462,822	127,597	590,419
2022	474,527	115,893	590,420
2023	486,527	103,892	590,419
2024	498,832	91,588	590,420
2025-2029	2,689,892	262,205	2,952,097
2030-2033	579,472	10,945	590,417
	<u>\$ 5,643,478</u>	<u>\$ 851,133</u>	<u>\$ 6,494,611</u>

**NOTE 5 – LONG-TERM DEBT** (Continued)

**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. 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>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 101,663	\$ 30,610	\$ 132,273
2021	207,056	25,597	232,653
2022	212,132	20,456	232,588
2023	217,337	15,186	232,523
2024	222,674	9,783	232,457
2025-2028	<u>344,312</u>	<u>4,242</u>	<u>348,554</u>
	<u>\$ 1,305,174</u>	<u>\$ 105,874</u>	<u>\$ 1,411,048</u>

**Siemens Master Lease Purchase Agreement**

The District entered into a master lease agreement with Siemens Financial Services, Inc., on August 2, 2017, in the amount of \$6,468,856 to finance the replacement of all installed mechanical water meters with digital meters and the attendant remote reading and reporting infrastructure, installation of a solar carport and solar panels on a reservoir, and retrofit of all headquarter buildings with LED lights. The projected benefits of increased revenue collection due to more accurate meters and savings in electrical costs due to solar panel and LED lighting installations are projected to offset the total lease costs over the life of the lease. The District entered into a performance contracting agreement with Siemens Industry, Inc., to guarantee the projected cost savings. The lease payment period is fifteen years, commencing August 2018, with an annual amount of \$538,677 paid quarterly and an interest rate of 2.7525%.

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 370,703	\$ 167,974	\$ 538,677
2021	381,013	157,664	538,677
2022	391,610	147,068	538,678
2023	402,500	136,178	538,678
2024	413,693	124,984	538,677
2024-2029	<u>2,247,576</u>	<u>445,810</u>	<u>2,693,386</u>
2030-2033	<u>2,033,717</u>	<u>120,992</u>	<u>2,154,709</u>
	<u>\$ 6,240,812</u>	<u>\$ 1,300,670</u>	<u>\$ 7,541,482</u>

**NOTE 5 – LONG-TERM DEBT** (Continued)

**Siemens Master Lease Purchase Agreement** (Continued)

As of June 30, 2019, the meter replacement phase of the project was 98% complete, the LED lighting retrofit and solar carport phases of the project were 100% complete, and the connected grid routers and phase 2 engineering component was 50% complete.

Lease Element	Capital Asset Class	Amount
Meter replacement	Transmission and Distribution Infrastructure	\$ 5,401,236
Lighting Retrofit	Buildings	25,500
Solar Carport and Solar Reservoir Panels	Buildings	886,000
Connected Grid Routers & Phase 2 Eng.	N/A (Work in Process)	155,920
Total Master Lease Purchased Assets		<u>\$ 6,468,656</u>

**NOTE 6 – DEFINED BENEFIT PENSION PLAN**

General Information about the Pension Plans

**Plan Descriptions** – All qualified employees are eligible to participate in the 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. 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 .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.

The Plans’ provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous Plan - For the Year Ended June 30, 2018		
	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
Retirement age 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	7.0%	7.00%	6.3%
Required employer contribution rates	8.9%	8.40%	6.6%

**NOTE 6 – DEFINED BENEFIT PENSION PLAN** (Continued)

General Information about the Pension Plans (Continued)

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous Plan - For the Year Ended June 30, 2017		
	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
Retirement age 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	7.0%	7.00%	6.3%
Required employer contribution rates	8.9%	8.40%	6.6%

**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 all 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 fiscal years ended June 30, 2019 and 2018, the contributions recognized as part of pension expense for all Plans were as follows:

	Miscellaneous Plan	
	June 30, 2019	June 30, 2018
Contributions - Employer	\$ 429,354	\$ 379,661

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

The District's net pension liability for all Plans is measured as the proportionate share of the net pension liability. As of June 30, 2019 and 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of all Plans as follows:

	Proportionate Share of the Net Pension Liability	
	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Miscellaneous	\$ 3,540,891	\$ 3,672,110

For the fiscal year ended June 30, 2019, the net pension liability of all of the Plans is measured as of June 30, 2018, and the total pension liability for all Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures.

**NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)**

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

For the fiscal year ended June 30, 2018, the net pension liability of all of the Plans is measured as of June 30, 2017, and the total pension liability for all Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures.

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 with an actuarial valuation date of June 30, 2018 and 2017, was as follows:

	<u>Fiscal Year Ended June 30, 2019</u>		<u>Fiscal Year Ended June 30, 2018</u>
	<u>Miscellaneous</u>		<u>Miscellaneous</u>
Proportion - June 30, 2018	0.09315%	Proportion - June 30, 2017	0.09502%
Proportion - June 30, 2019	<u>0.09395%</u>	Proportion - June 30, 2018	<u>0.09315%</u>
Change - Increase (Decrease)	<u>-0.00080%</u>	Change - Increase (Decrease)	<u>0.00187%</u>

For the fiscal years ended June 30, 2019 and 2018, the District recognized pension expense of \$476,471 and \$595,505, respectively. At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 429,354	\$ -	\$ 379,661	\$ -
Differences Between Actual and Expected Experience	135,858	(46,232)	3,833	(54,915)
Changes in Assumptions	403,671	(98,932)	475,588	(36,264)
Change in Employer's Proportion and Differences between Projected and Actual Earnings	119,612	(185,004)	131,679	(26,746)
Net Differences Between Projected and Actual Earnings on Plan Investments	<u>17,505</u>	<u>-</u>	<u>107,558</u>	<u>-</u>
Total	<u>\$ 1,106,000</u>	<u>\$ (330,168)</u>	<u>\$ 1,098,319</u>	<u>\$ (117,925)</u>

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.

During the fiscal year ended June 30, 2018, \$379,661 in deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability. During the fiscal year ended June 30, 2019, \$429,354 in deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability.

**NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)**

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30,		
2020	\$	336,529
2021		184,885
2022		(143,087)
2023		(31,849)
Thereafter		-
Total	<u>\$</u>	<u>346,478</u>

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2017 and 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>Fiscal Year Ended June 30, 2019</u> Miscellaneous	<u>Fiscal Year Ended June 30, 2018</u> Miscellaneous
Valuation Date	June 30, 2017	June 30, 2016
Measurement Date	June 30, 2018	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.75%
Payroll Growth	2.75%	2.75%
Projected Salary Increase	Varies by Entry Age and Service <sup>(1)</sup>	Varies by Entry Age and Service <sup>(1)</sup>
Investment Rate of Return	7.15% <sup>(2)</sup>	7.15% <sup>(2)</sup>
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract cost of living adjustment up to 2.50% until Purchasing PowerProtection Allowance Floor on Purchasing Power applies, 2.50% thereafter.	Contract cost of living adjustment up to 2.75% until Purchasing PowerProtection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

<sup>(1)</sup> Depending on age, service, and type of employment

<sup>(2)</sup> Net of pension plan investment and administrative expenses, including inflation

The actuarial assumptions used for the June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality, and retirement rates. Further details of the Experience Study can found on the CalPERS website.

**Discount Rate** – For the fiscal year ended June 30, 2019, the discount rate used to measure the total pension liability was 7.15 percent 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF), including PERF C. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.



**NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

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 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. The tables below reflect the long-term expected real rate of return by asset class at June 30, 2019 and 2018, respectively.

Asset Class	June 30, 2019			June 30, 2018		
	Net Strategic Allocation	Real Return Years 1 - 10 <sup>(1)</sup>	Real Return Years 11+ <sup>(2)</sup>	Net Strategic Allocation	Real Return Years 1 - 10 <sup>(3)</sup>	Real Return Years 11+ <sup>(4)</sup>
Global Equity	50.00%	4.80%	5.98%	47.00%	4.90%	5.38%
Global Fixed Income	28.00%	1.00%	2.62%	19.00%	0.80%	2.27%
Inflation Sensitive	0.00%	0.77%	1.81%	6.00%	0.60%	1.39%
Private Equity	8.00%	6.30%	7.23%	12.00%	6.60%	6.63%
Real Estate	13.00%	3.75%	4.93%	11.00%	2.80%	5.21%
Infrastructure and Forestland	0.00%	0.00%	0.00%	3.00%	3.90%	5.36%
Liquidity	1.00%	0.00%	-0.92%	2.00%	-0.40%	-0.90%

<sup>(1)</sup> An expected inflation of 2.5% used for this period

<sup>(2)</sup> 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 Plan Fiscal Year Ended June 30, 2019		Miscellaneous Plan Fiscal Year Ended June 30, 2018	
1% Decrease	6.15%	1% Decrease	6.15%
Net Pension Liability	\$ 5,158,591	Net Pension Liability	\$ 5,239,784
Current Discount Rate	7.15%	Current Discount Rate	7.15%
Net Pension Liability	\$ 3,540,891	Net Pension Liability	\$ 3,672,110
1% Increase	8.15%	1% Increase	8.15%
Net Pension Liability	\$ 2,205,507	Net Pension Liability	\$ 2,373,735

**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 and Eligibility

The District provides retiree medical, dental, vision, and prescription drug coverage to current and future eligible retirees under a single-employer plan. Under the plan, retired employees who attain age 60 with at least 20 years of service are eligible to receive benefits. Spouses may elect to continue coverage at their own expense.

Benefits Provided

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. Employees pay a portion of their monthly premium and the District contributes up to 5% of a retiree’s CalPERS benefit toward the cost of medical coverage for post-65 retirees.

Employees Covered by Benefits

At the OPEB liability measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Actives and Terminated Vesteds Fully Eligible to Retire	-
Actives and Terminated Vesteds Not Yet Fully Eligible to Retire	18
Retirees	<u>7</u>
Total	<u><u>25</u></u>

Contributions

The contribution requirements of plan members and the District are established and may be amended by the District Board. These contributions are neither mandated nor guaranteed. The District has retained the right to unilaterally modify its payment for retiree health care benefits. For the fiscal years ended June 30, 2019 and 2018, the District contributed \$21,317 and \$19,401, respectively. Employees are not required to contribute to the OPEB Plan.

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

Net OPEB Liability

At June 30, 2019 and 2018, the District reported a net OPEB liability of \$681,692 and \$645,559, respectively. The net OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017, based on the following actuarial methods and assumptions:

Valuation Date	July 1, 2017
Fiscal Year Ending	June 30, 2019
Measurement Date	July 1, 2017
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay – Under this cost method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the Total OPEB Liability (TOL).
Changes Since Last Valuation	No significant changes have occurred since the last valuation.
Method Used to Determine the Actuarial Value of Assets	N/A.
Amortization Method	Closed, straight-line for average remaining service period.

Actuarial Assumptions

A. Investment Rate of Return

Selected (Discount Rate):

- |  |                           |
|--|---------------------------|
| 1. Expected Return on Plan Assets                | 7.50% (if fully funded).  |
| 2. Expected Return on Employer's General Assets: | 3.71% (if pay-as-you-go). |

B. Payroll Growth: 3.00%

C. Health Trend Rates:

<u>Fiscal Year</u>	<u>Medical</u>	<u>Rx</u>	<u>Dental</u>	<u>Vision</u>
2019-2020	6.50%	6.50%	5.00%	3.00%
2020-2021	6.00%	6.00%	5.00%	3.00%
2021-2022	5.50%	5.50%	5.00%	3.00%
2022-2023	5.00%	5.00%	5.00%	3.00%
2024+	5.00%	5.00%	5.00%	3.00%

D. Retiree Contributions Trend Rates: N/A.

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

Actuarial Assumptions (Continued)

E. Retirement Rates

CalPERS Matrix of service retirement assumption rates for public agency miscellaneous 2% at 55. Sample rates are:

Age	Service		
	20	25	30
60	12.60%	14.30%	16.90%
65	23.30%	26.60%	28.90%
70	23.90%	30.40%	33.00%

F. Pre-Retirement Mortality Table:

CalPERS Pre-Retirement Mortality Rates Public Agency Miscellaneous Table. Sample rates are:

Age	Male Rates	Female Rates
20	0.022%	0.007%
25	0.029%	0.011%
30	0.038%	0.016%
35	0.049%	0.027%
40	0.064%	0.037%
45	0.080%	0.054%
50	0.116%	0.079%
55	0.172%	0.120%
60	0.255%	0.166%

G. Post-Retirement Mortality Table:

CalPERS Post-Retirement Mortality Rates Public Agency Miscellaneous Table. Sample rates are:

Age	Male Rates	Female Rates
60	0.671%	0.476%
65	0.928%	0.637%
70	1.339%	0.926%
75	2.316%	1.635%
80	3.977%	3.007%

H. Withdrawal Rates:

CalPERS Termination Rates with Refund Public Agency Miscellaneous Table.

I. Disability Rates:

None.

J. Participation:

100% of active participants are assumed to elect the health coverage.

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

Actuarial Assumptions (Continued)

**K. Fiscal 2018 Annual Per Capita Claims Costs**

	<u>Age</u>	<u>PPO</u>	<u>HMO</u>
	60-64	\$10,195.80	\$8,764.44
	65+	Varies based on specific retiree's CalPERS benefit.	
<b>Medical</b>	<u>Age</u>	<u>AVHMO</u>	<u>KHMS</u>
	60-64	\$ 8,072.76	\$6,461.16
	65+	Varies based on specific retiree's CalPERS benefit.	
<b>Dental</b>	All	\$ 404.64	
<b>Vision</b>	All	\$ 222.72	

**L. Administrative Expenses**

Implicit in insurance premium rates.

**M. Retirement Marriage Assumptions:**

85% are assumed to be married with husbands three years older than wives.

**N. Medicare Eligibility:**

All participants are assumed to be Medicare eligible upon reaching age 65.

**O. Full Attribution Age:**

Age at which retirement rate is 100% once eligibility has been fulfilled (Age 65 with 20 years of service).

**P. Exposure to 40% Excise Tax:**

The estimated number of relatively higher costing pre-65 retirees on benefit at any given time is very low relative to the estimated number of relatively lower costing post-65 retirees. The composite per capita costs are well below 2022 thresholds and appear not to exceed the respective levels for several decades. The potential tax effect of exceeding the threshold on a present value basis appears well below 1% of the liability and was considered immaterial in this instance.

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

Executive Summary

This report provides the Net OPEB Liability/(Asset) (NOL) and the Annual OPEB Cost that will be required under GASB Statement No. 75. The calculations are as of July 1, 2018.

Net OPEB Liability (NOL)	2019
A. Actives	\$ 410,317
B. Retirees, spouses, and beneficiaries	<u>271,375</u>
C. Total reported	<u>\$ 681,692</u>
Annual Covered Payroll	\$ 1,613,620
NOL as a Percent of Covered Payroll	42.2%
Fiscal Year 2018 Net OPEB Expense	\$ 60,713
Net OPEB Liability (NOL)	2018
A. Actives	\$ 388,568
B. Retirees, spouses, and beneficiaries	<u>256,991</u>
C. Total reported	<u>\$ 645,559</u>
Annual Covered Payroll	\$ 1,543,895
NOL as a Percent of Covered Payroll	41.8%
Fiscal Year 2018 Net OPEB Expense	\$ 57,450

Discount Rate

The discount rate used to measure the total OPEB liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be sufficient to fully fund the obligation over a period not to exceed 30 years. Historic 30 year real rates of return for each asset class along with the assumed long-term inflation assumption were used to set the discount rate. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

Changes in the Net OPEB Liability

2019

A. Net OPEB Obligation (NOO), Beginning of Prior Year		\$	645,559
B. Fiscal Year 2018 OPEB Cost			
1. Annual Required Contribution	\$	33,895	
2. Interest on Net OPEB Obligation (NOO)		23,555	
3. Adjustment to Annual Required Contribution		<u>-</u>	
4. Total Net OPEB Cost	\$	57,450	
C. Employer Contributions	\$	21,317	
D. Transition Amount*		<u>\$</u>	<u>-</u>
E. Net OPEB Liability/(Asset) (NOL) [(A) + (B) + (C) + (D)]		<u>\$</u>	<u>681,692</u>

2018

A. Net OPEB Obligation (NOO), Beginning of Prior Year		\$	179,642
B. Fiscal Year 2017 OPEB Cost			
1. Annual Required Contribution	\$	52,304	
2. Interest on Net OPEB Obligation (NOO)		7,189	
3. Adjustment to Annual Required Contribution		<u>(6,789)</u>	
4. Total Net OPEB Cost	\$	52,704	
C. Employer Contributions	\$	19,401	
D. Transition Amount*		<u>\$</u>	<u>393,812</u>
E. Net OPEB Liability/(Asset) (NOL) [(A) + (B) + (C) + (D)]		<u>\$</u>	<u>645,559</u>

\* Aggregate balance sheet effect of transition to GASB Statement No. 75 accounting requirements.

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the discount rate:

<b>I. Change in Healthcare Trend Rate</b>	<b>2019</b>
A. Change in TOL for a 1% Increase	
1. Dollar	\$ 43,314
2. Percent	6.4%
B. Change in TOL for a 1% Decrease	
1. Dollar	\$ (37,627)
2. Percent	-5.5%
<b>II. Change in Discount Rate</b>	
A. Change in TOL for a 1% Increase	
1. Dollar	\$ (78,728)
2. Percent	-11.5%
B. Change in TOL for a 1% Decrease	
1. Dollar	\$ 92,591
2. Percent	13.6%
<b>I. Change in Healthcare Trend Rate</b>	<b>2018</b>
A. Change in TOL for a 1% Increase	
1. Dollar	\$ 41,018
2. Percent	6.4%
B. Change in TOL for a 1% Decrease	
1. Dollar	\$ (35,633)
2. Percent	-5.5%
<b>II. Change in Discount Rate</b>	
A. Change in TOL for a 1% Increase	
1. Dollar	\$ (74,555)
2. Percent	-11.5%
B. Change in TOL for a 1% Decrease	
1. Dollar	\$ 87,683
2. Percent	13.6%



**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB**

For the fiscal years ended June 30, 2019 and 2018, the District recognized OPEB expense of \$60,713 and \$57,450, respectively. As of fiscal years ended June 30, 2019 and 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

2019	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB Contributions Subsequent to Measurement Date	\$ 17,761	\$ -
Differences between Actual and Expected Experience	-	-
Changes in Assumptions	-	-
Net Differences between Projected and Actual Earnings on Plan Investments	-	-
	<hr/>	<hr/>
Total	<u>\$ 17,761</u>	<u>\$ -</u>
2018	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB Contributions Subsequent to Measurement Date	\$ 18,774	\$ -
Differences between Actual and Expected Experience	-	-
Changes in Assumptions	-	-
Net Differences between Projected and Actual Earnings on Plan Investments	-	-
	<hr/>	<hr/>
Total	<u>\$ 18,774</u>	<u>\$ -</u>

**NOTE 8 – DEFERRED COMPENSATION PLAN**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) 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 for employees employed by the District prior to April 1, 2016. The deferred compensation is not available to employees until termination, retirement, or death, except for loans against contributions for unforeseeable emergencies.

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 earnings 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. Employer matching contributions to the plan for the fiscal years ended June 30, 2019 and 2018, were \$34,558 and \$33,713, respectively.

**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.

**NOTE 9 – LEASE OBLIGATIONS (Continued)**

During 2011, the District purchased a permanent easement from the City of Carpinteria (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, a water line and fire hydrant facilities to accommodate future development of the property adjoining the well site.

The District routinely leases equipment on an ongoing basis. In accordance with GASB Statement No. 87, *Leases*, lease agreements with terms greater than one year or that transfer ownership of the underlying asset are classified as leased assets, with a corresponding liability measured at the present value of payments to be made per lease terms. The following is a schedule showing the future minimum lease payments as of June 30, 2019.

<u>Leased Asset</u>	<u>Acquisition Fiscal Year</u>	<u>Present Value of Lease Payments at Lease Inception</u>	<u>Implied Interest</u>	<u>Amount Representing Interest</u>	<u>Total Lease Payments At Inception</u>	<u>Remaining Lease Payments as of June 30, 2019</u>
Mail Equipment	FY 2016	17,549	3%	1,438	18,987	7,489
Fleet Vehicles	FY 2018	44,889	3%	3,356	48,245	35,693
Copier	FY 2019	42,316	3%	3,281	45,597	41,367
Fleet Vehicles	FY 2019	262,466	3%	16,813	279,280	213,172

**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 Cachuma Project Authority (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 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. The Cachuma Master Contract will be renewed or extended in 2020.

**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.

**NOTE 11 – JOINT POWERS INSURANCE AUTHORITY (Continued)**

Based on financial information at September 30, 2017, ACWA/JPIA had total assets, liabilities, and net position of \$199,365,334, \$123,871,469, and \$75,322,674, respectively. Based on financial information at September 30, 2016, ACWA/JPIA had total assets, liabilities, and net position of \$189,566,761, \$121,474,323, and \$68,703,617, respectively. The District paid premiums of \$61,888 and \$61,398 to ACWA/JPIA for property and liability insurance, and \$20,240 and \$28,588 for workers' compensation during the fiscal years ended June 30, 2019 and 2018, respectively.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

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 CCWA 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.

Although the District has 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 of Directors are approximately apportioned between the entities based upon each entity's allocation of State water entitlement. The District's 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.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)**

Central Coast Water Authority (Continued)

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.

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. On July 21, 2016 the 2006A Refunding Revenue Bonds were refunded. The District’s estimated minimum State water payments are summarized below:

<u>Fiscal Year Ending June 30,</u>	<u>Fixed Costs</u>	<u>Variable Costs</u>	<u>Debt Service</u>	<u>Total</u>
2020	\$ 2,622,188	\$ 686,462	\$ 1,044,310	\$ 4,352,960
2021	2,425,144	715,561	1,042,859	4,183,564
2022	2,498,416	746,121	1,041,573	4,286,110
2023	2,682,621	778,208	-	3,460,829
2024	-	-	-	-
Thereafter (through 2035)	<u>34,192,848</u>	<u>-</u>	<u>-</u>	<u>34,192,848</u>
Total	<u>\$ 44,421,217</u>	<u>\$ 2,926,352</u>	<u>\$ 3,128,742</u>	<u>\$ 50,476,311</u>

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 fiscal year ended June 30, 2015. As of June 30, 2019 and 2018, the District’s portion of the expenditures incurred amounted to approximately \$4,328,338 and \$4,328,000, respectively.

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.

Bradbury Dam

The District, as a member of the 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.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)**

**Bradbury Dam (Continued)**

The District's future obligations are as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Amount</u>
2020	\$ 28,649
2021	28,649
2022	28,649
2023	28,649
2024	28,649
Thereafter	<u>322,598</u>
Total	<u>\$ 465,843</u>

**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 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 were scheduled to mature on July 25, 2021, with quarterly interest payments. In the event that COMB was unable to make a payment, the District was required to make that payment up to its guarantee amount of \$608,000. As a guarantor, the District was subject to certain financial covenants.

During the fiscal year, the lines of credit were converted to term loans and as of June 30, 2018, the District paid off its entire share of the revolving lines-of-credit in the amount of \$495,846. The District no longer has a commitment.

**Water Purchase Agreement**

On May 16, 2018, the District entered into a Supplemental Water Purchase Program Participation Agreement in which the District purchased 1,333 acre feet of water for \$426,560. As part of the agreement the district is obligated to return 333 acre feet of water over the next ten years and to pay the associated State Water Project transportation charges in effect at the time of the return.

On April 14, 2016, the District entered into a Supplemental Water Purchase Program Participation Agreement in which the District purchased 1,000 acre feet of water for \$250,000. As part of the agreement the District is obligated to return 500 acre feet over the next ten years. The obligation was met by August 2017.

**Siemens Master Lease Purchase Agreement**

The District entered into a master lease agreement with Siemens Financial Services, Inc., on August 2, 2017, in the amount of \$6,468,856 to finance the replacement of all installed mechanical water meters with digital meters with remote read and reporting capabilities, the installation of a solar carport and solar panels on a reservoir, and the replacement of all headquarter buildings with LED lights. The projected benefits of increased revenue collection due to more accurate meters and savings in electrical costs due to solar panel and LED lighting installations are projected to offset the total lease costs over the life of the lease. The District entered into a performance contracting agreement with Siemens Industry, Inc., to guarantee the projected cost savings.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)**

**Siemens Master Lease Purchase Agreement (Continued)**

Under the performance contracting agreement, the District will pay annual fees to Siemens Industry, Inc., for measuring and verifying cost savings.

<u>Fiscal Year Ending June 30:</u>	<u>Amount</u>
2020	\$ 26,206
2021	26,770
2022	27,346
2023	27,935
2024	-
2025-2029	-
2030-2033	-
Total	<u>\$ 108,257</u>

**NOTE 13 – PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to the beginning net position to reflect the prior period costs related to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 87, *Leases*, and correction of error due to incorrect accounting for 2010A COP accreted interest in the prior year.

Net Position as of June 30, 2017	\$ 29,795,485
<u>Effects of GASB Statement No. 75</u>	
Increase in Deferred Outflows of Resources	19,401
Increase in Net OPEB Liability	(405,109)
<u>Effects of GASB Statement No. 87</u>	
Increase in Net Capital Assets	29,419
Increase in Capital Leases	(30,267)
<u>Correction of Prior Period Error for Recording 2010A COP Accreted Interest</u>	
Increase in 2010A COP Accreted Interest	<u>(4,922,724)</u>
Net Position as of July 1, 2017	<u>\$ 24,486,205</u>

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 10, 2019, the date that the basic financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CARPINTERIA VALLEY WATER DISTRICT  
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, 2019  
LAST 10 YEARS\***

	2019	2018	2017	2016	2015
Valuation Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement Period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the Net Pension Liability	0.03675%	0.03703%	0.03815%	0.04122%	0.04535%
Proportionate Share of the Net Position Liability	\$ 3,540,891	\$ 3,672,110	\$ 3,300,879	\$ 2,829,302	\$ 2,822,007
Covered-Employee Payroll	\$ 1,783,980	\$ 1,658,060	\$ 1,625,984	\$ 1,621,204	\$ 1,612,949
Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	198.48%	221.47%	203.01%	174.52%	174.96%
Plan's Fiduciary Net Position	\$ 8,418,045	\$ 7,725,265	\$ 7,151,600	\$ 7,278,661	\$ 7,148,327
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.39%	67.78%	68.42%	72.01%	75.96%

\* Fiscal year 2015 was the 1<sup>st</sup> year of implementation; therefore, only five years are shown.

**Notes to Schedule:**

**Benefit changes:** There have been no benefit changes.



**CARPINTERIA VALLEY WATER DISTRICT  
A COST SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
SCHEDULE OF CONTRIBUTIONS  
AS OF JUNE 30, 2019  
LAST 10 YEARS\***

	2019	2018	2017	2016	2015
Contractually Required Contribution (Actuarially Determined)	\$ 429,354	\$ 349,270	\$ 344,835	\$ 329,792	\$ 281,838
Contributions in Relation to the Actuarially Determined Contributions	<u>429,354</u>	<u>349,270</u>	<u>344,835</u>	<u>329,792</u>	<u>281,838</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 1,783,980	\$ 1,658,060	\$ 1,475,024	\$ 1,627,135	\$ 1,557,019
Contributions as a Percentage of Covered-Employee Payroll	24.07%	21.06%	23.38%	20.27%	18.10%

\* Fiscal year 2015 was the 1<sup>st</sup> year of implementation; therefore, only five years are shown.

Valuation Date July 1, 2017

Fiscal Year Ending June 30, 2019

Measurement Date July 1, 2017

Actuarial Cost Method Entry Age Normal, Level Percent of Pay – Under this cost method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the Total OPEB Liability (TOL).

Changes Since Last Valuation No significant changes have occurred since the last valuation.

Method Used to Determine the Actuarial Value of Assets N/A.

Amortization Method Closed, straight-line for average remaining service period.

**CARPINTERIA VALLEY WATER DISTRICT  
OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
AS OF JUNE 30, 2019  
LAST 10 YEARS\***

Valuation Date: June 30, 2017  
Measurement Period: June 30, 2018

	Fiscal Year Ended 2019	Fiscal Year Ended 2018
A. Total OPEB Liability, Beginning of Year	\$ 645,559	\$ 179,642
B. Fiduciary Net Position, Beginning of Year	-	-
C. Net OPEB Liability, Beginning of Year	645,559	179,642
1. Service Cost	33,895	45,515
2. Interest Cost	23,555	7,189
3. Benefit Changes	-	432,614
4. Experience Differences	-	-
5. Assumption Changes	-	-
6. Plan Investment Income	-	-
7. Administrative Expenses	-	-
8. Other Expenses	-	-
D. Total OPEB Expense	57,450	485,318
9. Employer Contributions	-	19,401
10. Employee Contributions	-	-
11. Benefit Payments	21,317	-
E. Total OPEB Liability, End of Year	681,692	645,559
F. Fiduciary Net Position, End of Year	-	-
G. Net OPEB Liability, End of Year	<u>\$ 681,692</u>	<u>\$ 645,559</u>
H. Annual Covered Payroll	\$ 1,613,620	\$ 1,543,895
I. Net OPEB Liability as % of Annual Covered Payroll	42.25%	41.80%

\* Fiscal year 2018 was the 1<sup>st</sup> year of implementation; therefore, only two years are shown.

**Notes to the Schedule:**

Historical information is required only for measurement periods for which GASB Statement No. 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

## APPENDIX B

### DEFINITIONS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

*The following is a summary of certain provisions of the Indenture, the Installment Purchase Agreement and the Trust Agreement which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective agreement for a full and complete statement of the provisions thereof.*

#### INDENTURE

##### 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 2020 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 the 2016 Bonds and 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 2020 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.

Cater Financing Agreement. The term “Cater Financing Agreement” means the Cater Water Filtration Plant Improvements Financing Agreement with the City of Santa Barbara, dated February 27, 2004.

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 2020 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 2020 Installment Purchase Agreement 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 2020 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 2020 Bonds and any other cost, charge or fee in connection with the original issuance of the 2020 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 will, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of:

(i) the then current variable interest rate borne by such Bonds or 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 will be treated as interest in the calculation of Debt Service;

and provided further that if any series or issue of such Bonds or Parity Installment Payments have twenty five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Debt Service will be determined for the Fiscal Year of determination as if the principal of and interest on such series or issue of such Bonds or Parity Installment Payments were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of thirty (30) years from the date of calculation; 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 will 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 will be deducted from the amount of principal due at the final maturity of the Bonds and Contracts for which such debt service reserve fund was established and in each preceding year until such amount is exhausted; and

and provided further that Debt Service will 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 2020 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.

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, 2020, 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 Municipal Advisor. The term “Independent Municipal Advisor” 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; and (4) is registered as a “municipal advisor” as defined in Section 15B of the Securities and Exchange Act of 1934, as amended.

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, 2020.

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 2020 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 2020 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 2020 Bonds, means (subject to the provisions of the Indenture) all 2020 Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (i) 2020 Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) 2020 Bonds with respect to which all liability of

the District will have been discharged in accordance with the Indenture, including 2020 Bonds (or portions thereof) described in the Indenture; and (iii) 2020 Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2020 Bonds will have been authenticated and delivered by the Trustee pursuant to the Indenture.

Owner; 2020 Bond Owner. The term “Owner” or “2020 Bond Owner,” whenever used in the Indenture with respect to a 2020 Bond, means the person in whose name the ownership of such 2020 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.

Pension Obligation. The term “Pension Obligation” means the District’s outstanding unfunded accrued liability with respect to the District’s Tier 1 Miscellaneous cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System.

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 (“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 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 2020 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, including demand deposits, time deposits, certificates of deposit (including those placed by a third party pursuant to an agreement between the Trustee and the District), other deposit products, trust funds, trust accounts, interest bearing deposits, interest bearing money market accounts, federal funds and bankers’ acceptances with domestic commercial banks (including the Trustee or any of its affiliates) 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 mutual fund rated "AAAm" or "AAAm-G" or better by S&P, including such funds for which the Trustee or an affiliate receives and retains a fee for providing services to such fund, including as investment advisor, transfer agent, custodian or otherwise; (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 will be determined as follows:

(i) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund will be valued at fair market value. The Trustee will determine the fair market value based upon any generally recognized pricing information service (including brokers and dealers in securities) available to it; and

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

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 2020 Bonds issued by the Rating Agency.

Rating Agency. The term "Rating Agency" means S&P, if such rating agency is then rating the 2020 Bonds.

Rebate Fund. The term "Rebate Fund" means the fund by that name established for the 2020 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 2020 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 2020 Bond (or portion thereof), the principal amount of such 2020 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 2020 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 2020 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, or to whom any corporate trust matter is referred at the Office of the Trustee because of such person’s knowledge of and familiarity with the particular subject 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; plus

(4) deposits in the Revenue Fund from amounts on deposit in the Rate Stabilization Fund in accordance with the Indenture; but less

(5) any Revenues transferred from the Revenue Fund to the Rate Stabilization Fund in accordance with the Indenture;

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 S&P Global Ratings 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.

Siemens Lease. The term “Siemens Lease” means the Master Lease Purchase Agreement, together with Lease Scheduled #280-006004-001, each dated August 2, 2017, as such may be amended or supplemented from time-to-time in accordance therewith.

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 2020A Bonds, issued by the District on the date of issuance of the 2020A 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.

2010A Certificates. The term “2010A Certificates” means the Carpinteria Valley Water District Refunding Revenue Certificates of Participation, Series 2010A.

2010A Certificates Escrow Agreement. The term “2010A Certificates Escrow Agreement” means the Escrow Agreement (Series 2010A), dated as of March 1, 2020, by and between the District and the 2010A Escrow Agent, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

2010A Escrow Agent. The term “2010A Escrow Agent” means MUFJ Union Bank, N.A., as escrow agent pursuant to the terms of the 2010A 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 outstanding from time-to-time.

2020 Bonds. The term “2020 Bonds” means collectively, the 2020A Bonds and the 2020B Bonds under the Indenture.

2020 Installment Purchase Agreement. The term “2020 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of March 1, 2020, by and between the District and the Corporation, as originally executed or as it may from time-to-time be amended or supplemented as provided for therein.

2020A Bonds. The term “2020A Bonds” means the Carpinteria Valley Water District Refunding Revenue Bonds, Series 2020A issued under the Indenture.

2020B Bonds. The term “2020B Bonds” means the Carpinteria Valley Water District Refunding Revenue Bonds, Taxable Series 2020B issued under the Indenture.

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 Supply Agreement. The term “Water Supply Agreement” means the Water Supply Agreement, dated as of August 1, 1991, by and between the District and the Central Coast Water Authority, and as such Water Supply Agreement may be amended or supplemented in accordance with its terms.

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 will 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 2020 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 2020 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 2020 Bonds as previously provided.

The person in whose name any 2020 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 2020 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 2020 Bond to the extent of the sum or sums so paid.

2020 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2020 Bond will become mutilated, the District, at the expense of the Owner of said 2020 Bond, will execute, and the Trustee will thereupon authenticate and deliver, a new 2020 Bond of like tenor, series and authorized denomination in exchange and substitution for the 2020 Bonds so mutilated, but only upon surrender to the Trustee of the 2020 Bond so mutilated. Every mutilated 2020 Bond so surrendered to the Trustee will be canceled by it. If any 2020 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 2020 Bond of like tenor, series and authorized denomination in lieu of and in substitution for the 2020 Bond so lost, destroyed or stolen (or if any such 2020 Bond will have matured or will be about to mature, instead of issuing a substitute 2020 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 2020 Bond issued under the Indenture and of the expenses which may be incurred by the District and the Trustee in connection therewith. Any 2020 Bond issued under the provisions of this paragraph of the Indenture in lieu of any 2020 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 2020 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 2020 Bonds secured by the Indenture. Notwithstanding any other provision of the Indenture, in lieu of delivering a new 2020 Bond for a 2020 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 2020 Bond upon receipt of indemnity satisfactory to the Trustee.

#### Book Entry System.

Election of Book Entry System. Prior to the issuance of the 2020 Bonds, the District may provide that such 2020 Bonds will be initially issued as book entry 2020 Bonds. If the District will elect to deliver any 2020 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 2020 Bonds in an authorized denomination corresponding to that total principal amount of the 2020 Bonds designated to mature on such date. Upon initial issuance, the ownership of each such 2020 Bond will be registered in the 2020 Bond Registration Books in the name of the Nominee, as nominee of the Depository, and ownership of the 2020 Bonds, or any portion thereof may not thereafter be transferred except as provided in the Indenture.

With respect to book entry 2020 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 2020 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 2020 Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the 2020 Bond Registration Books, of any notice with respect to book entry 2020 Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry 2020 Bonds to be redeemed in the event the District redeems the 2020 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 2020 Bonds. The District and the Trustee may treat and consider the person in whose name each book entry 2020 Bond is registered in the 2020 Bond Registration Books as the absolute Owner of such book entry 2020 Bond for the purpose of payment of principal of, premium and interest on such 2020 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2020 Bond, for the purpose of registering transfers with respect to such 2020 Bond, and for all other purposes whatsoever. The Trustee will pay all principal of, premium, if any, and interest on the 2020 Bonds only to or upon the order of the respective Owner, as shown in the 2020 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 2020 Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the 2020 Bond Registration Books, will receive a 2020

Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the 2020 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 2020 Bonds for the Depository's book entry system, the District 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 2020 Bonds other than the Owners, as shown on the 2020 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 2020 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 2020 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 2020 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 2020 Bond for each of the maturity dates of such book entry 2020 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 2020 Bonds will no longer be restricted to being registered in such 2020 Bond Registration Books in the name of the Nominee, but will be registered in whatever name or names the Owners transferring or exchanging such 2020 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 2020 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 2020 Bond and all notices with respect to such 2020 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 2020 Bonds to Substitute Depository. (i) The 2020 Bonds will be initially issued as provided in of the Indenture. Registered ownership of such 2020 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 2020 Bonds by the Trustee, together with a Written Request of the District to the Trustee designating the

Substitute Depository, a single new 2020 Bond, which the District will prepare or cause to be prepared, will be issued for each maturity of 2020 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 2020 Bonds by the Trustee, together with a Written Request of the District to the Trustee, new 2020 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 2020 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 2020 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 2020 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 2020 Bonds will be controlling.

(iv) The District and the Trustee will be entitled to treat the person in whose name any 2020 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 2020 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 2020 Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the 2020 Bonds.

#### **VALIDITY OF 2020 BONDS**

Validity of 2020 Bonds. The validity of the authorization and issuance of the 2020 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 2020 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 2020 BONDS**

Selection of 2020 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2020 Bonds, the Trustee will select the 2020 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 2020 Bonds or portions thereof so selected for redemption.

Partial Redemption of 2020 Bonds. Upon surrender of any 2020 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 2020 Bond or 2020 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2020 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 2020 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the Redemption Date designated in such notice, the 2020 Bonds (or portions thereof) so called for redemption will become due and payable, interest on the 2020 Bonds so called for redemption will cease to accrue, said 2020 Bonds (or portions

thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2020 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 2020 Bonds to be redeemed on their Redemption Dates, pay such 2020 Bonds at the Redemption Price.

All 2020 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 2020 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 2020 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 2020 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 2020 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 2020 Bonds remain Outstanding) and will be accounted for and held in trust for the benefit of 2020 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 will be set aside by the District at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds will be held in trust and will 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 will, 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 will deposit such moneys in the Bond Fund. The District will also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.



(d) Reserve Funds. On or before each Interest Payment Date, the District will, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the 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, including but not limited to transfer to the Rate Stabilization Fund or other unpaid amounts due on obligations subordinate thereto, including but not limited to the Cater Financing Agreement and the Siemens Lease.

Application of Bond Fund. There 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 2020 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 2020 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 2020 Bonds, upon written direction of the District, the Trustee will apply such amounts to the purchase of 2020 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 2020 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 2020 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 2020 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 2020 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. 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. Ratings

of Permitted Investments will be determined at the time of purchase of such permitted investments and without regard to ratings subcategories. 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 conclusively, without liability, on generally recognized pricing services that may be available to the Trustee (including brokers and dealers in securities), including those available through the Trustee's accounting system.

#### Rebate Fund.

Establishment. The Trustee will establish a fund for the 2020A 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 2020A 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 2020A 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 2020A 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 2020A 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 2020A 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 2020A Bonds.

Application of Funds and Accounts When No 2020 Bonds are Outstanding. On the date on which all 2020 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 2020 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 2020 Bonds are fully adequate for the payment of all principal and interest on the 2020 Bonds for such Fiscal Year. If the amounts so budgeted are not adequate for the payment of all principal and interest on the 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 Bonds or to the Owners prior or superior to the lien of the 2020 Bonds or which might impair the security of the principal and interest due on the 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 will provide that the Trustee 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 2020 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 2020 Bond (including persons holding 2020 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2020 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 2020 Bonds, in strict conformity with the terms of the 2020 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 2020 Bonds. The District will not directly or indirectly extend or assent to the extension of the maturity of any of the 2020 Bonds or the time of payment of any claims for interest by the purchase of such 2020 Bonds or by any other arrangement, and in case the maturity of any of the 2020 Bonds

or the time of payment of any such claims for interest will be extended, such 2020 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 2020 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 2020 Bonds and other Bonds and Contracts.

Power to Issue 2020 Bonds and Make Pledge and Assignment. The District is duly authorized pursuant to law to issue the 2020 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 2020 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 2020 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, 2020) 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 2020A 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 2020A 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 2020A Bonds or of any other moneys or property which would cause the 2020A 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 2020A 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 2020A 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 2020A Bonds or take or omit to take any action that would cause the 2020A 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 2020A Bonds pursuant to Section 103(a) of the Code; (e) The District will make no use of the proceeds of the 2020A 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 2020A 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 2020A 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 2020A 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, including the 2020B Bonds, the interest with respect to which has been determined by Bond Counsel to be subject to federal income taxation.

Waiver of Laws. The District will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time later in force that may affect the covenants and agreements contained in the Indenture or in the 2020 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 2020 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 2020 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 2020 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 2020 Bond Owner upon any claim by a 2020 Bond Owner or a third party arising out of the receipt, application or disbursement of any of the payments of principal of or interest on the 2020 Bonds or involving the rights of the Trustee or any 2020 Bond Owner under the Indenture; provided that the Trustee or any 2020 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 2020 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 2020 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 2020 Bonds. The District will promptly reimburse any 2020 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 2020 Bonds, provided that such litigation will be concluded favorably to such party's contentions therein.

#### **EVENTS OF DEFAULT AND REMEDIES OF 2020 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 2020 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, 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 2020 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 2020 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 2020 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 2020 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 2020 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) will 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 2020 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 2020 Bonds and such Bonds and Contracts if paid in accordance with their respective terms.

Other Remedies of the Trustee. The Trustee will 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 will 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 will result in the loss of the Project, the Water System or other assets of the District.

Nothing in the Indenture will 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 2020 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 2020 Bond Owners. The Trustee is irrevocably appointed in the Indenture (and the successive respective Owners of the 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2020 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 2020 Bonds, subject to the provisions of the Indenture.

2020 Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2020 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 2020 Bond Owners not parties to such direction (the Trustee having no duty to make such determination).

Suit by Owners. No Owner of any 2020 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 2020 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 2020 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 2020 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 2020 Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of 2020 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 2020 Bonds, or to enforce any right under the 2020 Bonds, the Indenture, or applicable law with respect to the 2020 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 2020 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 2020 Bonds will affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the 2020 Bonds to the respective Owners of the 2020 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 2020 Bonds.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the 2020 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 2020 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 2020 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 2020 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 2020 Bond Owner (on behalf of himself and all other 2020 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 2020 Bonds and to the 2020 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 2020 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 2020 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 2020 Bonds assigned to or imposed upon it. The Trustee will, however, be responsible for its representations contained in its certificate of authentication on the 2020 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 2020

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 2020 Bond Owners, whether or not such committee will represent the Owners of a majority in principal amount of the 2020 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 2020 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 2020 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 2020 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 2020 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, pandemics, 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 will 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 2020 Bonds, the proceeds of the 2020 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 2020 Bonds appearing in the Trustee's Registration Books as the absolute owners of the 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020A 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 2020A Bonds from federal 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 2020 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 2020 Bonds; Preparation of New 2020 Bonds. 2020 Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the District so determines will, bear a notation by endorsement or otherwise in form approved by the District as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any 2020 Bonds Outstanding at the time of such execution and presentation of his or her 2020 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 2020 Bonds. If the Supplemental Indenture will so provide, new 2020 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 2020 Bonds then Outstanding will be exchanged at the Office of the Trustee, without cost to any 2020 Bond Owner, for 2020 Bonds then Outstanding, upon surrender for cancellation of such 2020 Bonds, in equal aggregate principal amount of the same maturity.

Amendment of Particular 2020 Bonds. The provisions of the Indenture will not prevent any 2020 Bond Owner from accepting any amendment as to the particular 2020 Bonds held by such 2020 Bond Owner.

#### DEFEASANCE

Discharge of Indenture. The 2020 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 2020 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 2020 Bonds then Outstanding; or (c) by delivering to the Trustee, for cancellation by it, all of the 2020 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 2020 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 2020 Bonds not theretofore surrendered for such payment or redemption to the District.

Discharge of Liability on 2020 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 2020 Bonds (whether upon or prior to the maturity or the Redemption Date of such 2020 Bonds), provided that, if such Outstanding 2020 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 2020 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 2020 Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such 2020 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 2020 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 2020 Bonds and all unpaid interest thereon to maturity, except that, in the case of 2020 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 2020 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 Municipal Advisor 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 2020 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 2020 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 2020 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 2020 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 Municipal Advisor'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 Municipal Advisor's opinion referred to above will be acceptable in form and substance, and addressed, to the District and the Trustee.

The 2020 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 2020 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 2020 Bonds and remaining unclaimed for two (2) years after the principal of all of the 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 Bond Owners. Nothing expressed or implied in the Indenture or in the 2020 Bonds is intended or will be construed to give to any person other than the District, the Trustee and the Owners of the 2020 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 2020 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 2020 Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the District of any 2020 Bonds, the Trustee will destroy such 2020 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 2020 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 2020 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 2020 Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by 2020 Bond Owners may be in any number of concurrent instruments of substantially similar tenor and will be signed or executed by such 2020 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 2020 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 2020 Bonds will be proved by the Registration Books. Any request, consent, or other instrument or writing of the Owner of any 2020 Bond will bind every future Owner of the same 2020 Bond and the Owner of every 2020 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 2020 Bonds. In determining whether the Owners of the requisite aggregate principal amount of 2020 Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, 2020 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 2020 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 2020 Bonds, will be disregarded and deemed not to be Outstanding for the purpose of any such determination, unless all 2020 Bonds are so owned or held, in which case such 2020 Bonds will not be disregarded. 2020 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 2020 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 2020 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 2020 Bonds that are disqualified pursuant to the Indenture and the Trustee may conclusively rely on such certificate.

Money Held for Particular 2020 Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular 2020 Bonds (or portions of 2020 Bonds in the case of registered 2020 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 2020 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 2020 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 2020 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 2020 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 2020 Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the 2020 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.

## INSTALLMENT PURCHASE AGREEMENT

### DEFINITIONS

Definitions. Unless the context otherwise requires, the terms defined in the Installment Purchase Agreement will for all purposes thereof and of any amendment thereof or supplement thereto and of any report or other document mentioned in the Installment Purchase Agreement or any amendment thereof or supplement thereto have the meanings defined in the Installment Purchase Agreement, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined therein. Unless the context otherwise requires, all capitalized terms used therein and not defined therein have the meanings ascribed thereto in the Trust Agreement.

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

Acquisition Fund. The term "Acquisition Fund" means the fund by that name established pursuant to the Installment Purchase Agreement.

Agreement. The term "Agreement" means the Installment Purchase Agreement, dated as of March 1, 2020, by and between the District and the Corporation, as originally executed or as it may from time to time be amended or supplemented as provided for therein.

Bonds. The term "Bonds" means the 2016 Bonds, the 2020 Bonds and all bonds, notes or similar obligations (but not including Contracts) of the District, the principal of and interest on which are payable from Net Revenues on a parity with the Installment Payments and which are secured by a pledge of and lien on Revenues as described in the Agreement.

Business Day. The term "Business Day" means a day other than a Saturday or Sunday or a day on which: (i) banks located in the city in which the Principal Corporate Trust Office of the Trustee is located are not required or authorized to remain closed; and (ii) 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.

Cater Financing Agreement. The term "Cater Financing Agreement" means the Cater Water Filtration Plant Improvements Financing Agreement with the City of Santa Barbara, dated February 27, 2004.

Certificates. The term "Certificates" means the \$\_\_\_\_\_ aggregate principal amount of Carpinteria Valley Water District Revenue Certificates of Participation, Series 2020C, executed and delivered on behalf of the District and at any time Outstanding pursuant to the Trust Agreement.

Continuing Disclosure Certificate. The term "Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate executed by the District and dated the date of execution and delivery of the Certificates, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

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

Corporation. The term “Corporation” means the Carpinteria Valley Water District Financing Corporation, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California.

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 will, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of: (i) the then current variable interest rate borne by such Bonds or 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 if any series or issue of such Bonds or Parity Installment Payments have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Debt Service will be determined for the Fiscal Year of determination as if the principal of and interest on such series or issue of such Bonds or Parity Installment Payments were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of thirty (30) years from the date of calculation; 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 will 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 will be deducted from the amount of principal due at the final maturity of the Bonds and Contracts for which such debt service reserve fund was established and in each preceding year until such amount is exhausted; and provided further that Debt Service will be reduced by an amount equal to earnings on any reserve fund transferred to the corresponding debt service fund.

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.

Event of Default. The term “Event of Default” means an event described in the Agreement.

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 thereafter 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.

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 Municipal Advisor. The term “Independent Municipal Advisor” 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; (3) is not connected with the District as an member of the Board of Directors, an officer or an employee thereof, but who may be regularly retained to make reports thereto; and (4) is registered as a “municipal advisor” as defined in Section 15B of the Securities and Exchange Act of 1934, as amended.

Installment Payment Date; Parity Installment Payment Date. The term “Installment Payment Date” means the fifth day prior to each Interest Payment Date, or if said date is not a Business Day, then the preceding Business Day. The term “Parity Installment Payment Date” means each date on which Parity Installment Payments are scheduled to be paid by the District under and pursuant to any Contract.

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

Interest Payment Date. The term “Interest Payment Date” January 1 and July 1 of each year, commencing July 1, 2020.

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), including all laws amendatory thereof or supplemental thereto.

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 Agreement 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 attorneys’ fees) incurred in the collection of such proceeds.

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

Project; Parity Project. The term “Project” means the additions, betterments, extensions and improvements to the Water System described in the Agreement. 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.

Purchase Price. The term “Purchase Price” means the principal amount plus interest thereon owed by the District to the Corporation under the terms of the Agreement as provided therein.

Rate Stabilization Fund. The term “Rate Stabilization Fund” means those District accounts designated by the District as account numbers 4700 and 4701, 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 established pursuant to the Agreement.

Revenue Fund. The term “Revenue Fund” means those District accounts designated by the District as account numbers 1067 and 1068, 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 Agreement.

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 and 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; plus (4) deposits to the Revenue Fund from amounts on deposit in the Rate Stabilization Fund in accordance with the Agreement; but less (5) any Revenues transferred from the Revenue Fund to the Rate Stabilization Fund in accordance with the Agreement; 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 assessment are not available for any other purpose of the District.

Siemens Lease. The term “Siemens Lease” means the Master Lease Purchase Agreement, together with the Leasing Schedule #280-006004-001, each dated August 2, 2017, as such may be amended or supplemented from time-to-time in accordance therewith.



Trust Agreement. The term “Trust Agreement” means that certain Trust Agreement, dated as of March 1, 2020, by and among the District, the Corporation and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

2000 Installment Purchase Agreement. The term “2000 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as if May 1, 2000, by and between the District and the Corporation.

2006 Installment Purchase Agreement. The term “2006 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of April 1, 2006, by and between the District and the Corporation.

2016 Bonds. The term “2016 Bonds” means the Carpinteria Valley Water District Water Revenue Refunding Bonds, Series 2016A outstanding from time-to-time.

2020 Bonds. The term “2020 Bonds” means the Carpinteria Valley Water District Water Revenue Refunding Bonds, Series 2020A and Taxable Series 2020B outstanding from time-to-time.

Water Service. The term “Water Service” means the water distribution service made available or provided by the Water System.

Water Supply Agreement. The term “Water Supply Agreement” means the Water Supply Agreement, dated as of August 1, 1991, by and between the District and the Central Coast Water Authority, and as such Water Supply Agreement may be amended or supplemented in accordance with its terms.

Water System. The term “Water System” means all properties and assets, real and personal, tangible and intangible, of the District now or later 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 will be considered to be part of the Water System.

Written Consent of the Corporation or District; Written Order of the Corporation or District; Written Request of the Corporation or District; Written Requisition of the Corporation or District. The terms “Written Consent of the Corporation or District,” “Written Order of the Corporation or District,” “Written Request of the Corporation or District,” and “Written Requisition of the Corporation or District” mean, respectively, a written consent, order, request or requisition signed by or on behalf of: (i) the Corporation by its Authorized Representative; or (ii) 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.

## SALE AND PURCHASE OF THE PROJECT

Purchase and Sale of the Project. In consideration for the Installment Payments as set forth in the Agreement, the Corporation has sold to the District, and the District has purchased from the Corporation, the Project at the purchase price specified in the Agreement and otherwise in the manner and in accordance with the provisions of the Agreement.

Title. All right, title and interest in each component of the Project will vest in the District immediately upon execution and delivery of the Agreement. All right, title and interest in each component of the Project will vest in the District immediately upon acquisition thereof. Such vesting will occur without further action by the Corporation or the District and the Corporation will, if requested by the District or, if necessary to assure such automatic vesting, deliver any and all documents required to assume such vesting.

Acquisition and Construction of the Project. The Corporation has agreed to cause the Project and any additions or modifications thereto to be constructed, acquired or installed by the District as its agent, and the District will enter into contracts and provide for, as agent of the Corporation, the complete construction, acquisition and installation of the Project. The District has agreed that the District will cause the construction, acquisition and installation of the Project to be diligently performed after the deposit of funds with the Trustee pursuant to the Trust Agreement, upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the District, unforeseeable delays beyond the reasonable control of the District only excepted. The Corporation is under no liability of any kind or character whatsoever for the payment of any cost of the Project and all such costs and expenses will be paid by the District, regardless of whether the funds deposited in the Acquisition Fund are sufficient to cover all such costs and expenses.

Changes to the Project. The District may substitute other improvements for those listed as components of the Project in the Agreement, but only if the District first files with the Corporation and the Trustee a statement of the District: (a) identifying the improvements to be deleted and the improvements to replace such deleted improvements; and (b) stating that the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously planned.

Acquisition Fund. There has been established with the District the Acquisition Fund. The moneys in the Acquisition Fund will be held by the District in trust and applied to the payment of the costs of acquisition and construction of the 2010A Project, and of expenses incidental thereto, including Delivery Costs. Before any payment is made from the Acquisition Fund by the Director of Finance of the District, the Manager will cause to be filed with the Director of Finance of the District a Written Requisition of the District in the form set forth in the Agreement. Upon receipt of each such Written Requisition, the Director of Finance of the District will pay the amount set forth in such Written Requisition as directed by the terms thereof. The Director of Finance of the District need not make any such payment if it has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment.

When the Project has been constructed and acquired in accordance with the Agreement, a statement of the District stating the fact and date of such acquisition, construction and acceptance and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), will be delivered to the Director of Finance of the District and the Trustee by the Manager. Upon the receipt of such statement, the Director of Finance of the District will transfer any remaining balance in the Acquisition Fund not needed for Acquisition Fund purposes (but less the amount of any such retention which amount will be certified to the Director of Finance of the District by the Manager) to the Trustee, which will transfer such amounts to the Certificate Payment Fund for prepayment of Certificates in accordance with the Trust Agreement.

#### INSTALLMENT PAYMENTS

Purchase Price. (a) The Purchase Price to be paid by the District to the Corporation is the sum of the principal amount of the District's obligations under the Agreement plus the interest to accrue on the unpaid balance of such principal amount from the effective date of the Agreement over the term thereof, subject to prepayment as provided in the Agreement. (b) The principal amount of the payments to be made by the District under the Agreement is set forth therein. (c) The interest to accrue on the unpaid balance of such principal amount is as specified in the Agreement, and will be paid by the District as and constitute interest paid on the principal amount of the District's obligations under the Agreement.

Installment Payments. The District will, subject to any rights of prepayment provided in the Agreement, pay the Corporation the Purchase Price in installment payments of interest and principal in the amounts and on the Installment Payment Dates as set forth in the Agreement.

Each Installment Payment will be paid to the Corporation in lawful money of the United States of America. In the event that the District fails to make any of the payments required to be made by it under the Agreement, such payment will continue as an obligation of the District until such amount has been fully paid, and the District has agreed to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Installment Payments if paid in accordance with their terms.

## SECURITY

Allocation of Revenues. The District will, from the moneys in the Revenue Fund, pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs, the payment of which is not then immediately required) as such Maintenance and Operation Costs become due and payable. All remaining moneys in the Revenue Fund thereafter will be set aside by the District at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds will be held in trust and will be applied, used and withdrawn only for the purposes set forth in the Agreement.

(a) Installment Payments. Not later than each Installment Payment Date, the District will, from the moneys in the Revenue Fund, transfer to the Trustee the Installment Payment due and payable on that Installment Payment Date. The District will also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

No transfer need be made from the Revenue Fund if the amount in the Certificate Payment Fund is at least equal to the amount of the Installment Payment due and payable on the next succeeding Installment Payment Date.

(b) Reserve Funds. On or before each Installment Payment Date, the District will, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for deposit in the applicable reserve fund and/or account, as may have been established in connection with Bonds or Contracts other than the Agreement, that sum, if any, necessary to restore such reserve fund or account to an amount equal to the reserve requirement therefor.

(c) Surplus. Moneys on deposit in the Revenue Fund on each Installment 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 including but not limited to the transfer to the Rate Stabilization Fund or other unpaid amounts due on obligations subordinate thereto, but not limited to the Cater Financing Agreement and the Siemens Lease.

Rate Stabilization Fund. There is thereby established a special fund designated as the "Rate Stabilization Fund" to be held by the District in trust, which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments remain unpaid. On the date of execution of the Agreement, 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 Agreement will be held in the Rate Stabilization Fund and applied in accordance with the Agreement.

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 Agreement, in the event that all or a portion of the Installment Payments are discharged in accordance with the Agreement, transfer all or any portion of such amounts for application in accordance with the Agreement. Amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to the Agreement during or within 270 days after a Fiscal Year, may be taken into account as Revenues for purposes of the calculations in the Agreement in such Fiscal Year.

Investments. All moneys held by the District in the Revenue Fund and the Acquisition Fund will be invested in Permitted Investments and the investment earnings thereon will remain on deposit in such fund, except as otherwise provided in the Agreement.

#### COVENANTS OF THE DISTRICT

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

Subject to the Agreement, each of the agreements, conditions, covenants and terms contained in the Agreement is an essential and material term of the purchase of and payment for the Project and by the District pursuant to, and in accordance with, and as authorized under the Law.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to all outstanding Contracts and Bonds as such may from time to time be executed or issued, as the case may be.

Against Encumbrances. The District will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as permitted by the Agreement. The District may at any time, or from time to time, issue Contracts and Bonds as permitted in the Agreement, or may issue or incur evidences of indebtedness or incur other obligations, provided that such pledge and lien will be subordinate in all respects to the pledge of and lien thereon provided in the Agreement.

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 Net Revenues for the payment of the Installment Payments, or which would otherwise impair the rights of the Corporation under the Agreement or 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 Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund.

Nothing in the Agreement restricts the ability of the District to sell any portion of the Water System if such portion is immediately repurchased by the District and if such arrangement cannot by its terms result in the purchaser of such portion of the Water System exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Water System.

Against Competitive Facilities. To the extent permitted by existing law, the District has covenanted that it will not, to the extent permitted by law, acquire, construct, maintain or operate and will not permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the boundaries of the District any water system competitive with the Water System.

Tax Covenants. Notwithstanding any other provision of the Agreement, absent an opinion of Special Counsel that the exclusion from gross income of interest with respect to the Certificates will not be adversely affected for federal income tax purposes, the District and the Corporation have covenanted to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and have specifically covenanted, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District and the Corporation will not take or omit to take any action or make any use of the proceeds of the Certificates or of any other moneys or property which would cause the Certificates to be "private activity bonds" within the meaning of Section 141 of the Code.

(b) Arbitrage. The District and the Corporation will make no use of the proceeds of the Certificates or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The District and the Corporation will make no use of the proceeds of the Certificates or take or omit to take any action that would cause the Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The District and the Corporation will take or cause to be taken all necessary action to comply with the informational reporting requirements of Section 149(e) of the Code necessary to preserve the exclusion of interest with respect to the Certificates pursuant to Section 103(a) of the Code.

(e) Hedge Bonds. The District and the Corporation will make no use of the proceeds of the Certificates or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Certificates to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the District and the Corporation take 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 Certificates for federal income tax purposes.

(f) Miscellaneous. The District and the Corporation will take no action, or omit to take any action, inconsistent with the expectations stated in any Tax Certificate executed with respect to the Certificates and will comply with the covenants and requirements stated therein and incorporated by reference in the Agreement.

The foregoing covenants are not applicable to, and nothing contained in the Agreement prevents the District and the Corporation from executing and delivering Contracts or issuing Bonds, the interest with respect to which has been determined by Special Counsel to be subject to federal income taxation.

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 Operation 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 Agreement or on any funds in the hands of the District or the Trustee pledged to pay the Installment Payments or to the Owners prior or superior to the lien of the Installment Payments or which might impair the security of the Installment Payments, but the District is not required to pay such claims if the validity thereof is contested in good faith.

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 Installment Payments; 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, including but not limited to the Cachuma Water Supply Agreement, the Water Supply Agreement and the 1993 Joint Participation Agreement.

Insurance. (a) The District will procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers in such amounts and against such risks (including damage to or destruction of the Water System) as are usually covered in connection with facilities similar to the Water System so long as such insurance is available from reputable insurance companies.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof will be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The District will begin such reconstruction, repair or replacement promptly after such damage or destruction occurs, and will continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and 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 Installment Payments as provided in the Agreement 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 Installment Payments 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 Agreement prior to the final due date of the Installment Payments 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 Installment Payments as provided in the Agreement and to the retirement of such Bonds and Contracts.

(b) The District will procure and maintain such other insurance as it deems advisable or necessary to protect its interests and the interests of the Corporation, 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 in the Agreement will provide that the Corporation and the Trustee will be given thirty (30) days written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Accounting Records; Financial Statements and Other Reports. The District will keep appropriate accounting records, including financial statements, audits and/or annual reports, in which complete and correct entries will be made of all transactions relating to the Water System, which records will be available for inspection by the Corporation and the Trustee at reasonable hours and under reasonable conditions.

Protection of Security and Rights of the Corporation. The District will preserve and protect the security of the Agreement and the rights of the Corporation to the Installment Payments thereunder and will warrant and defend such rights against all claims and demands of all persons.

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

Collection of Rates and Charges. The District will have in effect at all times by laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service and providing for the billing thereof and for a due date and a delinquency date for each bill.

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

(a) If: (1) the District files with the Corporation and 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 Corporation and 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 Agreement will not be substantially impaired (which determination is final and conclusive), then the District will promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds will be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose will be deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds will be applied by the District in part to the prepayment of Installment Payments as provided in the Agreement 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 Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

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

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Agreement, failure of the District to comply with the Continuing Disclosure Certificate will not be considered an Event of Default; however, any Owner of Certificates 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 Continuing Disclosure Certificate. For purposes of the Agreement, "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 Certificates (including persons holding Certificates through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Certificates for federal income tax purposes.

#### PREPAYMENT

Prepayment. (a) The District may or will, as the case may be, prepay from the Net Proceeds as provided in the Agreement on any date, all or any part of the principal amount of the unpaid Installment Payments at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment.

(b) The District may prepay the Installment Payments either in inverse order of maturity or pro rata among maturities, and by lot within a maturity, as a whole or in part, on any date on or after July 1, 20\_\_ from any available funds. The principal amount of the unpaid Installment Payments is payable at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment, without premium.

Notwithstanding any such prepayment, the District will not be relieved of its obligations under the Agreement until the Purchase Price has fully paid (or provision for payment thereof has been provided to the written satisfaction of the Corporation).

Method of Prepayment. Before making any prepayment pursuant to the Agreement, the District may, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Corporation and the Trustee describing such event and specifying the date on which the prepayment of the Certificates will be paid, which date will be not less than sixty (60) days from the date such notice is given, unless such prepayment must occur on an Interest Payment Date, in which case such date will be the next Interest Payment Date with respect to which notice of prepayment may be timely given pursuant to the Trust Agreement.

#### EVENTS OF DEFAULT AND REMEDIES OF THE CORPORATION

Events of Default and Acceleration of Maturities. If one or more of the following Events of Default happen: (a) if default is made by the District in the due and punctual payment of any Installment Payment or any Contract or Bond when and as the same become 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 Agreement by it or in any Contract or Bond to be performed by it, and such default continues for a period of sixty (60) days after the District has been given notice in writing of such default by the Corporation; (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 Corporation will, and for any other such Event of Default the Corporation may, declare the entire principal amount of the



unpaid Installment Payments 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 Agreement to the contrary notwithstanding. The foregoing, however, is subject to the condition that if at any time after the entire principal amount of the unpaid Installment Payments and the accrued interest thereon have 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 Corporation a sum sufficient to pay the unpaid principal amount of the Installment Payments 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 installments, at the rate or rates applicable to the remaining unpaid principal balance of the Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Corporation, and any and all other defaults known to the Corporation (other than in the payment of the entire principal amount of the unpaid Installment Payments 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 Corporation or provision deemed by the Corporation to be adequate has been made therefor, then and in every such case the Corporation, by written notice to the District, may rescind and annul such declaration and its consequences; but no such rescission and annulment may extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration or Event of Default. Upon the date of the declaration of acceleration as provided in the Agreement, or upon the occurrence and during the continuation of an Event of Default thereunder, all Revenues thereafter received will 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, and then the fees, costs and expenses, if any, of the Corporation, including reasonable compensation to accountants and counsel; Second, to the payment of the Maintenance and Operation Costs; and Third, to the payment of the entire principal amount of the unpaid Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms.

Other Remedies of the Corporation. The Corporation will 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 or his duties under the Law and the agreements and covenants required to be performed by it or him contained in the Agreement; (b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Corporation; 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 Agreement, the Corporation will have no security interest in or mortgage on the Project, the Water System or other assets of the District, and no default under the Agreement will result in the loss of the Project, the Water System or other assets of the District.

Non-Waiver. Nothing in the Agreement affects or impairs the obligation of the District, which is absolute and unconditional, to pay the Installment Payments to the Corporation at the respective due dates or upon prepayment from the Net Revenues, the Revenue Fund and the other funds pledged for such payment, or affects or impairs the right of the Corporation, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Agreement.

A waiver of any default or breach of duty or contract by the Corporation will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Corporation to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or

remedy conferred upon the Corporation by the Law or by the Agreement may be enforced and exercised from time to time and as often as deemed expedient by the Corporation.

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

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

If any remedial action is discontinued or abandoned, the Trustee and the Certificate Owners will be restored to their former positions.

#### DISCHARGE OF OBLIGATIONS

Discharge of Obligations. (a) When all or any portion of the Installment Payments have become due and payable in accordance with the Agreement or a written notice of the District to prepay all or any portion of the Installment Payments has been filed with the Trustee; and (b) there has been deposited with the Trustee at or prior to the Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Corporation or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Installment Payments, sufficient moneys and non callable Permitted Investments, issued by the United States of America and described in clause (a) of the definition thereof, the principal of and interest on which when due will provide money sufficient to pay all principal, prepayment premium, if any, and interest of such Installment Payments to their respective Installment Payment Dates or prepayment date or dates as the case may be; and (c) provision has been made for paying all fees and expenses of the Trustee; then and in that event, the right, title and interest of the Corporation in the Agreement and the obligations of the District thereunder will, with respect to all or such portion of the Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the District to have such moneys and such Permitted Investments applied to the payment of such Installment Payments).

In such event, upon request of the District the Trustee will cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and execute and deliver to the District all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee will pay over to the District, after payment of all amounts due the Trustee pursuant to the Trust Agreement, as an overpayment of Installment Payments, all such moneys or such Permitted Investments held by it pursuant to the Agreement other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Installment Payments, which moneys and Permitted Investments will continue to be held by the Trustee in trust for the payment of the Installment Payments and will be applied by the Trustee to the payment of the Installment Payments of the District.

#### MISCELLANEOUS

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

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

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

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

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

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

California Law. THE AGREEMENT WILL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Effective Date. The Agreement will become effective upon its execution and delivery, and terminate when the Purchase Price has been fully paid (or provision for the payment thereof has been made to the written satisfaction of the Corporation).

Indemnification of Corporation. The District has agreed to indemnify and hold harmless the Corporation if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of its duties under the Agreement and the Trust Agreement; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation under the Agreement or the Trust Agreement by the Corporation.

Amendments Permitted. (a) The Agreement and the rights and obligations of the Corporation, the District, the Owners of the Certificates and of the Trustee may be modified or amended at any time by an amendment to the Agreement which will become binding when the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement, have been filed with the Trustee. No such modification or amendment may: (1) extend the stated maturities of the Certificates, or reduce the rate of interest represented thereby, or change the method of computing the rate of interest with respect thereto, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the Owner of each Certificate so affected; or (2) reduce the aforesaid percentage of Owners of Certificates whose consent is required for the execution of any amendment or modification of the Agreement without the consent of the Owners of all Certificates then Outstanding, or (3)

modify any of the rights or obligations of the Trustee or the Corporation without its respective written consent thereto.

(b) The Agreement and the rights and obligations of the Corporation, the District and of the Owners of the Certificates may also be modified or amended at any time by an amendment thereto which will become binding upon adoption, without the consent of the Owners of any Certificates, but only to the extent permitted by law and only for any one or more of the following purposes: (i) to add to the covenants and agreements of the Corporation or the District contained in the Agreement other covenants and agreements thereafter to be observed or to surrender any right or power therein reserved to or conferred upon the Corporation or the District, and which will not adversely affect the interests of the Owners of the Certificates; (ii) to cure, correct or supplement any ambiguous or defective provision contained in the Agreement or in regard to questions arising under the Agreement, as the Corporation or the District may deem necessary or desirable and which will not adversely affect the interests of the Owners of the Certificates; and (iii) to make such other amendments or modifications as may be in the best interests of the Owners of the Certificates.

## TRUST AGREEMENT

### DEFINITIONS; RULES OF CONSTRUCTION; CONTENTS OF CERTIFICATES AND OPINIONS

Definitions. Unless the context otherwise requires, the terms defined in the Agreement will for all purposes thereof and of any amendment thereof or supplement thereto and of any report or other document mentioned in the Agreement or in any amendment thereof or supplement thereto have the meanings defined in the Agreement, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined therein. All capitalized terms used in the Agreement and not defined therein have the meanings ascribed thereto in the Installment Purchase Agreement:

Agreement. The term “Agreement” means the Trust Agreement, dated as of March 1, 2020, by and among the District, the Corporation and the Trustee, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

Assignment Agreement. The term “Assignment Agreement” means that certain Assignment Agreement, dated as of March 1, 2020, by and between the Corporation and the Trustee, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

Certificate Payment Fund. The term “Certificate Payment Fund” means the fund by that name established in the Agreement.

Certificates. The term “Certificates” means the certificates of participation executed and delivered by the Trustee pursuant to the Agreement.

Code. The term “Code” means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations in effect with respect thereto.

Delivery Cost Fund. The term “Delivery Cost Fund” means the fund by that name established in the Agreement.

Delivery Costs. The term “Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, execution, sale and delivery of the Certificates, 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 Certificates and any other cost, charge or fee in connection with the original execution and delivery of the Certificates.

Depository or 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 Certificates.

Information Services. The term “Information Services” means national information services that disseminate securities redemption notices; 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.

Installment Payments. The term “Installment Payments” means the installment payments payable by the District pursuant to the Installment Purchase Agreement and in the amounts and at the times set forth in the Installment Purchase Agreement.

Installment Payment Date. The term “Installment Payment Date” means each date on which Installment Payments are scheduled to be paid by the District pursuant to the Installment Purchase Agreement.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of March 1, 2020, by and between the District and the Corporation, as originally executed or as it may from time to time be amended or supplemented in accordance its terms.

Interest Fund. The term “Interest Fund” means the fund by that name established in the Agreement.

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 least “AA” and “Aa” by S&P and Moody’s, respectively, and as further described in the definition of “Permitted Investments” in the Agreement.

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 Certificates as book-entry certificates setting forth the basis on which the Depository serves as depository for such book-entry certificates, 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.

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc. or any successor thereto.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Agreement.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to Certificates, means (subject to the provisions of the Agreement) all Certificates except: (1) certificates canceled by the Trustee or delivered to the Trustee for cancellation; (2) Certificates paid or deemed to have been paid within the meaning of the Agreement; and (3) Certificates in lieu of or in substitution for which other Certificates have been executed and delivered by the Trustee pursuant to the Agreement.

Owner. The term “Owner” or “Certificate Owner” or “Owner of Certificates” or any similar term, when used with respect to the Certificates, means any person who is the registered owner of any Outstanding Certificate.

Participants. The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book-entry certificates as securities depository.

Payment Dates; Payment Date. The term "Payment Dates" means the maturity date of the Certificates, and any date on which the unpaid Installment Payments are declared to be due and payable immediately and provided such declaration is not rescinded or annulled, all in accordance with the Agreement.

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; or (2) obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations; all direct or fully guaranteed obligations; Farmers Home Administration; General Services Administration; Guaranteed Title XI financing; Government National Mortgage Association (GNMA); and State and Local Government Series. Notwithstanding the foregoing, if any such securities are applied to the defeasance of the Certificates pursuant to the Agreement, such securities must provide for the timely payment of principal and interest and cannot be callable or prepayable 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, including demand deposits, time deposits, certificates of deposit (including those placed by a third party pursuant to an agreement between the Trustee and the District), other deposit products, trust funds, trust accounts, interest bearing deposits, interest bearing money market accounts, federal funds and bankers' acceptances with commercial banks (including the Trustee and its affiliates) 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 "P-1" by Moody's and "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, "P-1" by Moody's and "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 mutual fund rated "AAAm" or "AAAm G" or better by S&P, including such funds for which the Trustee or an affiliate received and retains a fee for services to such fund, including as investment advisor, custodian, transfer agent or otherwise; (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 Moody's or 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 above on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; (7) Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P; and (8) Investment Agreements; (c) the value of the above investments is determined as follows: (i) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund will be valued at fair market value. The Trustee will determine the fair market value based upon any

generally recognized pricing information services (including brokers and dealers in securities) available to it and; (ii) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon..

Prepayment Fund. The term "Prepayment Fund" means the fund by that name established in the Agreement.

Prepayment Price. The term "Prepayment Price" means the principal amount with respect to Certificates (or portion thereof), plus the applicable premiums, if any, payable upon prepayment thereof pursuant to the provisions of such Certificates and the Agreement.

Principal Corporate Trust Office. The term "Principal Corporate Trust Office" means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as the Trustee may from time to time designate in writing to the District, the Corporation and the Owners; provided that, for purposes of payment, prepayment exchange, transfer, surrender and cancellation of the Certificates, such term means the office of the Trustee at which it conducts its corporate agency business.

Principal Fund. The term "Principal Fund" means the fund by that name established in the Agreement.

Rebate Fund. The term "Rebate Fund" means the fund by that name established in the Agreement.

Record Date. The term "Record Date" means, with respect to any Payment Date for a Certificate, the fifteenth day of the calendar month prior to such Payment Date.

Reserve Fund. The term "Reserve Fund" means the fund by that name established in the Agreement.

S&P. The term "S&P" means S&P Global Ratings or any successor thereto.

Securities Depositories. The term "Securities Depositories" means The Depository Trust Company, 55 Water Street, New York, New York 10001, Fax (212) 855-7232 or 7233; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses as such depositories may specify and/or such other securities depositories as the District may designate in a Written Request of the District delivered to the Trustee.

Special Counsel. The term "Special Counsel" means any attorney at law or firm of attorneys selected by the District, of nationally-recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

State. The term "State" means the State of California.

Statement of the Corporation or District. The term "Statement of the Corporation or District" means a statement signed by or on behalf of (i) the Corporation by its President or a Vice President or (ii) the District by the President and by the Secretary or by any two persons (whether or not members of the Board of Directors) who are specifically authorized by resolution of the District to sign or execute such a document on its behalf. If and to the extent required by the provisions of the Agreement, each Statement of the Corporation or District must include the statements provided for in the Agreement.

Tax Certificate. The Term "Tax Certificate" means the Tax Certificate dated the initial date of execution and delivery of the Certificates, concerning certain matters pertaining to the use and investment of proceeds of the Certificates executed by and delivered to the District on the date of execution and delivery of the Certificates, 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 and by virtue of the laws of the United States of America having a principal corporate trust office in Los Angeles, California, or such other office as the Trustee may from time to time designate in writing to the District, the Corporation and the Owners, or its successor as Trustee under the Agreement.

Written Consent of the Corporation or District; Written Order of the Corporation or District; Written Request of the Corporation or District; Written Requisition of the Corporation or District. The terms "Written Consent of the Corporation or District," "Written Order of the Corporation or District," "Written Request of the Corporation or District," and "Written Requisition of the Corporation or District" mean, respectively, a written consent, order, request or requisition signed by or on behalf of (i) the Corporation by its President or a Vice President or (ii) the District by the President or General Manager or its Finance Director or by the Secretary or by any two persons (whether or not members of the Board of Directors) who are specifically authorized by resolution of the District to sign or execute such a document on its behalf.

Rules of Construction. Words of any gender will be deemed and construed to include all genders, and words importing persons include corporations and associations, including public bodies, as well as natural persons. Unless the context otherwise indicates, words importing the singular number include the plural number and vice versa.

Content of Statements and Opinions. Every statement or opinion with respect to compliance with a condition or covenant provided for in the Agreement, including each Statement of the Corporation, must include: (a) a statement that the person or persons making or giving such statement or opinion have read such covenant or condition and the definitions in the Agreement relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such statement or opinion are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such statement or opinion made or given by an officer of the Corporation may be based, insofar as it relates to legal or accounting matters, upon a statement or opinion of or representations by counsel, accountants or consultants, unless such officer knows, or in the exercise of reasonable care should have known, that the statement or opinion or representations with respect to the matters upon which his statement or opinion may be based, as aforesaid, are erroneous. Any such statement or opinion made or given by counsel, accountants or consultants may be based, insofar as it relates to factual matters, upon information with respect to which is in the possession of the Corporation, or upon the statement or opinion of or representations by an officer or officers of the Corporation, unless such counsel, accountant or consultant knows, or in the exercise of reasonable care should have known, that the statement or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous.

#### CERTIFICATES; TERMS AND PROVISIONS

Certificate Registration Books. The Trustee will keep or cause to be kept, at the office of the Trustee in Los Angeles, California, sufficient books for the registration and transfer of the Certificates, which will upon reasonable prior notice and at all reasonable times be open to inspection by the Corporation or the District; 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 said books, Certificates as provided in the Agreement.

The person in whose name any Certificate is registered will be deemed the Owner thereof for all purposes of the Agreement, and payment of or on account of the interest with respect to and principal of, and Prepayment Price represented by such Certificate 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 Certificate to the extent of the sum or sums so paid.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate becomes mutilated, the Trustee will execute and deliver a new Certificate of like tenor, maturity and principal amount in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated.

Every mutilated Certificate so surrendered to the Trustee will be canceled by it and destroyed. If any Certificate is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee is given indemnifying the Trustee, the Corporation and the District, the Trustee, at the expense of the Certificate Owner, will execute and deliver a new Certificate of like tenor and maturity, and numbered as the Trustee determines, in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate executed under the Agreement and of the expenses which may be incurred by the Trustee under the Agreement. Any Certificate executed under the provisions of the Agreement in lieu of any Certificate alleged to be lost, destroyed or stolen will be equally and proportionately entitled to the benefits of the Agreement with all other Certificates secured by the Agreement. The Trustee is not required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed under the Agreement or for the purpose of determining any percentage of Certificates Outstanding thereunder, but both the original and replacement Certificate will be treated as one and the same. Notwithstanding any other provision of the Agreement, in lieu of delivering a new Certificate for a Certificate which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for prepayment, the Trustee may make payment of such Certificate upon receipt of indemnity satisfactory to the Trustee.

Book-Entry System.

(a) Election of Book Entry System. Prior to the execution and delivery of the Certificates, the District may provide that such Certificates will be initially executed and delivered as book-entry Certificates. If the District elects to deliver any Certificates in book-entry form, then the District will cause the delivery of a separate single fully registered certificate (which may be typewritten) for each maturity date of such Certificates in an authorized denomination corresponding to that total principal amount of the Certificates designated to mature on such date. Upon initial execution and delivery, the ownership of each such Certificate will be registered in the Certificate registration books in the name of the Nominee, as nominee of the Depository and ownership of the Certificates, or any portion thereof may not thereafter be transferred except as provided in the Agreement.

With respect to book-entry Certificates, the District and the Trustee have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry Certificates. Without limiting the immediately preceding sentence, the District and the Trustee have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book-entry Certificates; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Certificate registration books, of any notice with respect to book-entry Certificates, including any notice of prepayment; (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry Certificates to be prepaid in the event the District prepays the Certificates in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount with respect to principal or premium, if any, with respect to book-entry Certificates. The District and the Trustee may treat and consider the person in whose name each book-entry Certificate is registered in the Certificate registration books as the absolute Owner of such book-entry Certificate for the purpose of payment of principal or premium, if any, with respect to such Certificate, for the purpose of giving notices of prepayment and other matters with respect to such Certificate, for the purpose of

registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Trustee will pay all principal and premium, if any, with respect to the Certificates only to or upon the order of the respective Owner, as shown in the Certificate register, 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 and premium, if any, evidenced and represented by the Certificates to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Certificate registration books, will receive a Certificate evidencing the obligation to make payments of principal and premium, if any, evidenced and represented by the Certificates. Upon delivery by the Depository to the Owner 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 of the Agreement with respect to Record Dates, the word Nominee in the Agreement refers to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book-entry Certificates 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 Certificates other than the Owners, as shown on the Certificate registration books. By executing a Letter of Representations, the Trustee has agreed to take all action necessary at all times so that the District will be in compliance with all representations of the District 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 Agreement, as are reasonably necessary to qualify book-entry Certificates for the Depository's book-entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book-entry Certificates; or (ii) the District determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the Certificates 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 Certificate for each of the maturity dates of such book-entry Certificates, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in the Agreement. If the District fails to identify another qualified securities depository to replace the Depository, then the Certificates will no longer be restricted to being registered in such Certificate register in the name of the Nominee, but will be registered in whatever name or names the Owners transferring or exchanging such Certificates designate, in accordance with the provisions of the Agreement.

(d) Payments To Depository. Notwithstanding any other provision of the Agreement to the contrary, so long as all Outstanding Certificates are held in book-entry form and registered in the name of the Nominee, all payments with respect to principal, prepayment premium, if any, and all notices with respect to such Certificate 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 Agreement.

(e) Transfer of Certificates to Substitute Depository. (i) The Certificates will be initially executed and delivered as provided in the Agreement. Registered ownership of such Certificates, 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 clause (2) below ("Substitute Depository"); provided that any successor of DTC or Substitute Depository will be qualified under any applicable laws to provide the service proposed to be provided by it; (2) to any Substitute Depository, upon: (A) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (B) 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: (A) the

resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (B) a determination by the District that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clause (1) or clause (2) above, upon receipt of all Outstanding Certificates by the Trustee, together with a written request of the District to the Trustee designating the Substitute Depository, a single new Certificate, which the District will prepare or cause to be prepared, will be executed and delivered for each maturity of Certificates then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the District. In the case of any transfer pursuant to clause (3) above, upon receipt of all Outstanding Certificates by the Trustee, together with a written request of the District to the Trustee, new Certificates, which the District will prepare or cause to be prepared, will be executed and delivered 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 Agreement, provided that the Trustee is not required to deliver such new Certificates 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 prepayment or an advance refunding of any Certificates evidencing a portion of the principal amount maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) will make an appropriate notation on such Certificates indicating the date and amounts of such reduction in principal amount, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee is not liable for such Depository's failure to make such notations or errors in making such notations.

(iv) The District and the Trustee are entitled to treat the person in whose name any Certificate is registered as the Owner thereof for all purposes of the Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District; and the District and the Trustee have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Certificates. Neither the District nor the Trustee have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any Certificates, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Certificates.

#### DELIVERY OF CERTIFICATES

Validity of Certificates. The validity of the execution and delivery of the Certificates is not dependent on and will not be affected in any way by any proceedings taken by the District, the Corporation or the Trustee with respect to or in connection with the Installment Purchase Agreement. The recital contained in the Certificates that all acts, conditions and things required by the Constitution and statutes of the State of California and the Agreement to exist, to have happened and to have been performed precedent to and in the delivery thereof do exist, have happened and have been performed in due time, form and manner as required by law will be conclusive evidence of their validity and of compliance with the provisions of law in their delivery.

#### PREPAYMENT

Selection of Certificates for Prepayment. Whenever less than all of the Certificates are called for prepayment, the Trustee will select the Certificates or portions thereof to be prepaid from the Outstanding Certificates in accordance with the Agreement. The Trustee will promptly notify the District in writing of the numbers of the Certificates or portions thereof so selected for prepayment.

## INSTALLMENT PAYMENTS

Pledge and Deposit of Installment Payments. The Installment Payments have been irrevocably pledged to, and will be used for, the punctual payment of the Certificates, and the Installment Payments will not be used for any other purpose while any of the Certificates remain Outstanding. Such pledge constitutes a first and exclusive lien on the Installment Payments in accordance with the terms of the Agreement.

All Installment Payments to which the Corporation may at any time be entitled (including income or profit from investments pursuant to the Agreement) will be paid directly to the Trustee pursuant to the terms of the Assignment Agreement, and if received by the Corporation at any time will be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof, and the Trustee will deposit all Installment Payments as and when received in the Certificate Payment Fund. All moneys at any time deposited in the Certificate Payment Fund will be held by the Trustee in trust for the benefit of the Owners from time to time of the Certificates, but will nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Agreement.

Certificate Payment Fund. There has been established with the Trustee each of the Certificate Payment Fund and the Reserve Fund each of which the Trustee has covenanted to maintain and hold in trust separate and apart from other funds held by it so long as any Installment Payments remain unpaid. All moneys on deposit in the Certificate Payment Fund (including income or profit from investments) will be retained therein except as expressly provided in the Agreement.

The Trustee will transfer from the Certificate Payment Fund the following amounts at the times and in the manner provided in the Agreement, and will deposit such amounts in one or more of the following respective funds, each of which the Trustee will establish and maintain and hold in trust separate and apart from other funds held by it, and each of which will be disbursed and applied only as authorized in the Agreement. Such amounts will be so transferred to and deposited in the following respective funds in the following order of priority, the requirements of each such fund at the time of deposit to be satisfied before any transfer is made to any fund subsequent in priority:

(a) Interest Fund. The Trustee on the last Business Day before each Interest Payment Date (commencing on the last Business Day of \_\_\_\_\_, 2021), will deposit in the Interest Fund an amount representing the portion of the Installment Payments designated as interest coming due on the next succeeding January 1 or July 1, as the case may be. No deposit need be made into the Interest Fund so long as there will be in such fund moneys sufficient to pay the interest portion of Certificates then Outstanding due, if any, on the next January 1 or July 1, as the case may be.

Except as thereafter provided, moneys in the Interest Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest with respect to the Certificates when due and payable (including accrued interest with respect to any Certificates prepaid prior to maturity pursuant to the Agreement).

(b) Principal Fund. The Trustee, on the last Business Day before each July 1 (commencing on the last Business Day of June, 20\_\_), will deposit in the Principal Fund an amount equal to the principal coming due with respect to the Certificates on the next succeeding July 1. No deposit need be made into the Principal Fund so long as there is in such fund moneys sufficient to pay the portion of all Certificates then Outstanding designated as principal, and coming due on the next succeeding July 1.

Except as provided in the Agreement, moneys in the Principal Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal with respect to the Certificates when due and payable.

(c) Prepayment Fund. Moneys to be used for prepayment pursuant to the Agreement and paid by the District pursuant to the Installment Purchase Agreement will be transferred by the Trustee from the Certificate Payment Fund and deposited in the Prepayment Fund on the prepayment date specified in the Written Request of the District filed with the Trustee pursuant to the Installment Purchase Agreement. Said moneys will be set aside in the Prepayment Fund solely for the purpose of prepaying the Certificates in advance of their respective stated maturities and will be applied on or after the date specified for prepayment pursuant to the Agreement to the payment of the Prepayment Price with respect to the Certificates to be prepaid upon presentation and surrender of such Certificates.

Investment of Moneys in Special Funds. Any moneys in the Delivery Cost Fund, the Certificate Payment Fund, the Principal Fund, the Reserve Fund and the Prepayment Fund will be invested upon the Written Request of the District, by the Trustee, in Permitted Investments which will mature on or before the dates when such moneys are scheduled to be needed for payment from such fund. Securities acquired as an investment of moneys in a fund will be credited to such fund. In the absence of written investment direction from the District, the Trustee will hold funds thereunder, unvested. Any interest, profit or other income on such investments will be deposited when received by the Trustee in the Reserve Fund to the extent the amount available and contained therein is less than the Reserve Requirement and thereafter in the Certificate Payment Fund established under the Agreement.

Subject to the further provisions of the Agreement, the Trustee may sell or present for prepayment any obligations so purchased at the direction of the District whenever it is necessary in order to provide moneys to meet any payment, and the Trustee will not be liable or responsible for any loss resulting from such investment. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment and should be entitled to its customary fee therefor. The Trustee may commingle any of the funds or accounts established pursuant to the Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee under the Agreement will be accounted for separately notwithstanding such commingling.

Ratings of Permitted Investments will be determined at the time of purchase of such permitted investments and without regard to ratings subcategories. 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 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.

Pledge of Moneys in Funds. All amounts on deposit in the Delivery Cost Fund, the Certificate Payment Fund, the Principal Fund, the Prepayment Fund and the Reserve Fund have been irrevocably pledged to the Owners of the Certificates as provided in the Agreement. Such pledge constitutes a first and exclusive lien on the Delivery Cost Fund, the Certificate Payment Fund, the Principal Fund, the Prepayment Fund and the Reserve Fund for the benefit of the Owners of the Certificates in accordance with the terms of the Agreement and of the Installment Purchase Agreement.

Rebate Fund.

(a) Establishment. The Trustee will establish a separate account for the Certificates designated the "Rebate Fund." Absent an opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of interest with respect to the Certificates 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 Agreement 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 Certificates will be governed by the Agreement and the Tax Certificate for the Certificates, unless

and to the extent that the District delivers to the Trustee an opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of interest with respect to the Installment Payments will not be adversely affected if such requirements are not satisfied. Notwithstanding anything to the contrary contained in the Agreement or in the Tax Certificate, the Trustee (i) will be deemed conclusively to have complied with the provisions thereof if it follows all Written Requests of the District, and (ii) will have no liability or responsibility to enforce compliance by the District with the terms of the Tax Certificate, and (iii) may rely conclusively on the District's calculations and determinations and certifications relating to rebate matters, and (iv) will have no responsibility to independently make any calculations or determinations or to review the District's calculations or determinations thereunder.

(i) Annual Computation. Within 55 days of the end of each Certificate Year (as such term is defined in the Tax Certificate), the District will calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for such purpose treating the last day of the applicable Certificate 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 foregoing provision.

(ii) Annual Transfer. Within 55 days of the end of each Certificate Year, upon the written Request of the District, an amount will be deposited to the Rebate Fund by the Trustee from any 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 equals the amount of Rebatable Arbitrage so calculated in accordance with clause (i) above. In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon written Request of the District, the Trustee will withdraw the excess from the Rebate Fund and then credit the excess to the Revenue Fund.

(iii) Payment to the Treasury. The Trustee will pay, as directed by Request of the District, to the United States Treasury, out of amounts in the Rebate Account: (1) Not later than 60 days after the end of (X) the fifth Certificate Year, and (Y) each applicable fifth Certificate Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Certificate Year; and (2) Not later than 60 days after the payment of all the Certificates, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Certificate 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 foregoing provisions 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, or will be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the Certificates and the payments described in clause (a) above being made may be withdrawn by the District and utilized in any manner by the District.

(c) Survival of Defeasance. Notwithstanding anything in the Agreement to the contrary, the obligation to comply with the foregoing rebate requirements will survive the defeasance or payment in full of the Certificates.

## COVENANTS

Corporation and District to Perform Under Installment Purchase Agreement. The Corporation and District have covenanted and agreed with the Owners of the Certificates to perform all obligations and duties imposed on them under the Installment Purchase Agreement and, together with the Trustee, to enforce such Installment Purchase Agreement against the other party thereto in accordance with its terms.

The Corporation and the District will in all respects promptly and faithfully keep, perform and comply with all the terms, provisions, covenants, conditions and agreements of the Installment Purchase Agreement to be kept, performed and complied with by it.

The Corporation and the District have agreed not to do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Installment Purchase Agreement.

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 Installment Payments are fully adequate for the payment of all Installment Payments due under the Installment Purchase Agreement for such Fiscal Year. If the amounts so budgeted are not adequate for the payment of Installment Payments due under the Installment Purchase Agreement, 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 Installment Payments due under the Installment Purchase Agreement and will notify the Trustee of the proceedings then taken or proposed to be taken by the District.

Tax Covenants. Notwithstanding any other provision of the Agreement, absent an opinion of Special Counsel that the exclusion from gross income of interest with respect to the Certificates will not be adversely affected for federal income tax purposes, the District has covenanted to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will not take or omit to take any action or make any use of the proceeds of the Certificates or of any other moneys or property which would cause the Certificates to be "private activity bonds" within the meaning of Section 141 of the Code.

(b) Arbitrage. The District will make no use of the proceeds of the Certificates or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The District will make no use of the proceeds of the Certificates or take or omit to take any action that would cause the Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to preserve the exclusion of interest with respect to the Certificates pursuant to Section 103(a) of the Code.

(e) Hedge Bonds. The District will make no use of the proceeds of the Certificates or any other amounts or property, regardless of the source, or take any action or refrain from taking any action

that would cause the Certificates 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 evidenced and represented by the Certificates for federal income tax purposes.

(f) Miscellaneous. The District will take no action, or omit to take any action, inconsistent with the expectations stated in any Tax Certificate executed with respect to the Certificates and will comply with the covenants and requirements stated therein and incorporated by reference in the Agreement.

The foregoing tax covenants are not applicable to, and nothing contained in the Agreement prevents the District from causing the Trustee to issue Bonds or execute and deliver Contracts, the interest with respect to which has been determined by Special Counsel to be subject to federal income taxation.

Accounting Records and Reports. The Trustee will keep or cause to be kept proper books of record and account in which complete and correct entries will be made of all transactions made by it relating to the receipts, disbursements, allocation and application of the Installment Payments, and such books will be available upon reasonable prior notice for inspection by the District and by any Owner of Certificates, or his agent or representative, at reasonable hours and under reasonable conditions. Each month, so long as the Certificates are Outstanding, the Trustee will furnish to the District an account statement covering receipts, disbursements, allocation and application of amounts on deposit in the funds and accounts created under the Agreement held by it.

Compliance with Agreement. The Trustee will not execute, or permit to be executed, any Certificates in any manner other than in accordance with the provisions of the Agreement, and the District will not suffer or permit any default by it to occur under the Agreement, but will faithfully observe and perform all the covenants, conditions and requirements thereof.

Observance of Laws and Regulations. To the extent necessary to assure their performance under the Agreement, the Corporation and the District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or later imposed on them by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or later acquired by the Corporation or the District, respectively, including its right to exist and carry on its business, to the end that such contracts, rights and franchises will be maintained and preserved, and will not become abandoned, forfeited or in any manner impaired.

Compliance with Contracts. The District will comply with the terms, covenants and provisions, express or implied, of all contracts for the use of the Project by the District, and all other contracts and agreements affecting or involving the Project to the extent that the District is a party thereto.

Prosecution and Defense of Suits. The District will promptly, upon request of the Trustee or any Certificate Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water System or any part thereof, whether now existing or later developing, 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), the Corporation and every Certificate 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), the Corporation or any Certificate Owner upon any claim arising out of the receipt, application or disbursement of any of the Installment Payments or



involving the rights of the Trustee, the Corporation or any Certificate Owner under the Agreement; provided that the Trustee, the Corporation or any Certificate 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, the Corporation and the Certificate Owners against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement, and indemnify and hold harmless the Certificate 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 Certificates. The District will promptly reimburse the Corporation or any Certificate Owner in the full amount of any attorneys' fees or other expenses which the Corporation or such Owner may incur in litigation or otherwise in order to enforce such partying rights under the Agreement or the Certificates, provided that such litigation is concluded favorably to such party's contentions therein.

Recordation and Filing. The District, will record, register, file, renew, refile and re-record all such documents, including financing statements, as may be required by law in order to maintain a security interest in the Agreement and the Assignment Agreement, all in such manner, at such times and in such places as may be required by, and to the extent permitted by, law in order fully to preserve, protect and perfect the security of the Certificate Owners and the rights and security interests of the Trustee.

Eminent Domain. If all or any part of the Water System is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the Net Proceeds therefrom will be applied in the manner specified in the Installment Purchase Agreement.

Further Assurances. Whenever and so often as requested so to do by the Trustee (which has no duty to make such request) or any Certificate Owner, the Corporation and the District will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Certificate Owners all rights, interest, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Agreement.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificate to be executed and delivered by the District in connection with the delivery of the Certificates. Notwithstanding any other provision of the Agreement, failure of the District to comply with the Continuing Disclosure Certificate will not be considered an Event of Default; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with the foregoing obligation. For purposes of the Agreement, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries).

#### DEFAULT AND LIMITATION OF LIABILITY

Notice of Non-Payment. In the event of delinquency in the payment of any Installment Payments due by the District pursuant to the Installment Purchase Agreement, the Trustee will, after one Business Day following the date upon which such delinquent Installment Payment was due, as soon as practicable give written notice of the delinquency and the amount of the delinquency to the District and the Corporation.

Action on Default or Termination. Upon the occurrence of an Event of Default (as that term is defined in the Installment Purchase Agreement), which event constitutes a default under the Agreement, and in each and every such case during the continuance of such Event of Default, the Trustee or the Owners of not less than a majority in principal amount of Certificates at the time Outstanding will be entitled, upon notice in writing to the District, to exercise the remedies provided to the Corporation in the Installment Purchase Agreement.

Upon declaration of the entire principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately and provided such declaration is not rescinded or annulled, all in accordance with the Installment Purchase Agreement, the Trustee will apply all moneys received as Installment Payments and all moneys held in any fund or account under the Agreement to the payment of the entire Initial Amount of the Certificates and the accrued interest with respect thereto, with respect to the overdue Certificates at the rate or rates of interest or yields-to-maturity applicable to the Certificates if paid in accordance with their terms.

Other Remedies of the Trustee. The Trustee has the right: (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any board member, officer or employee thereof, and to compel the District or any such board member, officer or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the Agreement; (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 any default under the Agreement to require the District and its directors, officers and employees to account as the trustee of an express trust.

Nothing in the Agreement will 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 Certificates 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.

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

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

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

No Obligation by the District to Owners. Except for the payment of Installment Payments when due in accordance with the Installment Purchase Agreement and the performance of the other covenants and agreements of the District contained in said Installment Purchase Agreement and the Agreement, the District has no obligation or liability to the Owners of the Certificates with respect to the Agreement or the execution, delivery or transfer of the Certificates, or the disbursement of Installment Payments to the Owners by the Trustee; provided, however that nothing contained in the Agreement affects the rights, duties or obligations of the Trustee expressly set forth in the Agreement.

Trustee Appointed Agent for Certificate Owners: Direction of Proceedings. The Trustee has been appointed the agent and attorney of the Owners of all Certificates outstanding under the Agreement for the purpose of filing any claims relating to the Certificates. The Owners of a majority in principal amount of the Certificates Outstanding under the Agreement will, upon tender to the Trustee of reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such direction, have the right to direct the method and place of conducting all remedial proceedings by the Trustee, provided such direction is in

accordance with law and the provisions of the Agreement and that the Trustee has the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Certificate Owners not parties to such a direction (the Trustee having no duty to make such a determination).

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Agreement, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Certificates then outstanding pursuant to the Agreement, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default under the Agreement, discontinue, withdraw, compromise or settle, or otherwise dispose of, any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in principal amount of the Certificates Outstanding under the Agreement opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate executed and delivered under the Agreement has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Agreement, unless: (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default under the Agreement; (b) the Owners of at least a majority in principal amount of all the Certificates then Outstanding have made written request upon the Trustee to exercise the powers granted in the Agreement or to institute such action, suit or proceeding in its own name; (c) said Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or omitted to comply with such request for a period of sixty (60) days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Such notification, request, tender or indemnity and refusal or omission have been declared, in every case, to be conditions precedent to the exercise by any Owner of Certificates of any remedy under the Agreement; it being understood and intended that no one or more Owners of Certificates have any right in any manner whatever by his or their action to enforce any right under the Agreement, except in the manner provided therein, and that all proceedings at law or in equity to enforce any provision of the Agreement will be instituted, had and maintained in the manner provided in the Agreement and for the equal benefit of all owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of the principal of (and premium, if any) such Certificate, as provided in the Agreement, on and after the respective due dates expressed in such Certificate, or to institute suit for the enforcement of any such payment on or after such respective dates, will not be impaired or affected without the consent of such Owner, notwithstanding any other provisions of the Agreement.

No Obligation with Respect to Performance by Trustee. Neither the District nor the Corporation have any obligation or liability to any of the other parties to the Agreement or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under the Agreement.

No Liability to Owners for Payment. The Corporation has no obligation or liability to the Owners of the Certificates with respect to the payment of the Installment Payments by the District when due, or with respect to the performance by the District of any other covenant made by it in the Installment Purchase Agreement or the Agreement. Except as provided in the Agreement, the Trustee has no obligation or liability to the Owners of the Certificates with respect to the payment of the Installment Payments by the District when due, or with respect to the performance by the District of any other covenant made by it in the Installment Purchase Agreement or the Agreement.

No Responsibility for Sufficiency. The Trustee is not responsible for the sufficiency of the Agreement, the Installment Purchase Agreement, or of the assignment made to it by the Assignment Agreement of rights to receive Installment Payments pursuant to the Installment Purchase Agreement, or the value of or title to the Project. The Trustee is not responsible or liable for selection or liquidation of investments or any loss suffered in connection with any investment of funds made by it under the terms of and in accordance with the Agreement.

Indemnification of Trustee. The District will indemnify the Trustee (including all of its employees, officers and directors) and hold it harmless against any loss, liability, expenses or advances, including but not limited to fees and expenses of counsel and other experts, incurred or made without negligence or willful misconduct on the part of the Trustee: (a) in the exercise and performance of any of the powers and duties under the Agreement or the Installment Purchase Agreement, or any other document executed in connection therewith, by the Trustee; (b) relating to or arising out of the Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or construction of the Project or any part thereof; or (c) arising out of or relating to any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of the Certificates, including the costs and expenses of defending itself against any claim of liability arising under the Agreement. Such indemnity will survive payment of the Certificates and discharge of the Agreement or resignation or removal of the Trustee.

#### THE TRUSTEE

Employment of Trustee. In consideration of the recitals set forth in the Agreement and for other valuable consideration, the District has agreed to employ the Trustee to receive, hold, invest and disburse the moneys received pursuant to the Installment Purchase Agreement for credit to the various funds and accounts established by the Agreement; to execute, deliver and transfer the Certificates; and to apply and disburse the Installment Payments received from the District to the Owners of Certificates; and to perform certain other functions; all as provided and subject to the terms and conditions of the Agreement.

Acceptance of Employment. In consideration of the compensation provided for in the Agreement, the Trustee has accepted the employment above referred to subject to the terms and conditions of the Agreement.

Trustee: Duties, Removal and Resignation. By executing and delivering the Agreement, the Trustee has accepted the duties and obligations of the Trustee provided therein, but only upon the terms and conditions set forth therein.

The District may, by written request to the Trustee, remove the Trustee, upon 30 days prior notice, and appoint a successor Trustee; provided, however, that if the District is in default under the Installment Purchase Agreement, the Owners of a majority in principal amount of all Certificates Outstanding may, by written request to the Trustee, remove the Trustee and appoint a successor Trustee. The Trustee may resign upon 30 days prior notice. The District will appoint a successor within 30 days of the Trustee giving notice of resignation. If a successor has not been appointed by the effective date of the resignation, the retiring Trustee may petition a court of competent jurisdiction for the appointment of a successor. Any such successor must be a bank or trust company in good standing located in or incorporated under the laws of California, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Agreement the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may be removed at any time that Certificates are Outstanding for any breach of the Trustee's obligations under the Agreement.

Compensation of the Trustee. The District will from time to time, subject to any agreement in effect with the Trustee, pay to the Trustee reasonable compensation for its services and reimburse the Trustee (including all of its employees, officers and directors) for all its advances and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties under the Agreement. Such compensation and reimbursement will be paid by the District and amounts owing therefor will constitute a charge on the moneys in the Acquisition Fund and payable by the District; provided, however, that the Trustee will not otherwise have any claims, except in accordance with the Installment Purchase Agreement or the Agreement, or lien for payment of compensation for its services against any other moneys held by it in the funds or accounts established under the Agreement but may take whatever legal actions are lawfully available to it directly against the District. The obligations of the District under the foregoing provisions will survive resignation or removal of the Trustee and payment of the Certificates and discharge of the Agreement. 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 Certificate, upon the trust estate for the foregoing fees, charges and expenses incurred by it.

Protection of the Trustee. The Trustee will be protected and incur no liability whatsoever in acting or refraining from acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it in good faith believes to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the Agreement, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee is not bound to recognize any person as an Owner of any Certificate or to take any action at the request of any such person unless such Certificate is deposited with the Trustee or satisfactory evidence of the ownership of such Certificate is furnished to the Trustee. The Trustee may consult with counsel, who may be counsel to the Corporation or 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 Agreement in good faith in accordance therewith.

Whenever in the administration of its duties under the Agreement, the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Agreement, such matter (unless other evidence in respect thereof is specifically prescribed) will be deemed to be conclusively proved and established by a certificate of the Corporation or the District and such certificate will be full warranty to the Trustee for any action taken or suffered under the provisions of the Agreement upon the faith thereof, but in its discretion the Trustee may (but has no duty), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

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

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers of the Agreement and perform the duties required of it thereunder by or through attorneys, agents, or receivers, and will be entitled to advice of counsel concerning all matters of trust and its duties thereunder, and the Trustee is not answerable for the default or misconduct of any such attorney, agent or receiver selected by it with reasonable care. The Trustee is not answerable for the exercise of any discretion or power under the

Installment Purchase Agreement or in the performance of its duties thereunder or for anything whatever in connection with the funds and accounts established thereunder, except only for its own willful misconduct or negligence.

The recitals, statements and representations by the District or the Corporation contained in the Agreement or in the Certificates will be taken and construed as made by and on the part of the District or Corporation and not by the Trustee and the Trustee does not assume, and has no responsibility or obligations for the correctness of any thereof.

The Trustee undertakes to perform such duties, and only such duties as are specifically set forth in the Agreement and no implied duties or obligations will be read into the Agreement against the Trustee.

No provision in the Agreement requires the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties under the Agreement if it has reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

In accepting the trust created by the Agreement, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and all persons, including without limitation the Owners and the District or the Corporation having any claim against the Trustee arising from the Agreement will look only to the funds and accounts held by the Trustee thereunder for payment except as otherwise provided therein. Under no circumstances will the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District or the Corporation of the Project. In no event will the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Installment Purchase Agreement or the Agreement for the existence, furnishing or use of the Project.

The Trustee is not deemed to have knowledge of any Event of Default under the Agreement or the Installment Purchase Agreement unless and until it has actual knowledge thereof or has received notice thereof at its corporate trust office at the address set forth in the Agreement. The Trustee will, during the existence of any Event of Default (which has not been cured) use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee is not accountable for the use or application by the District, or the Corporation or any other party of any funds which the Trustee has released in accordance with the terms of the Agreement.

The permissive right of the Trustee to do things enumerated in the Agreement will not be construed as a duty and the Trustee will not be answerable for other than its negligence or willful misconduct. The Trustee will have no responsibility or liability with respect to any information, statements or recitals in any offering memorandum or other disclosure material prepared or distributed with respect to the execution and delivery of the Certificate.

Before taking any action under the Agreement relating to an Event of Default or in connection with its duties under the Agreement other than making payments of principal and interest with respect to the Certificates as they become due or causing an acceleration of the Certificates whenever required by the Agreement, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to

the protection of the environment or hazardous substances and except liability which is adjudicated to have resulted from its negligence or willful default in connection with any action so taken.

The Trustee will not be considered in breach of or in default in its obligations under the Agreement 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 hereunder, 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, pandemics, 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.

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 in aggregate principal amount of the Certificates then 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 Agreement.

In acting or omitting to act pursuant to the Installment Purchase Agreement or any other documents executed in connection therewith, the Trustee will be entitled to all of the rights, immunities and indemnities accorded to it under the Agreement.

The Trustee will have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Trust Agreement and delivered using Electronic Means ("Electronic Means" means the following communications methods: 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 hereunder); provided, however, that the District and/or Corporation 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 and/or the Corporation whenever a person is to be added or deleted from the listing. If the District and/or Corporation 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 and Corporation understand and agree 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 and Corporation will be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the District, Corporation 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 and/or Corporation. 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 and Corporation agree: (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 and Corporation; (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 protection.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it is a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided such company is eligible under the Agreement), will be the successor to the Trustee without the execution or filing of any paper or further act, anything in the Agreement to the contrary notwithstanding.

#### AMENDMENT OF TRUST AGREEMENT

Amendments Permitted. (a) The Agreement and the rights and obligations of the District and of the Owners of the Certificates and of the Trustee may be modified or amended at any time by an amendment to the Agreement which will become binding when the written consents of the Owners of a majority in principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Agreement, have been filed with the Trustee. No such modification or amendment may: (1) extend the stated maturities of the Certificates, or reduce the rate at which Certificates accrete yields-to-maturity, as the case may be, represented thereby, or extend the time of payment of, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the Owner of each Certificate so affected; (2) reduce the aforesaid percentage of Owners of Certificates whose consent is required for the execution of any amendment or modification of the Agreement; or (3) modify any of the rights or obligations of the Trustee or the Corporation without its written consent thereto.

(b) The Agreement and the rights and obligations of the Corporation and the District and of the Owners of the Certificates may also be modified or amended at any time by an amendment hereto which will become binding upon adoption, without the consent of the Owners of any Certificates if the Trustee will receive an opinion of Bond Counsel to the effect that the provisions of such modification or amendment will not materially adversely affect the interest of the Owners of any Certificates, but only to the extent permitted by law and only for any one or more of the following purposes: (i) to add to the covenants and agreements of the Corporation or the District contained in the Agreement other covenants and agreements thereafter to be observed or to surrender any right or power reserved to or conferred upon the Corporation or the District, and which will not materially adversely affect the interests of the Owners of the Certificates; (ii) to cure, correct or supplement any ambiguous or defective provision contained in the Agreement or in regard to questions arising under the Agreement, as the Corporation or the District may deem necessary or desirable and which will not materially adversely affect the interests of the Owners of the Certificates; and (iii) to make such other amendments or modifications as may be in the best interests of the Owners of the Certificates.

(c) The Trustee may in its discretion, but will not be obligated to enter into any such modification or amendment authorized by subsections (a) and (b) above which materially adversely affects the Trustee's own rights, duties or immunities under the Agreement or otherwise.

(d) Prior to the Trustee entering into any modifications or amendments thereunder, there will be delivered to the Trustee an opinion of Bond Counsel stating in substance, that such modification or amendment had been adopted in compliance with the requirements of the Agreement and that the adoption of such modification or amendment will not, in and of itself, adversely affect the exclusion of interest on the Certificates from federal income taxation.

Endorsement or Replacement of Certificates After Amendment or Supplement. After the effective date of any action taken as provided in the Agreement, the Trustee may determine that the Certificates may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Trustee to the Owner of any Outstanding Certificate and presentation of such Owner's Certificate for such purpose at the principal corporate trust office of the Trustee a suitable notation as to such



action will be made on such Certificate. If the Trustee so determines, new Certificates so modified as in the opinion of the Trustee are necessary to conform to such action will be prepared, and in that case upon demand of the Trustee to the Owner of any Outstanding Certificates such new Certificates will be exchanged at the Principal Corporate Trust Office without cost to each Owner for Certificates then Outstanding upon surrender of such Outstanding Certificates.

Amendment of Particular Certificates. The provisions of the Agreement do not prevent any Owner from accepting any amendments to the particular Certificates held by him or her, provided that due notation thereof is made on such Certificates.

## DEFEASANCE

Discharge of Agreement. When the obligations of the District under the Installment Purchase Agreement cease pursuant thereto (except for the right of the Trustee and the obligation of the District to have the money and Permitted Investments mentioned therein applied to the payment of Installment Payments as therein set forth and the obligation to apply moneys on deposit in the Rebate Fund as provided in the Agreement), then and in that case the obligations created by the Agreement will thereupon cease, terminate and become void except for the obligation of the District to direct the Trustee to apply money on deposit in the Rebate Fund as provided in the Agreement which will continue until such moneys are so applied and the right of the Owners to have applied and the obligation of the Trustee to apply such moneys and Permitted Investments to the payment of the Certificates as set forth in the Agreement, and subject to application of moneys on deposit in the Rebate Fund as provided in the Agreement, the Trustee will turn over to the District, after provision for payment of amounts due the Trustee under the Agreement, as an overpayment of Installment Payments, any surplus in the Certificate Payment Fund and all balances remaining in any other funds or accounts other than moneys and Permitted Investments held for the payment of the Certificates at maturity or on prepayment, which moneys and Permitted Investments will continue to be held by the Trustee in trust for the benefit of the Owners and will be applied by the Trustee to the payment, when due, of the principal and premium, if any, represented by the Certificates, and after such payment, the Agreement will become void.

If moneys or securities described in clause (a) of the definition of Permitted Investments are deposited with and held by the Trustee as provided in the Agreement, the Trustee will within thirty (30) days after such moneys or Permitted Investments have been deposited with it, mail a notice, first class postage prepaid, to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to the Agreement, setting forth: (a) the date fixed for prepayment of the Certificates; (b) a description of the moneys or securities described in clause (a) of the definition of Permitted Investments so held by it; and (c) that the Agreement has been released in accordance with the provisions thereof.

Deposit of Money or Securities with Trustee. Whenever in the Agreement or the Installment Purchase Agreement 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 prepay any Certificates, the money or securities to be so deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Agreement and will be:

(a) lawful money of the United States of America in an amount equal to the principal amount and interest represented by such Certificates to maturity, except that, in the case of Certificates which are to be prepaid prior to maturity and in respect of which notice of such prepayment has been given as provided in the Agreement or provision satisfactory to the Trustee has been made for the giving of such notice, the amount to be deposited or held will be the principal amount or Prepayment Price, if any, on interest to such date of prepayment represented by such Certificates; or

(b) non-callable securities described in clause (a) of the definition of Permitted Investments which will provide money sufficient, as set forth in a written opinion of an Independent Certified Public

Accountant or Independent Municipal Advisor filed with the District and the Trustee to pay the principal amount at maturity or upon prepayment, as the case may be, represented by the Certificates to be paid or prepaid, as such amounts become due, plus premium, if any, provided that, in the case of Certificates which are to be prepaid prior to the maturity thereof, notice of such prepayment has been given as provided in the Agreement or provision satisfactory to the Trustee has been made for the giving of such notice; provided, in each case, that the Trustee has been irrevocably instructed (by the terms of the Agreement and the Installment Purchase Agreement or by Written Request of the District) to apply such money or securities to the payment of such principal or Prepayment Price represented by such Certificates.

Unclaimed Moneys. Anything contained in the Agreement to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the principal or Prepayment Price represented by any of the Certificates which remain unclaimed for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the principal or Prepayment Price represented by such Certificates have become payable, will at the Written Request of the District be repaid by the Trustee to the District (without liability for interest) as its absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the District for the payment of the principal or Prepayment Price represented by such Certificates; provided, however, that before being required to make any such payment to the District, the Trustee will, at the written request and expense of the District, first mail a notice to the owners of the Certificates so payable that such moneys remain unclaimed and that after a date named in such notice, which date will not be less than thirty (30) days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the District.

#### MISCELLANEOUS

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

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

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Agreement to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or such Owner's attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he or she purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient. The ownership of any Certificates and the amount, payment date, number and date of owning the same may be proved by the books required to be kept by the Trustee pursuant to the provisions of the Agreement. Any declaration, request or other instrument in writing of the Owner of any Certificate will bind all future Owners of such Certificate with respect to anything done or suffered to be done by the District or the Trustee in good faith and in accordance therewith.

**Disqualified Certificates.** Certificates owned or held by or for the account of the Corporation or the District (but excluding Certificates held in any pension or retirement fund) will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates provided for in the Agreement, and will not be entitled to consent to or take any other action provided for in the Agreement; provided, however, in determining whether the Owners of the requisite aggregate principal amount of Certificates have concurred in any demand, request, direction, consent or waiver under the Agreement, Certificates which are actually known by the Trustee to be owned or held by or for the account of the Corporation or the District, will be disregarded and deemed not to be Outstanding for the purpose of any such determination, unless all Certificates are so owned or held, in which case such Certificates will not be disregarded.

The Trustee may adopt appropriate regulations to require each Owner of Certificates, before his or her consent provided for in the Agreement will be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in the Agreement.

**Waiver of Personal Liability.** No director, officer or employee of the District or the Corporation will be individually or personally liable for the payment of the principal or the prepayment premiums, if any, represented by the Certificates, but nothing contained in the Agreement relieves any director, officer or employee of the District or Corporation from the performance of any official duty provided by any applicable provisions of law or by the Installment Purchase Agreement or the Agreement.

**Destruction of Certificates.** Whenever in the Agreement provision is made for the cancellation by the Trustee of any Certificates, the Trustee will destroy such Certificates and upon written request deliver a certificate of such destruction to the District.

**Funds and Accounts.** Any fund required by the Agreement 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 will at all times be maintained in accordance with sound industry practices and with due regard for the protection of the security of the Certificates and the rights of every Owner thereof.

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

**California Law.** THE AGREEMENT WILL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

*Upon issuance of the 2020 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

\_\_\_\_\_, 2020

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

*Re: Carpinteria Valley Water District Refunding Revenue Bonds,  
Series 2020A and Taxable Series 2020B*

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 2020A (the "2020A Bonds") and \$\_\_\_\_\_ Carpinteria Valley Water District Refunding Revenue Bonds, Taxable Series 2020B (the "2020B Bonds," and, together with the 2020A Bonds, the "2020 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 2020 Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2020 Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 2020 (the "Indenture"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The 2020 Bonds mature on the dates and in the amounts referenced in the Indenture. The 2020 Bonds are dated their date of delivery and bear interest at the rates per annum referenced in the Indenture. The 2020 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 2020 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 2020 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 2020 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 2020A 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.

4. Interest on the 2020 Bonds is exempt from State of California personal income tax.

5. The amount by which a 2020A Bond Owner's original basis for determining loss on sale or exchange in the applicable 2020A Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2020A Bond premium which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code") by Owners of the 2020A Bonds. With respect to the 2020A Bonds, such amortizable bond premium reduces the Owner's basis in the applicable 2020A 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 2020A Bond premium may result in a 2020A Bond Owner realizing a taxable gain when a 2020A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2020A Bond to the Owner.

The opinions expressed herein as to the exclusion from gross income of interest on the 2020A 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 2020A Bonds to assure that such interest on the 2020A 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 2020A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2020A 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 2020A 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 2020A Bonds for federal income tax purposes with respect to any 2020A 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 2020A 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 2020 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.

We express no opinion herein with respect to any indemnification, contribution, choice of law, choice of forum, penalty or waiver provisions contained in the 2020 Bonds or the Indenture.

We are admitted to the practice of law only in the State of California and 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 2020 Bonds or other offering material relating to the 2020 Bonds and expressly disclaim any duty to advise the owners of the 2020 Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

## APPENDIX D

### FORM OF OPINION OF SPECIAL COUNSEL

*Upon execution and delivery of the Certificates, Stradling Yocca Carlson & Rauth, a Professional Corporation, Special Counsel, proposes to render its final approving opinion in substantially the following form:*

\_\_\_\_\_, 2020

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

*Re: Carpinteria Valley Water District Revenue Certificates of Participation, Series 2020C*

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") in connection with the execution and delivery of \$\_\_\_\_\_ Carpinteria Valley Water District Revenue Certificates of Participation, Series 2020C (the "Certificates"), dated the date of delivery, and evidencing and representing an interest of the registered owner thereof in the right to receive Installment Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Installment Purchase Agreement (the "Agreement"), dated as of March 1, 2020, by and between the District and the Carpinteria Valley Water District Financing Corporation (the "Corporation"), which right to receive such Installment Payments has been assigned by the Corporation to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), pursuant to the Assignment Agreement, dated as of March 1, 2020, by and between the Trustee and the Corporation. The Certificates have been executed by the Trustee pursuant to the terms of the Trust Agreement, dated as of March 1, 2020 (the "Trust Agreement"), by and among the District, the Corporation and the Trustee.

In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchaser of the Certificates and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

Based on our examination as Special 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 show lawful authority for the execution and delivery by the District of the Agreement and the Trust Agreement under the laws of the State of California now in force, and the Agreement and the Trust Agreement have been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the Trustee and the Corporation, as appropriate, are valid and binding obligations of the District enforceable against the District in accordance with their respective terms.

2. The Certificates, assuming due execution and delivery by the Trustee, are entitled to the benefits of the Trust Agreement.

3. The obligation of the District to make the Installment Payments from Net Revenues (as defined in the Agreement) is an enforceable obligation of the District and does not constitute a debt of the District, or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District

is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

4. Under existing statutes, regulations, rulings and judicial decisions, the portion of each Installment Payment constituting interest 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.

5. The portion of each Installment Payment constituting interest is exempt from State of California personal income tax.

6. The amount by which a Certificate Owner's original basis for determining gain or loss on sale or exchange of the applicable Certificate (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 Certificate Owner's basis in the applicable Certificate (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 bond premium may result in a Certificate Owner realizing a taxable gain when a Certificate is sold by the Certificate Owner for an amount equal to or less (under certain circumstances) than the original cost of the Certificate to the Certificate Owner. Purchasers of the Certificates 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 the portion of each Installment Payment constituting interest are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the execution and delivery of the Certificates to assure that such portion of each Installment Payment constituting interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each Installment Payment constituting interest to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. 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 Trust Agreement, the Agreement and the Tax Certificate relating to the Certificates permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of the portion of each Installment Payment constituting interest for federal income tax purposes with respect to any Certificate 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 Certificates.

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 Trust Agreement, the Agreement, and the Certificates 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.

We express no opinion herein with respect to any indemnification, contribution, choice of law, choice of forum, penalty or waiver provisions contained in the Certificates, the Trust Agreement or the Agreement.



We are admitted to the practice of law only in the State of California and 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 Certificates or other offering material relating to the Certificates and expressly disclaim any duty to advise the owners of the Certificates with respect to matters contained in the Official Statement.

Respectfully submitted,

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## APPENDIX E

### 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 2020 Bonds and the Certificates (together, the "Obligations"), payment of principal, premium, if any, accreted value, if any, and interest on the Obligations to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Obligations 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 Obligations. The Obligations 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 Obligation will be issued for each annual maturity of the Obligations, 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](http://www.dtcc.com).

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("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 Obligations 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 Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose

accounts such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligations documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations 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 Obligations 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 Obligations 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Obligations 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 Obligation Owner shall give notice to elect to have its Obligations purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Obligation by causing the Direct Participant to transfer the Participant's interest in the Obligations, on DTC's records, to the Trustee. The requirement for physical delivery of Obligation in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Obligation are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Obligation to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Obligations 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, Obligations will be printed and delivered to DTC.

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

## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

*Upon issuance of the 2020 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 April \_\_, 2020 and executed and delivered by the Carpinteria Valley Water District (the "District") in connection with the issuance of its \$\_\_\_\_\_ Refunding Revenue Bonds, Series 2020A (the "2020A Bonds") and \$\_\_\_\_\_ Refunding Revenue Bonds, Taxable Series 2020B (the "2020B Bonds" and, together with the 2020A Bonds, the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 2020 (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:

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).

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 \_\_, 2020.

"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.

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 2020, 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).

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.

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

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, for the most recent Fiscal Year of the District then ended only, 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 34;

(ii) "Historic Water Deliveries and Source of Water Delivered" on page 35;

(iii) "Ten Largest Customers" on page 35;

(iv) "Current and Projected Monthly Service Charge" on page 37;

(v) "Capital Cost Recovery Fees" on page 39; and

(vi) "Historic Operating Results and Debt Service Coverage" on page 43; 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.

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;
9. bankruptcy, insolvency, receivership or similar proceedings; and

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.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

(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;

7. appointment of a successor or additional trustee or the change of the name of a trustee; and

8. incurrence of a financial obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Bond holders.

(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.

(e) For purposes of the events identified in subparagraphs (a)(10) and (b)(8) under this Section 5, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

**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).

**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.

**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.

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 Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

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: April \_\_, 2020

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 2020A AND TAXABLE SERIES 2020B  
Date of Issuance:                             April \_\_, 2020

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]

## APPENDIX G

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

*Upon execution and delivery of the Certificates, the District proposes to enter into a Continuing Disclosure Certificate in substantially the following form:*

This Continuing Disclosure Certificate (the "Disclosure Certificate") is dated April \_\_, 2020 and executed and delivered by the Carpinteria Valley Water District (the "District") in connection with the execution and delivery of \$\_\_\_\_\_ Revenue Certificates of Participation, Series 2020C (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of March 1, 2020 (the "Trust Agreement"), by and among the District, the Carpinteria Valley Water District Financing Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The District covenants and agrees as follows:

**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 Certificates and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

**Definitions.** In addition to the definitions set forth in the Trust Agreement, 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 Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates 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 Trust Agreement.

"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 Certificates, dated April \_\_, 2020.

"Participating Underwriter" shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"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.

**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 2020, 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).

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.

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

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 Certificates outstanding for the most recent Fiscal Year of the District then ended only:

(c) An update, for the most recent Fiscal Year of the District then ended only, 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 34;
- (ii) "Historic Water Deliveries and Source of Water Delivered" on page 35;
- (iii) "Ten Largest Customers" on page 35;
- (iv) "Current and Projected Monthly Service Charge" on page 37;
- (v) "Capital Cost Recovery Fees" on page 39; and

(vi) "Historic Operating Results and Debt Service Coverage" on page 43; 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.

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 Certificates 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;
9. bankruptcy, insolvency, receivership or similar proceedings; and

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.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

(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 Certificates, 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 Certificates or other events affecting the tax status of the Certificates;
2. modifications to the rights of Certificates holders;
3. optional, unscheduled or contingent Certificate prepayments;
4. release, substitution or sale of property securing repayment of the Certificates;
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;

7. appointment of a successor or additional trustee or the change of the name of a trustee; and

8. incurrence of a financial obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Certificate holders.

(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.

(e) For purposes of the events identified in subparagraphs (a)(10) and (b)(8) under this Section 5, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Termination of Reporting Obligation. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

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.

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.

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 Certificates 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 Certificates 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 Certificates. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement or the Installment Purchase Agreement, 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 Holders or Beneficial Owners of at least 50% aggregate principal amount of the Certificates, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

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 Certificates, and shall create no rights in any other person or entity.

Date: April \_\_, 2020

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:                         REVENUE CERTIFICATES OF PARTICIPATION,  
  SERIES 2020C  
Date of Execution and Delivery:           April \_\_, 2020

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate executed by the District on the date of execution and delivery of the Certificates. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

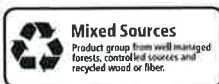
Dated: \_\_\_\_\_

CARPINTERIA VALLEY WATER DISTRICT

By:  [no signature required; form only] \_\_\_\_\_







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