

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



\$7,345,000
CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY
INDIAN WELLS VALLEY WATER DISTRICT
SERIES 2024 WATER REVENUE BONDS
(Water Transmission Pipeline Replacement Project)

Dated: Date of Delivery

Due: April 1, as shown on the inside cover page

This cover page contains certain information for quick reference only. It is not a summary of this issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the purchase of the Bonds. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

The above-captioned \$7,345,000 aggregate principal amount of Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project) (the “Bonds”) are being issued by the California Municipal Public Financing Authority (the “Authority”) pursuant to an Indenture of Trust, dated as of March 1, 2024 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds will bear interest at the rate or rates shown on the Maturity Schedule set forth on the inside front cover hereof, payable semiannually on April 1 and October 1 of each year (each an “Interest Payment Date”), commencing October 1, 2024.

The Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Individual purchases of Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased, but will receive a credit balance in the records of DTC. Principal of and interest on the Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal of and interest on the Bonds, DTC is obligated in turn to remit such principal and interest to the DTC Participants (as defined herein) for subsequent disbursement to purchasers of the Bonds, as described herein. See “APPENDIX F – INFORMATION REGARDING THE BOOK-ENTRY ONLY SYSTEM.”

The Bonds are special obligations of the Authority payable from the Revenues (defined herein) pledged under the Indenture, consisting primarily of installment payments (the “Installment Payments”) to be made by the Indian Wells Valley Water District, a county water district duly organized and existing under the laws of the State of California (the “District”) under an installment sale agreement, dated as of March 1, 2024, by and between the Authority and the District (the “Installment Sale Agreement”). The Installment Payments are secured by a pledge of and lien on the net revenues of the District’s municipal water enterprise (the “Water Enterprise”).

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

The Bonds are being issued to (i) finance the acquisition and construction of certain new improvements and facilities which will constitute part of the Water Enterprise, (ii) purchase a municipal bond insurance policy, and (iii) pay the costs of issuance incurred in connection with the issuance, sale and delivery of the Bonds. See “THE FINANCING PLAN” herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (the “Insurer”). See “BOND INSURANCE” herein.



See “RISK FACTORS” for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds. For a discussion of some of the risks associated with the purchase of the Bonds, see “RISK FACTORS” and “CONSTITUTIONAL LIMITATIONS ON TAXES, RATES AND CHARGES” herein.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are limited obligations of the Authority and are payable solely from, and are secured by a pledge of, Revenues and certain funds and accounts held under the Indenture. The District’s obligation to pay Installment Payments under the Installment Sale Agreement is a special obligation of the District limited solely to the Net Revenues of the Water Enterprise. No other funds or property of the District are liable for the payment of the Installment Payments or any other amounts payable under the Installment Sale Agreement or the Indenture. The full faith and credit of neither the Authority, the District nor the State of California or any of its political subdivisions is pledged for the payment of the Bonds. The Authority has no taxing power.

The Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to approval as to their legality by The Weist Law Firm, Los Gatos, California, Bond Counsel. Certain legal matters will be passed upon for the Authority by The Weist Law Firm, as Disclosure Counsel. Certain other legal matters will be passed on for the Authority and the District by their respective general counsel, and for the Underwriter Nixon Peabody LLP, Los Angeles, California, as Underwriter’s Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery to DTC in New York, New York on or about March 12, 2024.



MATURITY SCHEDULE

\$7,345,000

**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY
INDIAN WELLS VALLEY WATER DISTRICT
SERIES 2024 WATER REVENUE BONDS
(Water Transmission Pipeline Replacement Project)**

(Base CUSIP[†] 13051H)

Maturity (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†] Suffix
2025	\$100,000	5.000%	3.020%	102.034	AA1
2026	120,000	5.000	2.790	104.377	AB9
2027	125,000	5.000	2.620	106.937	AC7
2028	130,000	5.000	2.540	109.415	AD5
2029	140,000	5.000	2.520	111.695	AE3
2030	145,000	5.000	2.520	113.840	AF0
2031	150,000	5.000	2.520	115.931	AG8
2032	160,000	5.000	2.530	117.891	AH6
2033	165,000	5.000	2.540	117.812 ^C	AJ2
2034	175,000	5.000	2.560	117.652 ^C	AK9
2035	185,000	5.000	2.650	116.939 ^C	AL7
2036	195,000	5.000	2.740	116.230 ^C	AM5
2037	205,000	5.000	2.840	115.449 ^C	AN3
2038	215,000	5.000	2.940	114.674 ^C	AP8

\$705,000 5.000% Term Bond due April 1, 2041 Yield: 3.270% – Price 112.159^C CUSIP[†] No. AQ6

\$820,000 5.000% Term Bond due April 1, 2044 Yield: 3.450% – Price 110.815^C CUSIP[†] No. AR4

\$1,630,000 4.000% Term Bond due April 1, 2049 Yield: 4.110% – Price 98.287 CUSIP[†] No. AS2

\$1,980,000 4.000% Term Bond due April 1, 2054 Yield: 4.130% – Price 97.771 CUSIP[†] No. AT0

^C Priced to first optional call at par on April 1, 2032.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. The District and the Authority take no responsibility for the accuracy of such numbers.

CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY
INDIAN WELLS VALLEY WATER DISTRICT

DISTRICT BOARD OF DIRECTORS

Ronald R. Kicinski, *President*
David C.H. Saint-Amand, *Vice President*
Charles D. Griffin, *Boardmember*
Stan G. Rajtora, *Boardmember*
Mallory J. Boyd, *Boardmember*

AUTHORITY BOARD OF DIRECTORS

Isaac Moreno, *Chair*
Nick Walker, *Vice-Chair*
Jeffrey Meyer, *Boardmember*
Bruce Pope, *Boardmember*

DISTRICT STAFF

George Croll, *General Manager*
Tyrell Staheli, *Chief Financial Officer*
Jason Lillion, *Operations Manager*
Renee Morquecho, *Chief Engineer*

District General Counsel

McMurtrey, Hartsock, Worth & St. Lawrence
Bakersfield, California

Bond Counsel and Disclosure Counsel

The Weist Law Firm
Los Gatos, California

Municipal Advisor

California Municipal Advisors LLC
Sacramento, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part for any other purpose. This Official Statement is not a contract between any Owner of the Bonds and the Authority or the District.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District or Authority, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements.” Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Authority, the District, or any other parties described in this Official Statement since the date hereof.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the District or the Authority to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there should be no sale of the Bonds by a person in any jurisdiction in which it is unlawful for that person to make any offer, solicitation or sale. **Limited Scope of Information.** The Authority and District have obtained certain information set forth herein from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The information and expressions 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 Authority, the District, or any other parties described in this Official Statement since the date hereof. All summaries of or references to the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All capitalized terms used herein, unless noted otherwise, have the meanings given in the Installment Sale Agreement and the Indenture.

Limited Scope of Information. The Authority and District have obtained certain information set forth herein from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The information and expressions 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 Authority, the District, or any other parties described in this Official Statement since the date hereof. All summaries of or references to the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All capitalized terms used herein, unless noted otherwise, have the meanings given in the Installment Sale Agreement and the Indenture.

Stabilization of Prices. In connection with this offering, the underwriter(s) may overallocate or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. That stabilizing, if commenced, may be discontinued at any time. The underwriter(s) may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices contained on the inside cover page of this Official Statement. The public offering prices may be changed from time to time by the underwriter(s).

No Registration. The Bonds have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), in reliance on an exemption contained in Section 3(a)(2) of the Securities Act. Also, they have not been registered or qualified under the securities laws of any state.

Insurer Disclaimer. Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE” herein and “APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY” hereto.

Website Information Not Incorporated. The District maintains an internet website and various social media accounts, 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 Bonds. Further references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this official statement for purposes of, and as that term is defined in, Rule 15c2-12.

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OFFICIAL STATEMENT

\$7,345,000

**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY
INDIAN WELLS VALLEY WATER DISTRICT
SERIES 2024 WATER REVENUE BONDS
(Water Transmission Pipeline Replacement Project)**

INTRODUCTORY STATEMENT

This Official Statement, including its cover page, inside cover page and appendices, is provided to furnish information regarding the issuance by the California Municipal Public Financing Authority (the “Authority”) of its \$7,345,000 aggregate principal amount of Indian Wells Valley Water District, Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project) (the “Bonds”).

The following introduction is not a summary of this Official Statement. The introduction is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement, pursuant to which the offering of the Bonds to potential investors is exclusively made. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used but not defined in this Official Statement have the meanings given in the Indenture. No descriptions and summaries of documents contained in this Official Statement purport to be comprehensive or definitive, and reference is made to each document described or summarized for complete details of all its terms and conditions.

INTRODUCTION

In General

The Bonds are limited obligations of the Authority payable from the Revenues (defined herein) pledged under an Indenture of Trust, dated as of March 1, 2024 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), consisting primarily of installment payments (the “Installment Payments”) to be made by the Indian Wells Valley Water District, a county water district duly organized and existing under the laws of the State of California (the “District”) under an installment sale agreement, dated as of March 1, 2024, by and between the Authority and the District (the “Installment Sale Agreement”). The Installment Payments are secured by a pledge of and lien on the Net Revenues of the District’s municipal water enterprise (the “Water Enterprise”).

Pursuant to the Indenture, the Authority has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners, substantially all of its rights under the Installment Sale Agreement, including the right to receive Installment Payments from the District and the right to exercise any remedies provided therein in the event of a default by the District thereunder.

Purpose of the Bonds

The Bonds are being issued to (i) finance the acquisition, construction and installation of certain new improvements and facilities which will constitute part of the Water Enterprise (as more particularly described under the caption “FINANCING PLAN – the “2024 Project”), (ii) purchase a municipal bond insurance policy, and (iii) pay the costs of issuance incurred in connection with the issuance, sale and delivery of the Bonds. See “THE FINANCING PLAN” herein.

Sources of Payment for the Bonds

The Bonds are special limited obligations of the Authority, payable solely from and secured by a first pledge of the Revenues received by the Authority from the District under the Installment Sale Agreement, and from certain interest and other income derived from certain funds and accounts held under the Indenture (collectively, the “Revenues,” as more fully described herein). The Installment Payments under the Installment Sale Agreement, along with investment earnings, are calculated to be sufficient to permit the Authority to pay the principal of, and interest on, the Bonds when due.

The obligation of the District to make Installment Payments is a special limited obligation of the District payable solely from Net Revenues consisting generally of all gross income and revenue from the Water Enterprise, less the maintenance and operations costs of the Water Enterprise. See “SECURITY FOR THE BONDS” herein.

Authority for Issuance of the Bonds

The Bonds are being issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584) (the “Bond Law”), a Resolution adopted by the Board of Directors of the Authority on February 15, 2024 (the “Authority Resolution”), a Resolution adopted by the Board of Directors of the District on January 18, 2024 (the “District Resolution” and together with the Authority Resolution, the “Resolutions”), and the Indenture.

The District

Indian Wells Valley Water District was formed on January 24, 1955 under the name of Ridgecrest County Water District. The District’s name was changed in 1970 to Indian Wells Valley County Water District and in 1980 to its current name, Indian Wells Valley Water District. The District provides water service to approximately 12,431 customers located in and around the City of Ridgecrest, California (the “City”), which has a population of about 27,885. The total population within the District’s service area is approximately 35,000.

The District is located in the southern portion of the Indian Wells Valley and in the northeastern corner of Kern County (the “County”) and is headquartered in the City. The District is located approximately 110 miles north of San Bernardino, approximately 110 miles west of Bakersfield, and approximately 135 miles northeast of Los Angeles. The District owns, operates and maintains a water supply, storage, and distribution system (as further defined herein, the “Water Enterprise” or “System”). For additional information about the District, see “THE DISTRICT” herein, and for additional information about the City and surrounding area, see “APPENDIX D – GENERAL INFORMATION ABOUT THE CITY OF RIDGECREST, COUNTY OF KERN AND SURROUNDING AREA” herein.

The Authority

The Authority was created by a Joint Exercise of Powers Agreement, dated as of June 24, 2020 (the “Joint Exercise of Powers Agreement”), and pursuant to the provisions of the Joint Exercise of Powers Act, Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the “Act”). The Authority was created for the primary purpose of facilitating the financing of public capital improvements and facilities for California public agencies. See “THE AUTHORITY” herein.

The Water Enterprise

The District owns and operates water supply wells, storage tanks, and distribution system pipelines that supply chlorinated groundwater to approximately 12,431 active accounts. Water is conveyed through a supply and distribution system that includes 11 active production wells 13 above ground tanks, 73 miles of 12-inch diameter or larger pipe and about 145 miles of less than 12-inch diameter pipe (together with all other District properties and assets, the “Water Enterprise”). See “THE WATER ENTERPRISE” herein.

Water Supply

The District’s water supply consists of groundwater pumped from eleven District-owned wells. The District’s wells are located in the Indian Wells Valley Groundwater Basin, a non-adjudicated basin which has been deemed to be a high priority overdraft basin under the Sustainable Groundwater Management Act, a legislative effort to regulate groundwater on a Statewide basis. See “THE WATER ENTERPRISE – Water Supply Sources” herein.

Description of the Bonds

Payment. Principal of the Bonds will be payable in each of the years and in the amounts set forth on the inside front cover hereof at the principal corporate office of the Trustee. The Bonds will accrue interest from their date of delivery, and interest thereon will be payable semiannually on April 1 and October 1 of each year (each, an “Interest Payment Date”), commencing October 1, 2024, by check mailed by the Trustee on each Interest Payment Date to the person whose name appears in the registration books kept by the Trustee as the registered owner thereof as of the close of business on the fifteenth calendar day of the month, whether or not such fifteenth day is a Business Day, immediately preceding an interest payment date (a “Record Date”); provided, however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more, payable when due by wire of the Trustee to DTC which will in turn remit such interest, principal and premium, if any, to DTC Participants (as defined herein), which will in turn remit such interest, principal and premium, if any, to Beneficial Owners (as defined herein) of the Bonds. See “APPENDIX F – DTC’S BOOK-ENTRY ONLY SYSTEM” herein.

Redemption. The Bonds are subject to optional, extraordinary and mandatory sinking account redemption prior to their stated maturity dates, as provided herein. See “THE BONDS – Redemption Provisions” herein.

Form of Bonds. The Bonds will be issued in fully registered form, without coupons, in the minimum denominations of \$5,000 or any integral multiple thereof. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Indenture. See “THE BONDS – General.” When

delivered, the Bonds will be registered in the name of The Depository Trust Company, New York, New York (“DTC”), or its nominee. DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing the Bonds purchased. See “APPENDIX F – DTC’S BOOK-ENTRY ONLY SYSTEM” herein.

Sources of Payment for the Installment Sale Agreement

In General. Pursuant to the Installment Sale Agreement, the District has agreed to pay Installment Payments to the Authority as the purchase price of certain water system facilities pertaining to the District’s Water Enterprise. See “THE FINANCING PLAN” herein. The aggregate Installment Payments are scheduled to be sufficient, in time and amount, for the Authority to pay principal of and interest and premium, if any, on the Bonds when due. The District is obligated to make such payments solely from Net Revenues. See “SECURITY FOR THE BONDS – Pledge of Net Revenues” herein.

Rate Covenants. Under the Installment Sale Agreement, the District has covenanted that, to the extent provided by law, it will fix, prescribe, revise and collect rates, fees and charges for the services and commodities furnished by the Water Enterprise for each Fiscal Year which are sufficient to yield Net Revenues, during each such Fiscal Year, equal to not less than 120% of Maximum Annual Debt Service for such Fiscal Year; provided, an adjustment will be made to the amount of Net Revenues for deposits to or withdrawals from the Rate Stabilization Fund. See “THE INSTALLMENT SALE AGREEMENT – Rate Covenants” herein.

Rate Stabilization Fund. Under the Installment Sale Agreement, the District may at its discretion establish and maintain a rate stabilization fund for the Water Enterprise. To the extent established and funded, the District may withdraw amounts from time to time held in such Rate Stabilization Fund. Amounts so withdrawn and transferred to the Water System Fund or Bond Fund will be included in Gross Revenues of the Water Enterprise, and may be applied for any purposes for which such Gross Revenues are generally available. The Rate Stabilization Fund is not pledged to secure payment of the Installment Payments or the Bonds. See “SECURITY FOR THE BONDS – Rate Stabilization Fund” herein.

Risk Factors

The purchase of the Bonds involves certain risks. For a general discussion of certain special factors and considerations relevant to an investment in the Bonds, in addition to the other matters set forth herein, see “RISK FACTORS” herein. The Bonds are not appropriate investments for investors who are not able to bear the associated risks. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Limited Obligations

The obligations of the District to make the Installment Payments and the Additional Payments from the Net Revenues and to perform and observe the other agreements contained in the Installment Sale Agreement will be absolute and unconditional and will not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the District, the Authority, or the Trustee of any obligation to the District or otherwise with respect to the Water Enterprise, or out of indebtedness or liability at any time owing to the District by the Authority or the Trustee.

The Bonds are special, limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. Neither the full faith and credit of the Authority nor its members is pledged for the payment of the interest on or principal or redemption price of the Bonds and no tax or other source of funds, other than the Revenues, is pledged to pay the interest on or principal or redemption price of the Bonds. Neither the payment of the interest on or principal or redemption price of the Bonds constitutes a debt, liability or obligation of the Authority or any member of the Authority for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation.

The District's obligation to pay Installment Payments under the Installment Sale Agreement is a special obligation of the District limited solely to the Net Revenues of the Water Enterprise. No other funds or property of the District are liable for the payment of the Installment Payments or any other amounts payable under the Installment Sale Agreement or the Indenture. The full faith and credit of neither the Authority, the District nor the State of California or any of its political subdivisions is pledged for the payment of the Bonds. The Authority has no taxing power.

No Reserve Fund

The District will not fund a reserve fund for the Bonds.

Parity Obligations

Existing Parity Obligations. The District and Mission Bank entered into an Installment Purchase Agreement, dated as of April 1, 2016, as amended by a First Amendment to Installment Purchase Agreement, dated as of December 1, 2018 (collectively, the "2016 Installment Purchase Agreement"), payable from Net Revenues, which is currently outstanding in the principal amount of \$4,990,749 (the "2016 Obligations").

The District also entered into an Installment Sale Agreement, dated as of December 1, 2018 (the "2018 Installment Sale Agreement"), with the Public Property Financing Corporation of California, payable from Net Revenues, which is currently outstanding in the principal amount of \$23,315,000 (the "2018 Obligations"). The 2016 Obligations and the 2018 Obligations are payable from and secured by the Net Revenues on parity with the Bonds.

Additional Parity Obligations. The Installment Sale Agreement does not permit the District to make any additional pledge of, or to place any additional lien on, the Gross Revenues or Net Revenues, or any portion thereof, which is senior to the pledge and lien securing the payment of the Installment Payments. Subject to certain conditions set forth in the Installment Sale Agreement, the District may incur Parity Obligations payable from and secured by the Net Revenues on parity with the Bonds. See "SECURITY FOR THE BONDS – Additional Parity Obligations" herein.

Subordinate Obligations. Subject to certain conditions set forth in the Installment Sale Agreement, the District may at any time incur revenue installment sale obligations, bonds, notes or other evidences of indebtedness of the District payable from Net Revenues subordinate to the payment of Installment Payments. See "SECURITY FOR THE BONDS – Subordinate Obligations" herein.

Continuing Disclosure

The District has covenanted, on behalf of itself and the Authority, for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District and the Water Enterprise by not later than nine (9) months following the end of the District's Fiscal Year (which currently would be by March 31 each year based upon the June 30 end of the District's Fiscal Year), commencing with the report for the 2023-24 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The District has also covenanted in the Continuing Disclosure Certificate to promptly file audited financial statements and certain other financial information and operating data with respect to the District for the fiscal year ended June 30, 2023 on the EMMA website when they become available.

The District has covenanted to prepare and deliver the Annual Report and notices of certain material events to the Municipal Securities Rulemaking Board, via its Electronic Municipal Market Access ("EMMA") system. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5).

The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein. See "CONTINUING DISCLOSURE" herein.

Tax Matters

Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, as amended (the "Code"), in the opinion of Bond Counsel, interest with respect to the Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also in the opinion of Bond Counsel, interest on the Bonds will be exempt from State of California (the "State") personal income taxes. See "TAX MATTERS" herein.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "intend," "expect," "propose," "estimate," "project," "budget," "anticipate," or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements described to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. No updates or revisions to these forward-looking statements are expected to be issued if or when the expectations, events, conditions, or circumstances on which such statements are based change. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such forward-looking statements. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.

Other Matters

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Furthermore, this Official Statement speaks only as of its date, and the information and expressions of opinions contained herein are subject to change without notice. Neither delivery of this Official Statement nor any sale of the Bonds, under any circumstances, shall create any implication that there has been no change in the affairs of the District or the Water Enterprise since the date of this Official Statement. 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 representations of fact. The presentation of information, including the table of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the District. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The summaries of and references to documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” herein. The information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

FINANCING PLAN

The 2024 Project

A portion of the Bond proceeds will be used to finance the acquisition and construction of certain improvements to the Water Enterprise, including, but not limited to, the (i) replacement of approximately 19,400 linear feet of 30” diameter cement mortar lined and coated steel pipe with approximately 19,400 linear feet of 24” diameter PVC pipe, (ii) construction of approximately 8000 linear feet of new 24-inch PVC domestic water transmission pipeline parallel to an existing 16-inch PVC pipeline, and (iii) replacement of existing appurtenances consisting of 11 in-line control valves, 11 air valves and 10 blow-offs (collectively, the “2024 Project”). The 2024 Project is estimated to cost approximately \$11.5 million. The Bonds will provide \$7.5 million, supplemented by a \$3 million State grant, with the remaining balance covered by the District.

The District expects to undertake any necessary environmental approvals on individual components of the 2024 Project prior to commencement of each component. The District expects to comply with all bidding and other permitting requirements for each component of the 2024 Project as required by law. All components of the 2024 Project are expected to be substantially completed by early 2027; however, failure to meet such timeline will not constitute an event of default under the Indenture.

Pursuant to the Installment Purchase Agreement, the District may substitute or add additional projects to the 2024 Project. See Appendix A under the caption “INSTALLMENT SALE AGREEMENT – Acquisition and Construction of the 2024 Project” hereto.

Sources and Uses of Funds

The anticipated sources and uses of funds relating to the Bonds are as follows:

Sources of Funds:

Principal Amount of Bonds	\$7,345,000.00
<i>Plus:</i> Net Original Issue Premium	405,994.10
<i>Less:</i> Underwriter’s Discount	<u>(56,909.48)</u>
Total Sources	<u>\$7,694,084.62</u>

Uses of Funds:

Deposit to Project Fund	\$7,501,720.09
Deposit to Costs of Issuance Fund ^[1]	<u>192,364.53</u>
Total Uses	<u>\$7,694,084.62</u>

^[1] Moneys deposited in the Costs of Issuance Fund are expected to be used to pay the fees and expenses of the Authority, Bond Counsel, Disclosure Counsel, Municipal Advisor, Trustee and the rating agency, the bond insurance premium, as well as printing and other miscellaneous costs and expenses in connection with the issuance, sale and delivery of the Bonds.

Debt Service Requirements

Table 1 sets forth the annual principal and interest payments on the Bonds (assuming no redemptions of the Bonds, other than mandatory sinking fund redemptions).

Table 1
CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY
SERIES 2024 WATER REVENUE BONDS

ANNUAL DEBT SERVICE SCHEDULE			
<u>Bond Year (April 1)</u>	<u>Principal Portion of Debt Service</u>	<u>Interest Portion of Debt Service</u>	<u>Total Debt Service</u>
2025	\$100,000.00	\$348,627.36	\$448,627.36
2026	120,000.00	326,150.00	446,150.00
2027	125,000.00	320,150.00	445,150.00
2028	130,000.00	313,900.00	443,900.00
2029	140,000.00	307,400.00	447,400.00
2030	145,000.00	300,400.00	445,400.00
2031	150,000.00	293,150.00	443,150.00
2032	160,000.00	285,650.00	445,650.00
2033	165,000.00	277,650.00	442,650.00
2034	175,000.00	269,400.00	444,400.00
2035	185,000.00	260,650.00	445,650.00
2036	195,000.00	251,400.00	446,400.00
2037	205,000.00	241,650.00	446,650.00
2038	215,000.00	231,400.00	446,400.00
2039	225,000.00	220,650.00	445,650.00
2040	235,000.00	209,400.00	444,400.00
2041	245,000.00	197,650.00	442,650.00
2042	260,000.00	185,400.00	445,400.00
2043	275,000.00	172,400.00	447,400.00
2044	285,000.00	158,650.00	443,650.00
2045	300,000.00	144,400.00	444,400.00
2046	315,000.00	132,400.00	447,400.00
2047	325,000.00	119,800.00	444,800.00
2048	340,000.00	106,800.00	446,800.00
2049	350,000.00	93,200.00	443,200.00
2050	365,000.00	79,200.00	444,200.00
2051	380,000.00	64,600.00	444,600.00
2052	395,000.00	49,400.00	444,400.00
2053	410,000.00	33,600.00	443,600.00
2054	<u>430,000.00</u>	<u>17,200.00</u>	<u>447,200.00</u>
Totals	<u>\$7,345,000.00</u>	<u>\$6,012,327.36</u>	<u>\$13,357,327.36</u>

Source: The Underwriter.

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to the Bond Law, the Resolutions, the Indenture and the Installment Sale Agreement. All statements in this Official Statement are qualified in their entirety by reference to each such resolution and document.

General Provisions

The Bonds will be executed and delivered in the aggregate principal amount of \$7,345,000. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, and will be dated the date of delivery thereof and will represent interest from such date at the rates per annum and will mature on the dates set forth on the inside cover page of this Official Statement. Interest with respect to the Bonds will be computed based on a year consisting of 360 days and twelve 30-day months.

Interest on the Bonds is payable semiannually from their dated date at the rates set forth on the inside cover page hereof, on April 1 and October 1 of each year (each, an “Interest Payment Date”), commencing October 1, 2024, by check mailed by the Trustee on each Interest Payment Date to the person whose name appears in the registration books kept by the Trustee as the registered owner thereof as of the close of business on the fifteenth calendar day of the month immediately preceding an interest payment date, whether or not such fifteenth day is a Business Day (a “Record Date”); provided, however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more.

While the Bonds are subject to the book-entry system, the principal and interest with respect to the Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the Bonds. See “THE BONDS – DTC and Book-Entry Only System” and “APPENDIX F – DTC’S BOOK-ENTRY ONLY SYSTEM” herein.

Redemption Provisions

Optional Redemption of Bonds. The Bonds maturing on or before April 1, 2032, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after April 1, 2033, are subject to redemption in whole or in part in integral multiples of \$5,000, by such maturities as are selected by the Authority (or, if the Authority fails to designate such maturities, then pro rata among maturities), and randomly by lot within a maturity, from any source of available funds (including prepayments of Installment Payments made by the District pursuant to the Installment Sale Agreement), on any date on or after April 1, 2032, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption of Bonds. The Bonds maturing on April 1, 2041 are subject to mandatory redemption from monies in the Sinking Account prior to their stated maturity date, at the principal amount thereof without premium on each April 1, on and after April 1, 2039, in accordance with the terms of the Indenture, in the principal amounts set forth in the following schedule:

<u>Redemption Date</u> <u>(April 1)</u>	<u>Principal Amount</u> <u>to be Redeemed</u>
2039	\$225,000
2040	235,000
2041*	245,000

* Maturity

The Bonds maturing on April 1, 2044 are subject to mandatory redemption from monies in the Sinking Account prior to their stated maturity date, at the principal amount thereof without premium on each April 1, on and after April 1, 2042, in accordance with the terms of the Indenture, in the principal amounts set forth in the following schedule:

<u>Redemption Date</u> <u>(April 1)</u>	<u>Principal Amount</u> <u>to be Redeemed</u>
2042	\$260,000
2043	275,000
2044*	285,000

* Maturity

The Bonds maturing on April 1, 2049 are subject to mandatory redemption from monies in the Sinking Account prior to their stated maturity date, at the principal amount thereof without premium on each April 1, on and after April 1, 2045, in accordance with the terms of the Indenture, in the principal amounts set forth in the following schedule:

<u>Redemption Date</u> <u>(April 1)</u>	<u>Principal Amount</u> <u>to be Redeemed</u>
2045	\$300,000
2046	315,000
2047	325,000
2048	340,000
2049*	350,000

* Maturity

The Bonds maturing on April 1, 2054 are subject to mandatory redemption from monies in the Sinking Account prior to their stated maturity date, at the principal amount thereof without premium on each April 1, on and after April 1, 2050, in accordance with the terms of the Indenture, in the principal amounts set forth in the following schedule:

<u>Redemption Date</u> <u>(April 1)</u>	<u>Principal Amount</u> <u>to be Redeemed</u>
2050	\$365,000
2051	380,000
2052	395,000
2053	410,000
2054*	430,000

* Maturity

Extraordinary Mandatory Redemption from Insurance and Condemnation Proceeds. The Bonds are subject to mandatory redemption prior to their respective stated maturities, as a whole, or in part in the order of maturity as directed by the Authority or the District in a written request provided to the Trustee and randomly within each maturity, on any date, in integral multiples of \$5,000, from and to the extent of the proceeds of disposition of Water Enterprise, Net Proceeds of casualty insurance or a condemnation award upon the terms and conditions of, and as provided for in, the Indenture and the Installment Sale Agreement, at a redemption price equal to the principal amount thereof plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a particular maturity, the Bonds to be redeemed are required to be selected pro rata by maturity or, at the election of the Authority or of the District (as agent of the Authority) set forth in a Request of the Authority or District, as the case may be, filed with the Trustee, from such maturities as shall be determined by the Authority or District, as the case may be; and in all cases, the Trustee shall select the Bonds to be redeemed from all Bonds or such given portion thereof not previously called for redemption randomly within a maturity in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

Notice of Redemption. The Trustee shall give notice of redemption to the Owners of the Bonds and to certain security depositories and information services, not less than twenty (20) nor more than sixty (60) days prior to the redemption date. Such notice must specify the date of the notice, the redemption date, the redemption place and the redemption price, whether less than all of the Bonds are to be redeemed, and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, all as more fully specified in the Indenture, and shall require that such Bonds be surrendered on the redemption date at the office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. Failure by any Owner of a Bond to receive such notice or any defect in any notice so mailed will not affect the sufficiency of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest on the date fixed for redemption.

Rescission of Notice of Redemption. The Authority has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. Neither the District, the Authority nor the Trustee will have any liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will cause notice of such rescission to be mailed, first class mail, postage prepaid, to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books, and to the Municipal Securities Rulemaking Board and the Securities Depositories.

Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the District, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond being redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption will have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date. All such Bonds redeemed will be canceled by the Trustee. All moneys held by or on behalf of the Trustee for the payment of principal of or interest or premium on Bonds whether at redemption or maturity, will be held in trust for the account of the Owners thereof and the Trustee will not be required to pay Owners any interest on, or be liable to Owners for any interest earned on, moneys so held.

Purchase in Lieu of Redemption. At any time prior to the selection of Bonds for redemption, the Trustee may, upon written direction of either the Authority or the District, apply amounts held for redemption of Bonds to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest payable from the Interest Account) as either the Authority or the District may direct the Trustee, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price of such Bonds; and provided further that in the case of optional redemption, in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts for redemption may be used for payment of such Bonds to be redeemed in order of their due date as set forth in a request of either the Authority or the District.

DTC and Book-Entry Only System

The Bonds will be issued as one fully registered bond certificate without coupons for each maturity (unless the Bonds of such maturity bear different interest rates, then one certificate for each interest rate among such maturity) and, when issued, will be initially issued in book-entry only form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases may be made in book-entry form only, in integral multiples of \$5,000.

Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. So long as DTC’s book-entry system is in effect with respect to the Bonds, notices to Owners of the Bonds by the Authority or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the Bonds, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. The Authority cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the 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 serve and act in the manner described in this Official Statement. See “APPENDIX F – DTC’S BOOK-ENTRY ONLY SYSTEM” herein.

Transfers and Exchanges Upon Termination of Book-Entry Only System

In the event that the book-entry system described above is discontinued, the Bonds will be printed and delivered as provided in the Indenture. Thereafter, the Bonds may be transferred and title thereto will pass only in the manner provided in the provisions for registration set forth in the forms of the Bond. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept by the Trustee under the Indenture, by the person in whose name it is registered, in person or by such person’s duly

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

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

The Trustee will not be required to register the exchange or transfer of any Bond (i) within 15 days preceding selection of Bonds for prepayment or (ii) selected for redemption in whole or in part.

BOND INSURANCE

The information herein and hereto concerning the terms of the Municipal Bond Insurance Policy for the Bonds (the "Policy") has been prepared by Build America Mutual Assurance Company (interchangeably, "BAM" or "Insurer") for inclusion in this Official Statement. No representation is made by the District as to the accuracy, completeness or adequacy of such information, nor as to the absence of material adverse changes in such information subsequent to the date of this Official Statement.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM will issue its Policy. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$500.0 million, \$230.7 million and \$269.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under this section entitled "BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

SECURITY FOR THE BONDS

The Bonds are special limited obligations of the Authority, payable solely from and secured by a first pledge of the Revenues consisting primarily of Installment Payments received by the Authority from the District under the Installment Sale Agreement, and from certain interest and other income derived from certain funds and accounts held under the Indenture. The obligation of the District to pay Installment Payments is a special obligation of the District payable solely from Net Revenues, and does not constitute a debt or indebtedness of the District the Authority, the State or any of its political subdivisions in contravention of any constitutional or statutory debt limitation or restriction.

This section provides summaries of the security for the Bonds and certain provisions of the Indenture. See "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a more complete summary of the Indenture and Installment Sale Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Pledge of Revenues

All Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Indenture are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds as provided in the Indenture, and the Revenues may not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Indenture.

“Revenues” means (a) all amounts received by the Authority or the Trustee pursuant to or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments payable pursuant to the Installment Sale Agreement (including both timely and delinquent payments, any late charges, and whether paid from any source, insurance proceeds and condemnation proceeds deposited in the Insurance and Condemnation Fund and prepayments of Installment Payments), but excluding any Additional Payments, (b) amounts deposited in the Bond Fund, and (c) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture (except the Rebate Fund).

Such pledge constitutes a lien on and security interest upon the Revenues and all other moneys on deposit in the funds and accounts established under the Indenture (other than amounts on deposit in the Rebate Fund) for the payment of the interest and premium, if any, on and principal of the Bonds in accordance with their terms and the terms of the Indenture.

In the Indenture, the Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the Installment Sale Agreement (except for the right to receive any respective Additional Payments (as defined herein) to the extent payable to the Authority and certain rights to indemnification set forth in the Installment Sale Agreement).

In order to carry out and effectuate the pledge, charge and lien on Revenues provided in the Indenture, the Authority agrees and covenants in the Indenture that all Revenues will be promptly deposited by the Trustee upon receipt thereof in the Bond Fund created under the Indenture, which the Trustee will establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Installment Sale Agreement to be deposited in the Redemption Fund will be promptly deposited in such Fund. All Revenues will be accounted for through and held in trust in the Bond Fund, and the Authority has no beneficial right or interest in any of the Revenues except only as provided in the Indenture.

Flow of Funds

On each Interest Payment Date, the Trustee has agreed to transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

- (1) Interest Account. On each Interest Payment Date, the Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds, including any amounts owed to the Insurer, the amount of interest becoming due and payable on the mandatory sinking fund payment due on all Outstanding Term Bonds, if any, and an amount due on the next redemption date on the Bonds to be redeemed (other than pursuant to mandatory sinking fund redemption). No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all

Outstanding Bonds on such Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture). In the event that the amounts on deposit in the Interest Account on any Interest Payment Date are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Bonds, the Trustee shall apply such amounts to the payment of interest on each of the Outstanding Bonds on a pro rata basis.

(2) Principal Account. On each Interest Payment Date on which the principal of the Bonds is payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, including any amounts owed to the Insurer, the amount of principal becoming due and payable on the mandatory sinking fund payment due on all Outstanding Term Bonds, if any, and an amount due on the next redemption date on the Bonds to be redeemed (other than pursuant to mandatory sinking fund redemption). All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds at the maturity or sinking fund payment date thereof.

(3) Surplus. As long as all of the foregoing payments, allocations and transfers are made at the times and in the manner described above, any moneys remaining in the Bond Fund may at any time be treated as surplus and applied as provided in the Indenture.

No Reserve Fund

Neither the Indenture nor the Installment Sale Agreement establishes a debt service reserve fund for the Bonds. Any debt service reserve fund established in connection with Parity Obligations will not be available to support payment of the Bonds.

Limited Obligation

The Revenues constitute a trust fund for the security and payment of the principal or Redemption Price of and interest on the Bonds. The general fund of the District is not liable and the credit or taxing power of the District is not pledged for the payment of Installment Payments or the principal or interest on the Bonds. The obligation of the District to pay Installment Payments does not constitute an obligation of the District 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.

The Owners of the Bonds may not compel the exercise of the taxing power by the District or the forfeiture of its property. The principal of and interest on the Bonds are not a debt of the District, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of its property, or upon any of their income, receipts, or revenues except the Revenues and other amounts pledged under the Indenture.

THE INSTALLMENT SALE AGREEMENT

Installment Payments

The District's obligation to pay the Installment Payments, the Additional Payments and any other amounts coming due and payable under the Installment Sale Agreement is a special obligation of the District limited solely to Net Revenues. Under no circumstances will the District be required, obligated or liable to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified in the Installment Sale Agreement for the payment of the Installment Payments and Additional Payments, nor will any other funds or property of the District be liable for the payment of the Installment Payments, Additional Payments or any other amounts coming due and payable under the Installment Sale Agreement.

The obligations of the District to make the Installment Payments and Additional Payments from the Net Revenues and to perform and observe the other agreements contained in the Installment Sale Agreement shall be absolute and unconditional and will not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the District, the Authority or the Trustee of any obligation to the District or otherwise with respect to the Water Enterprise, whether under the Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the District by the Authority.

As security for the payment of the Bonds, the Authority has assigned to the Trustee the Authority's rights and remedies under the Installment Sale Agreement, including the right to receive the Installment Payments.

The obligation of the District to pay the Installment Payments is limited to the Net Revenues.

Net Revenues

Net Revenues is defined in the Installment Sale Agreement to mean, for any Fiscal Year or twelve (12) calendar month period, the Gross Revenues of the Water Enterprise during such Fiscal Year or twelve (12) calendar month period less the Operation and Maintenance Costs during such Fiscal or twelve (12) calendar month period; plus deposits to the Water System Fund or Bond Fund from amounts on deposit in the Rate Stabilization Fund during such period, but excluding in all cases any moneys transferred to the Rate Stabilization Fund during such period pursuant to the Installment Sale Agreement.

"Water Enterprise" means, collectively, the entire water collection, storage, treatment, transmission and distribution system now owned or operated by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Water Enterprise, including, but not limited to, any and all properties and assets, real and personal, tangible and intangible, of the District, now or hereafter existing, used or pertaining to the collection, storage, treatment, transmission and distribution system, including all contractual rights to water supply and transmission, as well as all pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, storage, treatment, transmission and distribution of water, and any necessary lands, rights of way and other real or personal property useful in connection therewith, and all additions, extensions, expansions, improvements and betterments thereto and equipments thereof.

“Gross Revenues” means all gross income and revenue received, or receivable by the District, from the ownership and operation of the Water Enterprise, determined in accordance with Generally Accepted Accounting Principles, including, without limiting the generality of the foregoing, (a) all rates, fees and charges received for, and all other income and receipts derived by, the District from the operation of the Water Enterprise or arising from the Water Enterprise, including all rates, fees and charges received by the District for the Water Enterprise service and the other services of the Water Enterprise, (b) all proceeds of insurance (if any) covering business interruptions loss relating to the Water Enterprise, (c) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other monies to the extent that the use of such earnings and income is limited by or pursuant to law to the Water Enterprise, including all income from the investment of amounts on deposit in the Water System Fund, the Parity Obligation Payment Fund, and the Rate Stabilization Fund, (d) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water Enterprise, and (e) all other monies howsoever derived by the District from the operation of the Water Enterprise or arising from the Water Enterprise, including major facility charges; provided, that the term “Gross Revenues” shall not include contributions in aid of construction or refundable customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid or incurred by the District for maintaining and operating the Water Enterprise, determined in accordance with Generally Accepted Accounting Principles, including but not limited to (a) costs of acquisition of water, including all associated treatment and delivery costs, to be used by the Water Enterprise, (b) costs of electricity and other forms of energy supplied to the Water Enterprise, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water Enterprise in good repair and working order, (d) the reasonable administrative costs of the District attributable to the operation and maintenance of the Water Enterprise, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and (e) all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms of the Installment Sale Agreement or of any resolution authorizing the issuance of any Parity Obligations or of such Parity Obligations, such as compensation, reimbursement and indemnification of the trustee for any such Parity Obligations and fees and expenses of Independent Certified Public Accountants and engineers, but in all cases excluding (i) debt service payable on obligations incurred by the District with respect to the Water Enterprise, including but not limited to the Installment Payments and any debt service payments made or to be made on Parity Obligations and Subordinate Obligations, (ii) costs of capital additions, replacements, betterments, extensions or improvements which under Generally Accepted Accounting Principles, are chargeable to a capital account, and (iii) depreciation, replacement and obsolescence charges or reserves therefore and amortization of intangibles or other bookkeeping entries of a similar nature.

Water System Fund

The District has heretofore established a water utility fund into which the District deposits and will continue to deposit all Gross Revenues (the “Water System Fund”), which the District has covenanted to maintain throughout the Term of the Installment Sale Agreement.

In the Installment Sale Agreement, all of the Net Revenues are irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments and any other Parity Obligations, and except

as otherwise provided therein, the Net Revenues will not be used for any other purpose so long as any of the Installment Payments remain unpaid.

All of the Gross Revenues will be deposited by the District immediately upon receipt in the Water System Fund. The District covenants and agrees that all Net Revenues will be held by the District in the Water System Fund in trust for the benefit of the Trustee (as assignee of the rights of the Authority) and the Bond Owners, and for the benefit of the owners of any Parity Obligations.

On or before each Installment Payment Date, the District will withdraw from the Water System Fund and transfer to the Trustee, for deposit in the Bond Fund, an amount of Net Revenues which, together with the balance then on deposit in the Bond Fund, including all sub accounts, but excluding amounts resulting from the prepayment of the Installment Payments pursuant to the Installment Sale Agreement and other than amounts required for payment of principal of or interest on any Bonds which have matured or been called for redemption but which have not been presented for payment), is equal to the aggregate amount of each Installment Payment coming due and payable on the next succeeding Interest Payment Date.

In addition, the District shall withdraw from the Water System Fund such amounts at such times as shall be required to: (i) pay all Operation and Maintenance Costs as they come due and payable; (ii) pay the principal of and interest on any Parity Obligations and otherwise comply with the provisions of the instruments authorizing the issuance of any Parity Obligations; and (iii) pay all other amounts when and as due and payable under the Installment Sale Agreement.

In addition to the Installment Payments, the District shall pay when due Additional Payments, which generally consist of all costs and expenses incurred by the Authority and the Trustee to comply with the provisions of the Indenture, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund) and amounts payable to the federal government pursuant to the Indenture, and shall pay costs and fees of the Trustee, as described in the Indenture.

Rate Covenants

Covenant Regarding Gross Revenues. The District shall, to the fullest extent permitted by law, fix, prescribe, revise and collect rates, fees and charges for the services and commodities furnished by the Water Enterprise during each Fiscal Year (together with other funds accumulated from Gross Revenues and which are lawfully available to the District for payment of any of the following amounts during such Fiscal Year), which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues which are sufficient to pay the following amounts in the following order of priority:

(i) All Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;

(ii) The Installment Payments and the principal of and interest on any Parity Obligations and Subordinate Obligations as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such Installment Payments or such principal and interest on any Parity Obligations or Subordinate Obligations are payable from the proceeds of the Bonds or Parity Obligations, or from any other source of legally available funds of the District which have been deposited with the Trustee for such purpose prior to the commencement of such Fiscal Year;

(iii) All amounts, if any, required to restore the balance any required reserve funds to the full amount of the applicable requirement; and

(iv) All Additional Payments and other payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable, from Gross Revenues during such Fiscal Year, including payments with respect to Subordinate Obligations.

Covenant Regarding Net Revenues. In addition to the covenant regarding Gross Revenues, the District shall, to the fullest extent permitted by law, fix, prescribe, revise and collect rates, fees and charges for the services and commodities furnished by the Water Enterprise for each Fiscal Year which are reasonably fair and nondiscriminatory and which are sufficient to yield Net Revenues for such Fiscal Year equal to at least 120% of the Maximum Annual Debt Service in such Fiscal Year; provided, an adjustment will be made to the amount of Net Revenues for deposits to or withdrawals from the Rate Stabilization Fund.

“Maximum Annual Debt Service” means with respect to the Installment Payments and all Parity Obligation Payments, as of the date of any calculation, the maximum sum obtained for the current or any future Bond Year by totaling the following amounts for such Bond Year:

(a) the aggregate principal amount of the Installment Payments and any Parity Obligation Payments coming due and payable by their terms in such Bond Year, including the principal amount required to be paid by operation of mandatory sinking fund prepayment in such Bond Year; and

(b) the amount of interest which would be due during such Bond Year on the aggregate principal amount of the Installment Payments and any Parity Obligation Payments which would be Outstanding in such Bond Year if the Installment Payments and any Parity Obligations are retired as scheduled.

Notwithstanding the foregoing definition of Maximum Annual Debt Service, with respect to any Parity Obligations which then bear interest at a variable rate, such interest shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if such Parity Obligations are not yet outstanding, the initial rate (if established and binding), (ii) if such Parity Obligations have been outstanding for at least 12 months, the average rate of the 12 months immediately preceding the date of calculation, (iii)(A) if interest on such Parity Obligations is excludable from gross income under the Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus 50 basis points, or (B) if interest is not so excludable, the interest rate on direct United States Treasury obligations with comparable maturities plus fifty (50) basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a certain period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during such period.

Rate Stabilization Fund

Under the Installment Sale Agreement, the District created a separate fund to be known as the “Rate Stabilization Fund,” to be held, replenished and maintained by the District. The District may, during or within 210 days after a Fiscal Year, deposit any amount of funds which are legally available therefor into the Rate Stabilization Fund. The District may at any time withdraw moneys from the Rate Stabilization Fund. Net Revenues deposited into the Rate Stabilization Fund shall not be taken into account as Net Revenues for purposes of the calculations required by the 120% Net Revenues rate covenant set forth above in the Fiscal

Year to which such deposit is attributable, and amounts withdrawn from the Rate Stabilization Fund, during or within 210 days after a Fiscal Year, may be taken into account as Net Revenues for purposes of the calculations required by such covenants in such Fiscal Year to the extent provided in the Installment Sale Agreement.

In addition, the District may withdraw amounts on deposit in the Rate Stabilization Fund for any other lawful purpose. The Rate Stabilization Fund is not pledged to secure payment of the Installment Payments. There will be a balance of \$3,244,000 in the Rate Stabilization Fund at the time of Closing.

Limited Unconditional Obligation

The District's obligation to pay the Installment Payments, the Additional Payments and any other amounts coming due and payable under the Installment Sale Agreement are a special limited obligation of the District limited solely to the Net Revenues. Under no circumstances shall the District be obligated, liable or required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified for the payment of the Installment Payments and the Additional Payments, nor shall any other funds or property of the District be liable for the payment of the Installment Payments, Additional Payments or any other amounts coming due and payable under the Installment Sale Agreement.

Subject to the preceding paragraph, the obligations of the District to make the Installment Payments and Additional Payments from Net Revenues, and to perform and observe the other agreements contained in the Installment Sale Agreement, shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the District, the Authority or the Trustee of any obligation to the District or otherwise with respect to the Water Enterprise, whether under the Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the District by the Authority.

Until such time as all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable under the Installment Sale Agreement have been fully paid or prepaid, the District has agreed that it (a) will not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts, (b) will perform and observe all other agreements contained in the Installment Sale Agreement, and (c) will not terminate the Term of the Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water Enterprise, sale of the Water Enterprise, the taking by eminent domain of title to or temporary use of any component of the Water Enterprise, commercial frustration of purpose, any change in the tax or law other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or the Installment Sale Agreement.

Issuance of Additional Obligations

In addition to the Installment Sale Agreement, the District may from time to time to issue or incur additional Parity Obligations, upon such terms and conditions as the District shall deem advisable, but only upon compliance with the following conditions which are conditions precedent to the issuance and delivery of Parity Obligations:

(a) No Event of Default (or event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance

(b) Net Revenues, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any other 12-month period selected by the District ending not more than 90 days prior to the date of issuance of such Parity Obligations, in either case verified by a certificate or opinion of an Independent Certified Public Accountant employed by the District, plus (at the option of the District) the Additional Revenues, are at least equal to 120% of the amount of Maximum Annual Debt Service with respect to the Installment Payments and all Parity Obligation Payments then outstanding, including the Parity Obligations then proposed to be issued (collectively, the "Coverage Requirement").

Nothing in the Installment Sale Agreement prohibits or impairs the authority of the District to issue bonds or other obligations secured by a lien on Net Revenues that is subordinate to the lien established under the Installment Sale Agreement, upon such terms and in such principal amounts as the District may determine.

"Additional Revenues" means, with respect to the issuance of any Parity Obligations, any or all of the following amounts:

(a) An allowance for Net Revenues from any additions or improvements to or extensions of the Water Enterprise to be made with the proceeds of such Parity Obligations and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or for any more recent consecutive twelve (12) month period selected by the District, were not in service, all in an amount equal to the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first full Fiscal Year in which each addition, improvement or extension is respectively to be in operation, all as shown by the Certificate of an Authorized Representative of the District.

(b) An allowance for Net Revenues arising from any increase in the charges made for service from the Water Enterprise which has become effective prior to the incurring of such Parity Obligations but which, during all or any part of such Fiscal Year or such twelve (12) month period, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or twelve (12) month period, all as shown by the Certificate of an Authorized Representative of the District.

Insurance; Net Proceeds

The District will procure and maintain such insurance relating to the Water Enterprise (but only if and to the extent available at reasonable cost from reputable insurers) a standard comprehensive general insurance policy or policies in protection of the Authority, the Trustee, the District, and their respective members, officers, agents and employees. In addition, the District will procure and maintain, or cause to be procured and maintained (but only in the event and to the extent available from reputable insurers at reasonable cost) casualty insurance against loss or damage to any improvements constituting any part of the Water Enterprise, covering such hazards as are customarily covered with respect to works and property of like character.

Such standard comprehensive general insurance or casualty insurance may be maintained as part of or in conjunction with any other liability or casualty insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District, subject to the provisions of the Installment Sale Agreement, or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance. All amounts collected from insurance against accident to or destruction of any portion of the Water Enterprise shall be Gross Revenues and shall be used to repair, rebuild or replace such damaged or destroyed portion of the Water Enterprise or otherwise as permitted by the Installment Sale Agreement.

THE AUTHORITY

The California Municipal Public Financing Authority is a joint exercise of powers authority organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated as of June 24, 2020 (the “Joint Exercise of Powers Agreement”), as amended, by and between the certain California public agencies. The Joint Exercise of Powers Agreement was entered into pursuant to the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Act”). The Authority is authorized pursuant to Article 4 (commencing with section 6584) of the Act (the “Bond Law”) to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of financing and/or refinancing public capital improvements of public entities, including the District.

The Authority has entered into, sold and delivered obligations, and will in the future enter into, sell and deliver obligations, other than the Bonds, which other obligations are and will be secured by instruments separate and apart from the Indenture and the Installment Sale Agreement. The holders of such obligations of the Authority have no claim on the security for the Bonds and the holders of the Bonds will have no claim on the security of such other obligations issued by the Authority.

THE DISTRICT

General

The Indian Wells Valley Water District was formed on January 24, 1955 under the name of Ridgecrest County Water District. The District’s name was changed in 1970 to Indian Wells Valley County Water District and in 1980 to its current name, Indian Wells Valley Water District. The District provides water service to approximately 12,431 active accounts located in and around the City, which has a population of about 27,885. The total population within the District’s service area is approximately 35,000. The District is located in the southern portion of the Indian Wells Valley and in the northeastern corner of the County, approximately 110 miles north of San Bernardino, and approximately 135 miles northeast of Los Angeles.

The District owns, operates and maintains a water supply, storage, and distribution system (referred to herein as the Water Enterprise). The District has a staff of approximately 32 full-time regular employees. It operates strictly from water rate charges and fees for services, with none of its revenues coming from taxes or federal sources. See “APPENDIX D – GENERAL INFORMATION ABOUT THE CITY OF RIDGECREST, COUNTY OF KERN AND SURROUNDING AREA” herein.

Governance and Management

The District is governed by a 5-member Board of Directors (the “Board”), the members of which are elected at large by the registered voters in the District to staggered 4-year terms and is served by a full-time General Manager, Chief Financial Officer and staff. Board members are elected at large for staggered four-year terms. At the regular meeting in December of each year the Board chooses one of its members to serve as President and one of its members to serve as Vice President, each to serve until successors are chosen at the regular meeting in the following December. The current Board members and their respective titles and ending terms of office are as follows:

<u>Board Member</u>	<u>Title</u>	<u>Term Expires</u>
Ronald R. Kicinski	President	November 2024
David C.H. Saint-Amand	Vice President	November 2026
Charles D. Griffin	Board Member	November 2024
Stan G. Rajtora	Board Member	November 2026
Mallory J. Boyd	Board Member	November 2024

The General Manager is appointed by the Board of Directors solely on the basis of executive and administrative qualifications. The General Manager holds office for an indefinite term at the pleasure of the Board of Directors. The General Manager is the chief executive of the District under the direction and control of the Board, and has authority over all other officers and employees except the District’s general counsel. A brief biography of the General Manager and Chief Financial Officer, are set forth below:

George Croll; General Manager. Mr. Croll has recently been appointed as the General Manager of the District. Prior to assuming his current position, Mr. Croll gained extensive experience during his two-decade-long tenure with the Federal Government at Vandenberg Air Force Base. His dedication and expertise led him to serve as the General Manager of Depot Maintenance activities, supporting various on base activities and off base infrastructure.

The remaining members of the Management team are highly experienced individuals who contribute their expertise to the organization’s success. Tyrell Staheli serves as the Chief Financial Officer, with 17 years of experience in finance and administration. Renee Morquecho holds the position of Chief Engineer and has an extensive 27-year background in stormwater and drinking water works. Jason Lillion serves as Operations Manager, with a 14-year history of supervising various operational assignments within the District. Together with the General Manager, this team of seasoned professionals plays a crucial role in guiding the financial, administrative and operational aspects of the District.

Management Policies

The District has adopted several policies that are designed to ensure the prudent and effective management of District operations, including an investment policy, reserve policies and a debt management policy. Further information about each such policy is set forth below.

Investment Policy. The investment policies and practices of the District are established by Resolution 95-15, which was adopted on December 11, 1995, as amended. The investment policy is reviewed annually

by the Board of Directors. The Investment Policy states that all investments shall be of the type specified and authorized under California Government Code section 53601, and that all deposits not invested pursuant to Government Code section 53601 shall be deposited in the manner specified in Government Code section 53635.

The Investment Policy also sets forth stated objectives, including, in order of priority: (i) investments shall be undertaken in a manner which first seeks to preserve portfolio principal; (ii) investments shall be made with maturity dates that are compatible with cash flow requirements and which will permit easy and rapid conversion into cash, at all times, without a substantial loss of value in order to maintain of sufficient liquidity; and (iii) investments shall be undertaken to produce an acceptable rate of return after first consideration for principal and liquidity. Authorized officers must invest District funds in accordance with the prudent person standard under California Civil Code § 2261 et seq.

Reserve Fund Policy. Under the District's Reserve Fund Policy, the District will maintain sufficient moneys on reserve for emergency operating expenses, vehicles, computer replacement and capital improvements. To accomplish the objectives, the Board established the following:

- (1) Operating Reserve: This reserve is intended to be used to fund unplanned expenditures needed as a result of an emergency situation, and maintained at a level not exceeding a balance equaling six (6) months of operating expenses excluding depreciation and debt service.
- (2) Capital Improvement/Replacement Reserve: This reserve is intended to be used to fund the acquisition, replacement or construction of capital equipment or improvements that have met or exceeded their estimated useful lives. This reserve shall not exceed the replacement costs of 1 Five Million Gallon Tank, 1 Well, and 1 Booster Station.
- (3) Vehicle Reserve: This reserve is intended to be used to fund new and replacement vehicles and heavy equipment. This reserve shall not exceed a balance of \$350,000.
- (4) Computer Replacement Reserve: This reserve is intended to be used to fund new and replacement computer technology. The balance of this reserve shall not exceed \$100,000.
- (5) Future Sources of Supply Reserve: This reserve is intended to be used to fund the acquisition, investigation, development or construction of future sources of water supply. The reserve has no set maximum balance.

Amounts held in the District's reserve will be adjusted each year based on the District's operating surplus (or deficit) at the conclusion of each Fiscal Year. Funds are to be used to ensure continued orderly operation of the District's utility systems, with moneys set aside for unanticipated operations and maintenance expenses, extraordinary operating revenue deficits in lieu of a rate increase, future capital improvements, debt service obligations and to sustain District operations in the event of a disaster/emergency or significant economic downturn.

Debt Management Policy. The District has adopted a Debt Management Policy in accordance with California Government Code Section 8855 to establish guidelines and parameters for the effective governance, management and administration of debt issued by the District and its related entities and to ensure compliance with legislation, statutes and laws that place regulations on local agency debt. The following

elements have been incorporated into the Debt Management Policy: (i) the purposes for which debt proceeds may be used; (ii) the types of debt that may be issued; (iii) the relationship of the debt to, and integration with, the District's capital improvement program or budget; (iv) policy goals related to the District's planning goals and objectives; and (v) internal control procedures, including the investment of proceeds, compliance with continuing disclosure undertakings and other post-issuance compliance matters.

Service Area

The District provides water service to the City of Ridgecrest (the "City") and certain adjacent areas. The District's service area encompasses about 38 square miles, lying mostly within the northeastern portion of Kern County and a small portion of San Bernardino County. Approximately eight square miles of the District's service area are public lands under the jurisdiction of the United States Bureau of Land Management, and slightly more than four square miles are situated within Air Installation Compatible Use Zones under the jurisdiction of the Naval Air Weapons Station, China Lake (the "China Lake Naval Air Station"). There is partial overlap of these federal lands; together they occupy about 12 square miles of the District's total service area. Ground surface elevations within the District's service area range from approximately 2,250 feet above sea level to approximately 3,200 feet above sea level.

A majority of the District's service area lies within the City. The City encompasses an area of approximately 21.4 square miles, approximately 9 square miles of which lies within the China Lake Naval Air Station, which is under the jurisdiction of the U.S. Navy. The District does not provide water to the U.S. Navy. The predominant land use within the City is residential, which makes up approximately 39% of the City's land uses. Based on the City's most recent general plan, adopted December 2009, the land use within the City's planning area, excluding federal lands, consists of 39% residential, 3.5% commercial, 1.0% industrial, 52.5% open space, and 3.9% other (including City and county facilities, utilities, and other institutional uses). A relatively small portion of the District's service area is within an unincorporated area of San Bernardino County, adjoining the eastern boundary of the City. Land use within the San Bernardino County portion of the District's service area consists of residential use designated as "Rural Living," allowing for a maximum of one dwelling unit per 2.5-acre lot.

The Indian Wells Valley watershed consists of approximately 860 square miles; nearly 500 square miles in the mountains and hills and approximately 360 square miles on the valley floor. Average precipitation within the watershed ranges from approximately 2 to 5 inches per year, with the surrounding mountains receiving varying quantities of rainfall up to 10 inches per year. The Indian Wells Valley is bounded by the Sierra Nevada on the west, the Coso Range on the north, the Argus Range on the east, and the El Paso Mountains on the south.

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, recapture and salvage any water for beneficial use, to acquire, construct and operate facilities for the collection, treatment, and disposal of storm water, to sell and deliver potable or non-potable water, to contract with the United States, other public agencies, private corporations, or other persons and, subject to constitutional limitations, to levy assessments, taxes and standby charges.

Budget Process

The District prepares and adopts a balanced operating budget for each Fiscal Year which includes proposed expenditures and the means of financing such expenditures (the “Operating Budget”). The District’s budgets are generated using a judicious combination of sources and methods. The General Manager and the Chief Financial Officer are responsible for the formulation and administration of the District’s Operating Budget and Capital Improvement Projects (“CIP”) Budget (“CIP Budget”) and for their execution, review and financial analysis.

A variety of historical water usage statistics and general community growth trends are used to project future water sales and related water service revenues. Non-operating revenues are projected by means of anticipated cash flows and related rates of interest. The District’s Position Control Policy regulates personnel costs. Non-personnel expense budgets are developed on a line-item basis by staff. Justification for all material variances between budget requests and past experience must be provided if the change is to be included in the proposed budget. The CIP Budget is derived from the District’s General Plan. Capital improvements are budgeted on an annual basis from the Capital Improvements Reserve.

The Plant & Equipment Committee reviews the proposed CIP Budget. The Finance Committee reviews both the proposed Operating Budget and the proposed CIP Budget. Once these committees have reviewed and recommended the proposed budgets, the forecasts are available to the public for review. Ultimately, the budgets are submitted to the Board for final approval in a public meeting. A mid-year budget analysis is performed each year. Additional appropriations and modifications of the budget could be enacted, if necessary. Both the Operating and CIP Budgets are available for viewing at the District’s website to ensure the widest possible dissemination.

District Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (the “SDRMA”), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2022, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees’ errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. The District purchased additional excess coverage layers: to a combined total coverage limit of \$10,000,000 for general, auto and public officials’ liability, increasing the limits on the insurance coverage noted above. Deductibles: General Liability Property Damage - \$500, Auto Liability Property Damage - \$1,000.

In addition, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis. A combined total of \$1 billion per occurrence (pool limit), subject to a \$1,000 deductible per occurrence unless otherwise listed in declarations.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence (pool limit), subject to a \$1,000 deductible per occurrence, unless other specific object or peril as listed on the declaration.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim, and an annual pool aggregate of \$8,500,000.
- Workers' compensation insurance up to statutory limits and Employer's Liability Coverage up to \$5 million.

Certain portions of the Water Enterprise, including underground pipelines that are not in the vicinity of the District's wells, are not covered by the District's property insurance. In addition, the District does not maintain insurance coverage for earthquake damage to Water Enterprise facilities. See the caption "RISK FACTORS – Insurance and – Natural Disasters" herein.

No assurance can be given as to the adequacy of the insurance maintained now or in the future by the District to fund necessary repairs or replacement of any portion of the Water Enterprise, and the District does not have any obligation under the Installment Sale Agreement to maintain earthquake coverage or other policies in the current coverage amounts. Significant damage to the Water Enterprise could affect the District ability to generate sufficient Net Revenues to pay the Installment Payments.

See Appendix A under the caption "INSTALLMENT SALE AGREEMENT – COVENANTS OF THE DISTRICT – Insurance" herein for a description of insurance coverages that are required to be maintained while the Bonds are outstanding.

Outstanding Parity Obligations

The District has no outstanding obligations that are payable from Net Revenues of the Water Enterprise on a senior basis to the Installment Payments. The 2016 Obligations and the 2018 Obligations are payable from and secured by the Net Revenues on parity with the Bonds.

The District is permitted to incur Additional Obligations that are payable from Net Revenues on a parity with the Installment Payments in the future upon satisfaction of the conditions that are described under the caption "INSTALLMENT SALE AGREEMENT – Issuance of Additional Obligations" herein.

COVID-19 Outbreak

The spread of the strains of coronavirus which are collectively called SARS-CoV-2, which cause the disease known as COVID-19 (“COVID-19”), and governmental actions in response to COVID-19, impacted the District’s operations and finances in recent years. In response to the initial outbreak, the World Health Organization declared a pandemic and, on March 4, 2020, as part of the State’s response to the outbreak, the State Governor declared a state of emergency. On March 13, 2020, the President declared a national emergency, freeing up funding for federal assistance to state and local governments.

The federal government adopted a number of measures to help address the impacts of COVID-19, including the Coronavirus Aid, Relief and Economic Security (CARES) Act of 2020, under which the District received a total of \$37,878, which it applied to technology upgrades for streaming and remote access to public meetings.

The Governor suspended utility service shutoffs and the collection (although not the imposition) of late fees and penalties for residential customers through December 31, 2021. The imposition of late fees (although not yet their collection) resumed on July 1, 2021. As a result of the foregoing actions, the District’s accounts receivable balance increased between mid-2020 and late 2021. The District has since reinstituted its standard collection procedures which were in place prior to the pandemic. See the caption “THE WATER ENTERPRISE – Delinquent Accounts.”

The District reports that Water Enterprise revenues and expenses for Fiscal Years 2020 through 2022 were not materially affected by the COVID-19 outbreak. The District’s customer base is primarily residential and its water rate structure consists of variable and fixed rate components, which partially mitigates the effect of any reduced water usage by non-residential customers. See the captions “THE WATER ENTERPRISE – Historical Water Enterprise Connections” and “THE WATER ENTERPRISE – Enterprise Rates and Charges” herein. To date, the District has not experienced and does not at this time foresee a future negative impact on Water Enterprise operations or the execution of District services as a result of the COVID-19 outbreak.

THE WATER ENTERPRISE

General

The District owns and operates water supply wells, storage tanks, and distribution system pipelines that supply chlorinated groundwater to approximately 12,431 active accounts. Of those service connections, 11,715 are residential, 560 are commercial, 116 are government/school. The District anticipates growth of approximately 5% additional residential customers over the next five years. The Water Enterprise consists of approximately 11 active production wells, 13 above ground tanks, 73 miles of 12-inch diameter or larger pipe and about 145 miles of less than 12-inch diameter pipe. The Water Enterprise also has 6 booster facilities, 8 emergency standby generators for wells, and 2 emergency standby generators for boosters. The District's wells have a nominal production capability of approximately 13,900 gallons per minute (gpm), which exceeds the current maximum daily demand of 4,400 gpm, by about 9,500 gpm.

Water Supply Sources

The District produces 100% of its water from local groundwater basin known as the Indian Wells Valley Groundwater Basin (the "Groundwater Basin"), which is designated basin number 6-54 in Department of Water Resources Bulletin No. 118. The District does not purchase or otherwise obtain water from a wholesale water supplier, and recycled water is not currently available to the District. The District currently expects that groundwater extracted from the Groundwater Basin will continue to be its primary source of water through the year 2045, and possibly beyond. In its 2016 Bulletin 118 interim update, the California Department of Water Resources (DWR) identified the Groundwater Basin as a critically overdrafted basin of high priority.

The Groundwater Basin is located in the northwestern part of the Mojave Desert in southern California, and underlies approximately 382,000 acres or approximately 600 square miles of land area in portions of the Counties of Kern, Inyo, and San Bernardino, with the majority (approximately 73%) being in Kern County. The Groundwater Basin is managed by the Indian Wells Valley Groundwater Authority (the "Groundwater Authority") which is governed by five public agencies (the District, the City of Ridgecrest, Kern County, Inyo County, and San Bernardino County) that serve as General Members on the Groundwater Authority Board of Directors. A significant amount of land overlying the Groundwater Basin comprises either the China Lake Naval Air Station or public lands managed by the United States Bureau of Land Management ("BLM"). The U.S. Navy and BLM serve as Associate Members (non-voting) on the Groundwater Authority Board of Directors.

The Groundwater Basin is one of the most studied basins in the State. This is a result, in part of the U.S. Navy having a large presence in the area, with monitoring wells and other activities having been undertaken in the past. Currently, the State is using special technology to assess the amount of water in the Groundwater Basin, and has committed to investing additional funds to develop additional information on the Groundwater Basin and its water supplies. A report published by the United States Bureau of Reclamation in 1993 estimated there were 3 million acre feet in storage in the top 300 feet of the underground Groundwater Basin. Taking into account reported pumping since that time, the District estimates there is at least 2.5 million acre feet in storage in the top 300 feet of the Groundwater Basin. Annual production from all local agencies that draw from the Groundwater Basin (including, but not limited to the District) is estimated at 29,000 acre feet per year.

The biggest concern related to the District's water supply relates to water quality, more specifically the amount of total dissolved solids ("TDS") in the water that is extracted from the Groundwater Basin. In general, water that is lower down in the Groundwater Basin has more TDS than water that is at the top of the Groundwater Basin. Accordingly, if the water level in the Groundwater Basin declined substantially, the District's costs to lift and treat water from the Groundwater Basin would increase. For a description of the activities being undertaken with respect to sustainable management of the Groundwater Basin, see "– Sustainable Groundwater Management Act" below.

As an urban water supplier, the District is required to prepare and adopt an Urban Water Management Plan (the "UWMP") every five years and to submit same to the DWR. In 2021, the District adopted its latest UWMP (the "2020 UWMP"). The District has actively encouraged community participation in its urban water management planning efforts since its first UWMP was developed in 1985. The District has adopted an updated version of its UWMP every five years since, which reflected then-current conditions within the District's boundaries, including projected water supplies and demands. Beginning with the 2020 UWMP, a Water Shortage Contingency Plan (the "WSCP") is required to be included in the UWMP. The WSCP is a separate, stand-alone document that is adopted separately from the UWMP; however, it is included within the 2020 UWMP.

The UWMP includes background information regarding groundwater supply and historic water use within the District's service area, as well as water management tools and options that will enable the District and area residents to maximize efficient use of the limited available water resources, reduce per capita water use, and decrease the potential future need to import water from other regions.

Sustainable Groundwater Management Act

As an unadjudicated groundwater basin, the Groundwater Basin is subject to the provisions of Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the "Sustainable Groundwater Management Act," or "SGMA") which was enacted on September 16, 2014. SGMA constitutes a legislative effort to regulate groundwater on a statewide basis. SGMA empowers local agencies to manage groundwater basins in a sustainable manner over a long-term horizon and to tailor groundwater sustainability plans to their regional economic and environmental needs.

DWR has designated the Groundwater Basin as a high priority basin for purposes of groundwater management. SGMA provided that by January 31, 2017, local water supply, water management or land use agencies must establish or designate an entity (referred to as a "Groundwater Sustainability Agency," or "GSA"), subject to DWR's approval, to manage each high and medium priority groundwater basin. The Groundwater Authority is the exclusive GSA for the entirety of the Groundwater Basin.

The purpose of the Groundwater Authority is to create a Groundwater Sustainability Plan (a "GSP") governing the management of groundwater resources in the Groundwater Basin in accordance with SGMA requirements. Each GSA for critically-overdrafted high priority groundwater basins was tasked with submitting a GSP for DWR's approval by January 30, 2020. The Groundwater Authority, as the GSA for the Groundwater Basin, submitted its GSP for DWR's approval by the January 30, 2020 deadline.

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. 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. A local agency that manages groundwater pursuant to its principal act (such as the District) may not exercise such authority in a manner that is inconsistent with any prohibitions or limitations in its principal act unless the governing board of such local agency makes a finding that such local agency is unable to sustainably manage the groundwater basin without the prohibited authority. GSPs must include sustainability goals and a plan to implement such goals within 20 years.

According to the GSP for the Groundwater Basin, the results of overdraft have resulted primarily in the chronic lowering of groundwater levels, the degradation of water quality, and the reduction of groundwater in storage throughout the Groundwater Basin. Due to the location of the Groundwater Basin, seawater intrusion is not currently applicable and is not of concern in the future. The GSP recommends management actions and projects, and provides measurable sustainability objectives and milestones that are intended to achieve Groundwater Basin sustainability while considering the unique geologic and hydrogeologic conditions of the Groundwater Basin. The GSA states that the recommendations contained therein will provide for long-term sustainable groundwater management in the Groundwater Basin within 20 years of GSP implementation.

A copy of the complete GSP, including appendices, is available online at <https://sgma.water.ca.gov/portal/gsp/preview/59>; however, none of the GSP Information is incorporated into this Official Statement by reference thereto, and the District makes no representation as to the accuracy or completeness of such information.

Basin Adjudication

The Groundwater Basin is not adjudicated. The District has initiated a water rights lawsuit to resolve the long-standing overdraft conditions in the Groundwater Basin where water extractions have exceeded natural recharge for years. This action is referred to as a "comprehensive adjudication" and should determine the water rights and quantities of all groundwater pumpers in the Groundwater Basin. This action by the District is necessary to protect and conserve the limited water supply that is vital to the public health, safety, and welfare of all persons and entities in the Groundwater Basin area.

Conditions of overdraft have existed in the Groundwater Basin for decades as a result of groundwater pumping exceeding natural recharge into the Groundwater Basin. Approximately 301,000 acres (of the total 382,000 acres) of land overlying the Groundwater Basin are federal property managed by the U.S. Navy, BLM, and the United States Forest Service. The non-federal lands overlying the Groundwater Basin consist of the City of Ridgecrest and unincorporated land in the counties of Kern, San Bernardino, and Inyo.

Water rights of the federal government are beyond the jurisdiction of the State to regulate. Under applicable law, the federal government may only participate in a water rights lawsuit if such a case is considered to be a comprehensive adjudication. Such steps will involve all stakeholders and pumpers, protect the general welfare of the Groundwater Basin, protect the District's right to pump groundwater from the Groundwater Basin, protect groundwater quality, and manage water costs to the public. The lawsuit will be filed by the District individually, and not as a member of the Groundwater Authority.

Long-Term Water Supply Opportunities

The District does not currently have the infrastructure or agreements that would enable importation of water from outside the local area. Procuring an imported water supply would require purchasing water supplies as well as constructing additional infrastructure. As a member of the Groundwater Authority, the District is involved in certain projects described in the GSP. The GSP includes various water supply projects intended to achieve the sustainability goal. The sustainability goal is to manage and preserve the Groundwater Basin resource as a sustainable water supply. Some of these projects are briefly described below and are described in detail in the GSP.

The GSP includes a project identified as “Project No. 1: Develop Imported Water Supply.” The majority of the Groundwater Basin is within the boundaries of the Kern County Water Agency (“KCWA”), which is a State Water Project (“SWP”) Contractor. The District has had discussions with KCWA in the past regarding short-term and long-term water acquisition, exchanges, and transfers; however, KCWA does not have any unused SWP water that can be made available at this time.

A small portion in the southern part of the Groundwater Basin is within the boundaries of Antelope Valley - East Kern Water Agency (“AVEK”). The nearest existing imported water conveyance facilities are the Los Angeles Department of Water and Power’s (“LADWP’s”) Los Angeles Aqueduct (the “LA Aqueduct”) and AVEK’s water transmission pipeline that terminates near California City (the “California City Pipeline”). The LA Aqueduct conveys surface water runoff from the Eastern Sierra Nevada in Inyo County as well as groundwater from the Mono Basin (collectively referred to herein as “Owens Valley Water”). The LA Aqueduct extends through the western portion of the Groundwater Basin, including through the Freeman-Dixie Wash and El Paso areas. The California City Pipeline is located at California City, approximately 15 miles south of the Groundwater Basin boundaries and 50 miles south of the City of Ridgecrest.

“Project No. 1: Develop Imported Water Supply” includes two options, and it is anticipated that either one or both options will be fully implemented by 2035. These two options are summarized below and are described in additional detail in the GSP.

Under Option 1: Direct Use Project with AVEK, the Groundwater Authority would purchase SWP Table A Entitlement water or potentially a combination of other short- and long-term water supplies in coordination with KCWA, and the Groundwater Authority would arrange for the purchased water to be wheeled through existing AVEK facilities.

Under Option 2: Groundwater Recharge Project with LADWP, the Groundwater Authority would purchase SWP Table A Entitlement water or potentially a combination of other short- and long-term water supplies in coordination with KCWA, and the IWVGA would arrange for the purchased water to be delivered to the Metropolitan Water District of Southern California (“MWD”) and subsequently provided to LADWP for use in LADWP’s service area. In exchange, LADWP would provide Owens Valley water from the LA Aqueduct to the Groundwater Basin for use in a groundwater recharge project.

Water Quality

Groundwater quality varies significantly within the Groundwater Basin. The quality is generally good along the margins and southern portion, and more degraded in the central and eastern portions of the Groundwater Basin. Certain portions of the Groundwater Basin contain water with concentrations of total TDS greater than what is recommended for domestic use. For this reason, the District's domestic water supply wells are located in areas where the water has lower TDS concentrations, and are spaced far enough apart to prevent migration of higher TDS water into the pumping zones. Additionally, the District treats water from four of its domestic water supply wells to remove arsenic prior to distributing the water to customers.

Water Shortage Contingency Plan

The District prepared its initial Water Shortage Contingency Plan in 1992 (the "1992 WSCP") and adopted the same by Resolution No. 92-08 on April 27, 1992. The 1992 WSCP was prepared in response to the adoption of California Assembly Bill 11X ("AB 11X") relating to drought contingency in California. The District recently prepared a revised 2023 Water Shortage Contingency Plan (the "2023 WSCP"). The 2023 WSCP is intended to create a standard and uniform response to a water shortage or a catastrophic interruption of water supplies. Factors that can cause water supply shortages or supply interruptions for the District are earthquakes, equipment failure, chemical spills, and energy outages at treatment and pumping facilities. The District does not anticipate any inconsistency in supply due to legal, environmental, water quality, or climate factors. The actions the District will take in the event of a water supply shortage or supply interruption are described in the 2023 WSCP.

The District maintains a website, www.iwvwd.com, with public notices, announcements, mandatory and voluntary water conservation measures, conservation tips, adopted ordinances, and other information. The District prominently displays on its website notice of current or predicted water shortages or any shortage response actions triggered or anticipated to be triggered by the annual water supply and demand assessment or by the District's routine monitoring activities; however, the information on the District's website is not incorporated into this Official Statement by reference thereto, and the District makes no representation as to the accuracy or completeness of such information.

Historical and Projected Water Production

Tables 3 below includes the annual quantities of groundwater pumped during 2015 through 2020, based on the District's records of gross well production.

Table 3
Indian Wells Valley Water District
(Fiscal Years ending June 30th 2015 through 2020)

QUANTITIES OF GROUNDWATER PUMPED (AF/YR)						
<u>Basin Name</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Indian Wells Valley Groundwater Basin	6,145	6,381	6,507	6,765	6,116	6,311

Source: Indian Wells Valley Water District.

Table 4 below includes the quantities of groundwater projected to be pumped in 2025 through 2045, in five-year intervals. The projections use historical groundwater demand and show changes over the forecasted period in groundwater pumping for expected population growth, customer-type proportions, and production per connection in 2018. The District relies on third-party reports, such as the UWMP, for the data utilized to project population growth. However, the District has not made any projection of prospective hydrological conditions or assessed whether future hydrological conditions will provide sufficient water in the groundwater basin to support the levels of pumping shown, and has assumed that the groundwater basin will have sufficient water to support projected pumping.

Table 4
Indian Wells Valley Water District
(Fiscal Years ending June 30th 2025 through 2045)

QUANTITIES OF GROUNDWATER PROJECTED TO BE PUMPED (AF/YR)^[1]					
<u>Basin Name</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>	<u>2040</u>	<u>2045</u>
Indian Wells Valley Groundwater Basin	6,930	7,130	7,690	7,830	8,050

Source: The UWMP.

District Customers

The District provides water service to approximately 12,431 customers. Residential customers account for about 95% of the total number of accounts. All of the District's service connections are metered. The following Table 5 shows a history of water customers by fiscal year for the past five years.

Table 5
Indian Wells Valley Water District
(Fiscal Years ending June 30th 2018 through 2022)

NUMBER OF CONNECTIONS BY CUSTOMER CLASS					
<u>Customer Class</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
Single-Family Residential	10,937	10,536	10,667	11,335	11,376
Multi-Family Residential	345	344	362	375	379
Commercial/Institutional	527	518	519	551	560
Public	<u>114</u>	<u>121</u>	<u>120</u>	<u>121</u>	<u>116</u>
Total	11,923	11,519	11,668	12,382	12,431

Source: Indian Wells Valley Water District.

The following Table 6 shows service charge revenues by customer class for the past five fiscal years.

Table 6
Indian Wells Valley Water District
(Fiscal Years ending June 30th 2018 through 2022)

REVENUES BY CUSTOMER CLASS					
<u>Customer Class</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
Single-Family Residential	\$6,416,038	\$6,140,891	\$6,258,603	\$6,528,219	\$6,319,823
Multi-Family Residential	695,455	647,556	612,280	652,489	720,900
Commercial/Institutional/Public	<u>1,418,823</u>	<u>1,299,162</u>	<u>1,293,157</u>	<u>1,378,733</u>	<u>1,454,948</u>
Total	\$8,530,316	\$8,087,609	\$8,164,040	\$8,559,441	\$8,495,671

Source: Indian Wells Valley Water District.

The following Table 7 sets forth the ten largest customers of the Water Enterprise for the fiscal year ending June 30, 2023, along with their annual billed water charges and percent of total annual billed service charges.

Table 7
Indian Wells Valley Water District
(Fiscal Year ending June 30th 2023)

TEN LARGEST CUSTOMERS BY REVENUE			
<u>Customer</u>	<u>Business type</u>	<u>Billed Amount</u>	<u>% of Total Billings</u>
Kern Community College District	Governmental	\$332,911	2.24%
Ridgecrest Regional Hospital	Hospital	\$73,848	0.50%
Green Acres Estates	Mobile Home Park	\$67,635	0.46%
Santiago Ridgecrest Estates	Mobile Home Park	\$67,359	0.45%
County of Kern	Governmental	\$66,002	0.44%
ECC - Man Camp	Governmental	\$53,348	0.36%
Ridgecrest Housing Investors	Apartments	\$43,331	0.29%
Kern County Parks	Public	\$40,844	0.28%
Chila Prop Corp.	Mobile Home Park	\$35,857	0.24%
Gateway Villa, LLC	Apartments	<u>\$34,560</u>	<u>0.23%</u>
Total Top Ten Customers		\$815,695	5.49%
Total All Customers		\$14,857,832	100%

Source: Indian Wells Valley Water District.

Water Consumption

The following Table 8 shows the District's historical water consumption by customer class. In Fiscal Year 2021-22, the District's average water usage was about 5 mgd, amounting to approximately 5,600 acre feet per year.

Table 8
Indian Wells Valley Water District
(Fiscal Years ending June 30th 2018 through 2022)

WATER CONSUMPTION IN HUNDRED CUBIC FEET⁽¹⁾					
<u>Customer Class</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
Single-Family Residential	2,001,093	1,895,681	1,843,211	1,952,664	1,788,626
Multi-Family Residential	233,942	226,542	208,994	221,750	232,991
Commercial/Institutional	256,334	250,197	242,384	244,480	269,291
Public	<u>156,906</u>	<u>139,672</u>	<u>136,150</u>	<u>147,741</u>	<u>152,867</u>
Total	2,648,275	2,512,092	2,430,739	2,566,635	2,443,775

(1) One HCF equals 748 gallons.

(2) Does not include water use for construction and fire use.

Source: Indian Wells Valley Water District.

Water Enterprise Rates and Charges

General. Rates and charges for water service within the Water Enterprise service area are set by the Board of Directors and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. District customers are billed monthly for water service.

Rate Increases. The Board of Directors has the ability to increase rates and charges through a public hearing process. Prior to adopting a fee or charge, the District is required under Proposition 218 to conduct a public hearing and receive protests. If the District should receive a majority of written protests from its customers, the District would not be authorized to impose the increased rate or charge. See “CONSTITUTIONAL LIMITATIONS ON TAXES AND RATES AND CHARGES – California Constitutional Articles XIIC and Article XIID” herein

Water Service Charges. The District has separated its customer base into various classes, and the rates charged to each class of customer varies. Customers pay both a fixed ready-to-serve charge based on meter size and meter capacity, plus an additional charge to cover the District’s arsenic compliance costs, plus a metered quantity charge based on metered water consumption. The quantity charges are billed according to tiers; the cost per unit of water increases as the amount of water use increases. The amount of water billed in each tier varies by meter size with larger meter sizes receiving larger amounts of water in each rate tier.

Certain customers also pay elevation zone charges, which are calculated based on elevation zone and amount of water use. The elevation zone charges are designed to recover the cost of pumping water to higher elevation zones and are adjusted periodically by the District. There are five elevation zones within the District.

Pursuant to Board of Directors adoption of Ordinance 107, effective April 1, 2023, the District adopted its most recent schedule of water rates, which are summarized in the following tables.

The following table 9 sets forth the current and projected “Monthly Ready-to-Serve Charge” which is generally intended to cover the fixed expenses of the District, excluding interest expense.

Table 9
WATER ENTERPRISE
Projected Water Rate Schedule

MONTHLY READY-TO-SERVE CHARGES^[1]				
Meter Size	Current Charge	Effective 01/01/2025	Effective 01/01/2026	Effective 01/01/2027
3/4"	\$38.56	\$41.64	\$44.14	\$46.79
1"	\$59.27	\$64.01	\$67.85	\$71.93
1-1/2"	\$111.03	\$119.91	\$127.11	\$134.74
2"	\$173.14	\$186.99	\$198.21	\$210.10
3"	\$338.82	\$365.93	\$387.89	\$411.16
4"	\$525.18	\$567.20	\$601.23	\$637.31
6"	\$1,042.86	\$1,126.28	\$1,193.86	\$1,265.49
8"	\$1,664.07	\$1,797.20	\$1,905.03	\$2,019.33
10"	\$2,388.83	\$2,579.94	\$2,734.73	\$2,898.81

[1] The rates set forth in this Table 9 reflect the most recent schedule of water rates pursuant to Ordinance 107 which was adopted by the Board of Directors of the District on March 13, 2023.

Source: Indian Wells Valley Water District.

The following table 10 sets forth the current and projected “Monthly Arsenic Compliance Charge” which is intended to cover the District’s total arsenic compliance costs, including corresponding debt principal and operations expenses.

Table 10
WATER ENTERPRISE
Projected Water Rate Schedule

MONTHLY ARSENIC COMPLIANCE CHARGES^[1]				
Meter Size	Current Charge	Effective 01/01/2025	Effective 01/01/2026	Effective 01/01/2027
3/4"	\$11.10	\$11.99	\$12.71	\$13.47
1"	\$18.50	\$19.98	\$21.18	\$22.45
1-1/2"	\$37.01	\$39.97	\$42.37	\$44.91
2"	\$59.22	\$63.96	\$67.80	\$71.87
3"	\$118.42	\$127.89	\$135.56	\$143.69
4"	\$185.04	\$199.84	\$211.83	\$224.54
6"	\$370.08	\$399.69	\$423.67	\$449.09
8"	\$592.13	\$639.50	\$677.87	\$718.54
10"	\$851.18	\$919.27	\$974.43	\$1,032.90

[1] The rates set forth in this table reflect the most recent schedule of water rates pursuant to Ordinance 107 which was adopted by the Board of Directors of the District on March 13, 2023.

Source: Indian Wells Valley Water District.

The following Table 11 sets forth the current and projected “Zone Charge” which is intended to recover from customers all the variable direct costs of power to supply water to the higher zones. Other variable direct costs could be charged to these customers when there is a reasonable way to identify and quantify them. The Zone Charge is assessed as a multiple of the customer’s zone against their usage. Each zone represents a difference of approximately 100 feet in elevation. The zones are designated A (lowest), B, C, D, and E (highest). Zone Charges are applied to customers in zones B, C, D, and E.

Table 11
WATER ENTERPRISE
Projected Water Rate Schedule

ZONE CHARGES^{[1] [2]}				
Zone	Current Charge	Effective 01/01/2025	Effective 01/01/2026	Effective 01/01/2027
B-Zone	\$0.29	\$0.31	\$0.33	\$0.35
C-Zone	\$0.54	\$0.58	\$0.61	\$0.65
D-Zone	\$0.83	\$0.90	\$0.95	\$1.01
E-Zone	\$1.12	\$1.21	\$1.28	\$1.36

[1] The zone charges are, per 100 cubic feet.

[2] The rates set forth in this table reflect the most recent schedule of water rates pursuant to Ordinance 107 which was adopted by the Board of Directors of the District on March 13, 2023.

Source: Indian Wells Valley Water District.

Connection Charges. New customers connecting to the Water Enterprise are required to pay a number of one-time fees and charges prior to receiving water service from the District. These fees include the following:

Capital Facility Fee – This fee recovers the cost of water supply, storage, major transmission and distribution pipelines, and related facilities needed to provide capacity to serve new development. The fee is based on meter size and meter capacity. The Capital Facility Fee for a typical new residential account with a 3/4-inch meter is \$5,068.

Distribution System Fee – This fee recovers the cost of water distribution system pipelines typically located between main transmission lines and service laterals. The fee is calculated on a front-footage basis based on the longest side of the parcel abutting a water main. Customers whose water mains were privately funded are exempted from this fee. The Distribution System Fee for a 3/4-inch meter is \$3,724.

Service Installation Charges – These charges recover the cost for the purchase and installation of a water meter and/or water service lateral. The typical charge for installing a 3/4-inch meter is \$382 and an additional charge of \$757 is levied to install a service lateral from the water main to the meter location for 3/4” meters.

Rate Setting and Collection Process

The District, subject to the requirements of Proposition 218 set forth below, has the power to establish rates and charges for water service as needed, without the overview of any other governmental agency. The

present rate schedule for water service rates and charges was established by District Ordinance No. 107, effective April 1, 2023.

In November 1996, citizens of the State of California passed a Constitutional amendment known as Proposition 218, which added Articles XIII C and XIII D to the State Constitution. This amendment changed the process for increasing property-related fees within the State and potentially affects the District’s ability to impose future rate increases. See “CONSTITUTIONAL LIMITATIONS ON TAXES AND RATES AND CHARGES – California Constitution Articles XIII C and XIII D.” Proposition 218 conditions the imposition or increase of any water service fee or charge upon there being no written majority protest after a required public hearing.

Under the protest hearing process, property owners within the service area are mailed a rate increase notice and protest form detailing the proposed rate increase. To oppose the rate increase, the property owner must return the protest form to the District. To support the rate increase, there is no action required on the part of the property owner. If written protests against the proposed rate increase are returned to the District no later than the end of the protest hearing by a majority of owners of the identified parcels, the District may not approve the proposed rate increase. If the protest fails with less than a majority protest, then the District can approve a rate increase not to exceed the rate increase detailed in the protest form. The District believes that it has followed the Proposition 218 process in connection with its water related rate increases effective April 1, 2023, which include the rate increases through 2027. See also “RISK FACTORS – Rate Process” herein.

Comparative Rates

Table 12 below sets forth a comparison of average base monthly bill (based on a 3/4 inch connection at an estimated average monthly use of 4hcf) for a single family residential unit in the District to those of surrounding communities, based on rates in effect as of January 1, 2024.

Table 12
WATER ENTERPRISE

COMPARISON OF WATER ENTERPRISE RATES AND CHARGES	
<u>Agency</u>	<u>Average Monthly Charge*</u>
Indian Wells Valley Water District	\$57.90
Kernville	\$154.60
City of Bakersfield	\$38.24
Antelope Valley District	\$65.43
Hesperia Water District	\$76.47
City of Barstow	\$48.15
Boron CSD	\$47.00
Mojave PUD	\$45.45
California City	\$54.28

* Based on monthly consumption of 4 hundred cubic feet (HCF) of water.
Source: Indian Wells Valley Water District.

Future Water Enterprise Improvements

The District has an ongoing CIP with respect to the Water Enterprise in connection with upgrades and replacement of dated facilities, i.e., replacing pipelines, replacing aging pipelines, replacing small diameter pipelines, replacing pipelines with frequent repairs, corrosion protection measures, increasing storage capacity, and capital improvement plan activities. Some of the District's more significant CIP projects are highlighted in the following Table 13.

Table 13
WATER ENTERPRISE

CURRENT CAPITAL IMPROVEMENT PLAN^[1]					
	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
<u>Water Supply</u>					
Ridgecrest Heights Booster			\$1,500,000		
Disaster Repair - Gateway Booster					
Miscellaneous Water Supply	<u>\$535,000</u>	<u>\$310,000</u>	<u>\$550,000</u>	<u>\$310,000</u>	<u>\$300,000</u>
TOTAL WATER SUPPLY	<u>\$535,000</u>	<u>\$310,000</u>	<u>\$2,050,000</u>	<u>\$310,000</u>	<u>\$300,000</u>
<u>Transmission and Distribution</u>					
Springer 24" Line		3,400,000 ^[2]			
Gateway Blvd 24"					
Bowman 30"					
Northwest Transmission Line 24"	\$7,500,000 ^[3]				
College Heights Blvd 18"					
Eastside 4" Lateral Replacements					
La Mirage Mainline Replacements				\$2,750,000	\$2,750,000
Tanks X 3					
Miscellaneous T&D	<u>\$77,000</u>	<u>\$827,000</u>	<u>\$277,000</u>	<u>\$77,000</u>	<u>\$77,000</u>
TOTAL TRANSMISSION & DISTRIBUTION	<u>\$7,577,000</u>	<u>\$4,227,000</u>	<u>\$277,000</u>	<u>\$2,827,000</u>	<u>\$2,827,000</u>
TOTAL TECH	<u>\$15,000</u>	<u>\$30,000</u>	<u>\$15,000</u>	<u>\$15,000</u>	<u>\$30,000</u>
TOTAL GENERAL PLANT	<u>\$145,000</u>	<u>\$945,000</u>	<u>\$145,000</u>	<u>\$145,000</u>	<u>\$145,000</u>
TOTAL CAPITAL PROGRAM:	<u>\$8,272,000</u>	<u>\$5,512,000</u>	<u>\$2,487,000</u>	<u>\$3,297,000</u>	<u>\$3,302,000</u>

[1] All costs expressed in 2022 dollars.

[2] Estimated to be financed with debt proceeds.

[3] Estimated to be financed with a combination of debt and grant proceeds.

Source: Indian Wells Valley Water District.

The District intends on funding the majority of the highlighted capital improvements from annual revenues, connection fees and other available funds of the Water Enterprise; however, the District also anticipates funding some of the improvements with the proceeds of future long term indebtedness on parity with Installment Payments. See "THE INSTALLMENT SALE AGREEMENT – Issuance of Additional Debt" herein for a discussion of conditions which must be satisfied prior to issuance of any future parity obligation.

Delinquent Accounts

All charges for residential water furnished by the District are due and payable when billed and become delinquent if not paid within thirty (30) days from the date the bill is mailed. Upon becoming delinquent, a late charge of \$2.00 plus five percent (5%) is assessed on unpaid amounts outstanding at the time of the next billing (typically 30 days). Customers that have entered into payment arrangements prior to the next billing are not assessed a delinquent fee on amounts subsequently paid according to the arrangement terms. The District will not discontinue residential water service for non-payment until requisite notice has been provided and payment by the customer has been delinquent for at least sixty (60) days.

The District considers its rates of payment delinquency, service discontinuance for non-payment and write-offs for uncollectible accounts to be low by water industry standards for urban areas. The write-offs for uncollectible accounts for the last five Fiscal Years never exceeded 1.6% of gross billings.

Operation, Management and Governance

The District has primary responsibility for the day-to-day management, operation and maintenance of the Water Enterprise and has covenanted to operate the Water Enterprise in an efficient and economical manner and to operate, maintain and preserve the Water Enterprise in good repair and working order. The District endeavors to provide for the operation and maintenance of Water Enterprise facilities for the purpose of treating and utilizing water and its byproducts in accordance with federal, state, and local requirements; to provide a healthy and nuisance-free environment; to plan for future water treatment needs to meet the anticipated growth of the District; and to establish water user fees for properties receiving District water service.

The District has covenanted that, in order to fully preserve and protect the priority and security of the Bonds, it will pay from the Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Water Enterprise which, if unpaid, may become a lien or charge upon the Gross Revenues or the Net Revenues prior or superior to the lien granted under the Installment Sale Agreement, or which may otherwise impair the ability of the District to pay the Installment Payments in accordance therewith.

Outstanding Water Enterprise Indebtedness

On the date of issuance of the Bonds, the Bonds, 2016 Obligations and the 2018 Obligations will be the only outstanding indebtedness of the District payable from Net Revenues on parity with the obligation to make Installment Payments when due.

Drought Conditions and Risk Assessment

California is subject to drought conditions. Since 2000, the longest duration of drought (in varying levels of intensity) in California lasted 376 weeks beginning in December 2011 and ending in early March 2019. The most intense period of drought occurred the week of July 29, 2014, with extreme drought conditions experienced in over half the state. On October 19, 2021, the Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. On March 24, 2023, the

Governor eased the emergency drought restrictions imposed as a result of the Governor’s 2021 declaration. There can be no assurance that subsequent declarations will not impose mandatory water use restrictions should dry conditions persist in the future years. The District cannot predict when or how long drought conditions will recur and persist, what effect drought conditions may have on property values, to what extent water reduction requirements may affect property owners, or to what extent a drought could cause disruptions to economic activity within the District.

In 2018, the California Governor signed Senate Bill 606 and Assembly Bill 1668 into law. More recently, SB 1157 became effective on January 1, 2023. These bills relate to water conservation and drought planning and empower DWR and the State of California Water Resources Control Board to adopt long-term standards. The District has also completed its 2023 WSCP, as well as its UWMP containing a section entitled “Drought Risk Assessment” where it provides that, based on the District’s assessment of the available data, the District has a reliable, adequate supply of water to meet demands within its service area over the 25-year planning horizon of the UWMP, even with extended drought conditions. For additional information, see “THE WATER ENTERPRISE – Water Shortage Contingency Plan” and “RISK FACTORS – Natural Disasters” herein.

The District voluntarily participates in a number of community events and distributes materials that encourage water use efficiency. The District also offers educational, irrigation system retrofit and rebate programs to increase residential, commercial and institutional water use efficiency. Additionally, the District has multiple ordinances in effect that prohibit or restrict specific water use practices.

FINANCIAL INFORMATION

Available Cash

As of June 30, 2023, the District had \$10,565,495 in available cash and investments, including reserves and funds that are restricted for capital expenditures.

Historical Operating Results and Debt Service Coverage

The following Table 14 is a summary of audited operating results of the Water Enterprise for Fiscal Years ended June 30, 2020 through June 30, 2022, and actual, but unaudited, operating results of the Water Enterprise for Fiscal Year ended June 30, 2023. See APPENDIX B for the audited financial statement for the Fiscal Year ended June 30, 2022 (the “Audited Financial Statements”). The auditor has not reviewed such statements in connection with their inclusion in this Official Statement, nor has the District requested such a review. Selected information from certain audited and unaudited (for Fiscal Year 2022-23) financial statements of the District, including the Audited Financial Statements, has been used to prepare the following four-year comparative summary.

The results presented in the following table summary are qualified in their entirety by reference to the respective annual consolidated audited financial statements of the District, including the notes thereto. Copies of the District’s audited financial statements can be obtained at the office of the Chief Financial Officer.

Table 14
Indian Wells Valley Water District
(Fiscal Years ending June 30, 2020 through June 30, 2023)

HISTORICAL OPERATING RESULTS AND DEBT SERVICE COVERAGE				
	Audited 2020	Audited 2021	Audited 2022	Unaudited 2023
REVENUES				
Water Sales	\$10,539,405	\$13,266,762	\$15,654,911	\$14,844,941
Non-Operating Revenues ^[1]	1,030,285	2,540,519	1,254,483	1,018,756
Other Operating Revenues ^[2]	312,252	193,879	193,416	197,401
Total Revenues	\$11,881,942	\$16,001,160	\$17,102,810	\$16,061,098
OPERATION AND MAINTENANCE COSTS^[3]				
Water Supply - Pumping Plant	\$1,150,462	\$1,126,482	\$1,148,551	\$1,064,212
Arsenic Plant	185,001	205,539	81,731	169,912
Transmission and Distribution	1,663,391	1,633,163	1,616,006	1,529,284
Engineering	420,496	305,509	483,309	470,869
Customer Service	453,245	560,289	647,131	422,337
Field Services	453,794	457,819	451,698	476,700
Legislative	89,396	110,207	95,896	78,344
General and Administrative	4,258,174	5,898,322	8,526,204	6,815,107
Total Operating Expenses	\$8,673,959	\$10,297,330	\$13,050,526	\$11,026,765
NET REVENUES	\$3,207,983	\$5,703,830	\$4,052,284	\$5,034,333
DEBT SERVICE				
2018 Obligations	\$1,895,050	\$1,894,400	\$1,890,250	\$1,880,950
2016 Obligations	552,735	533,284	533,202	534,132
Total Debt Service	\$2,447,787	\$2,427,684	\$2,423,452	\$2,415,082
DEBT SERVICE COVERAGE	1.31	2.35	1.67	2.08
Net Income After Debt Service	\$760,198	\$3,276,146	\$1,628,832	\$2,619,251

[1] Includes Capacity Facility Fees.

[2] Includes Interest and Assessment Income, Grant Income and Rental and Miscellaneous Income.

[3] Excludes depreciation and amortization expenses.

Note: Figures may not add up due to rounding.

Source: Indian Wells Valley Water District.

Projected Operating Results and Debt Service Coverage

The District's estimated projected operating results and debt service coverage (adjusted to exclude depreciation, and certain other noted adjustments and assumptions) for the Fiscal Years ending June 30, 2024, through June 30, 2028, are set forth in the Table 15 below, reflecting certain significant assumptions concerning future events and circumstances (the "Coverage Projections").

The financial forecast set forth in Table 15 below represents the District’s estimate of projected financial results based upon its judgment of the probable occurrence of future events. In addition, the assumptions set forth in the footnotes to Table 15 are material to the development of the District’s financial projections and any variations in the any one of 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. See “RISK FACTORS – Accuracy of Assumptions” herein.

Table 15
Indian Wells Valley Water District
(Fiscal Years ending June 30th 2024 through 2028)

PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE					
	Budget 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028
REVENUES					
Water Sales ^[1]	\$16,186,048	\$18,087,000	\$19,116,000	\$20,075,000	\$21,093,000
Non-Operating Revenues ^[2]	650,400	519,000	504,000	504,000	504,000
Other Operating Revenues ^[3]	172,400	60,000	60,000	60,000	60,000
Total Revenues	\$17,008,848	\$18,666,000	\$19,680,000	\$20,639,000	\$21,657,000
OPERATION AND MAINTENANCE COSTS^[4]					
Water Supply - Pumping Plant	\$1,211,200	\$1,289,000	\$1,338,000	\$1,389,000	\$1,442,000
Arsenic Plant	413,500	253,000	262,000	272,000	282,000
Transmission and Distribution	2,062,700	1,994,000	2,070,000	2,149,000	2,232,000
Engineering	496,700	420,000	436,000	453,000	471,000
Customer Service	484,900	493,000	513,000	533,000	554,000
Field Services	517,250	583,000	607,000	633,000	660,000
Legislative	95,800	116,000	120,000	124,000	129,000
General and Administrative	6,850,395	7,056,000	7,268,000	7,486,000	7,711,000
Total Operating Expenses	\$12,132,445	\$12,204,000	\$12,614,000	\$13,039,000	\$13,481,000
NET REVENUES	\$4,876,403	\$6,462,000	\$7,066,000	\$7,600,000	\$8,176,000
DEBT SERVICE					
Bonds	\$0.00	\$448,627	\$446,150	\$445,150	\$443,900
2018 Obligations	1,885,950	1,878,950	1,880,450	1,874,950	1,877,700
2016 Obligations	534,132	534,132	534,132	534,132	534,132
Total Debt Service	\$2,420,082	\$2,861,709	\$2,860,732	\$2,854,232	\$2,855,732
DEBT SERVICE COVERAGE	2.08	2.26	2.47	2.66	2.86
Net Income After Debt Service	\$2,456,321	\$3,600,291	\$4,205,268	\$4,745,768	\$5,320,268

[1] Assumes water sale revenue increases of 9% in 2024, 12% in 2025, and then 5% for 2026, 2027 and 2028, all pursuant to a 2022 Water Rate Study Report prepared by Hildebrand Consulting, LLC, which was integrated into the District’s current 5-year rate schedule pursuant to District Ordinance 107, effective April 1, 2023.

[2] Includes Capacity Facility Fees.

[3] Includes Interest and Assessment Income, Grant Income and Rental and Miscellaneous Income.

[4] Excludes depreciation and amortization expenses, and assumes operating expenses grow annually by 3% and that salaries grow annually at 5%, and that Utility costs grow annually at 10% .

Note: Figures may not add up due to rounding.

Source: Indian Wells Valley Water District.

PENSION SYSTEM AND EMPLOYEE BENEFITS

Employee Retirement System; CalPERS

The following information relating to the California Public Employees Retirement System (“CalPERS”) is primarily derived from information produced by CalPERS, its independent accountants and actuaries, as interpreted by the District and its Auditor by virtue of the Audited Financial Statements. The District has not independently verified the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS.

Each year CalPERS issues an actuarial valuation report, copies of which are available on its internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS’ most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. The District has not independently verified the information provided by CalPERS and does not take any responsibility for the continued accuracy of the foregoing internet address or for the accuracy, completeness or timeliness of information on such website, and such information is not incorporated herein by this reference.

Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Plan Description. The District contributes to the CalPERS, a cost sharing multiple-employer defined benefit pension plan. All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous and Miscellaneous PEPPRA Employee Pension Plans (the “Pension Plans”).

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the District. Benefit provisions under the Pension Plans are established pursuant to State statute and District ordinance. CalPERS issues an actuarial valuation report, copies of which may be obtained from its executive office located at 400 Q Street, Sacramento, California 95814.

For details on the Pension Plans, see APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022, Note 9.

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

On September 12, 2012, the California Governor signed the California Public Employees’ Pension Reform Act of 2013 (“PEPRA”) into law. PEPRA took effect January 1, 2013. The new legislation closed the District’s CalPERS 2.0% at 60 Risk Pool to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2012. All employees hired after January 1, 2013 are eligible for the District’s CalPERS 2.0% at 62 Retirement Plan under PEPRA. See the CalPERS website for more information.

Annual Contributions in General. Section 20814(c) of PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Pension Plans are determined annually on an actuarial basis as of June 30 by CalPERS.

The required employer contribution is comprised of a Normal Cost (as described in the next sentence) component and a component equal to an amortized amount of the unfunded accrued actuarial liability (the “Unfunded Liability”). The Normal Cost is the annual cost of service earned by active employees for the upcoming Fiscal Year, which is expressed as a percentage of payroll.

The annual Unfunded Liability payment is the amortized dollar amount needed to fund past service credit earned (or accrued) for members who are currently receiving benefits, active members, and for members entitled to deferred benefits, as of the valuation date. The Unfunded Liability is amortized and charged to the District as a fixed dollar annual payment that fluctuates each year.

CalPERS uses a two-year lag between the valuation date and the start of the contribution fiscal year. For example, the Unfunded Liability set forth in the CalPERS valuation report dated July 2022 relates to the corresponding Unfunded Liability payments that commence two years after the valuation date in Fiscal Year 2023-24. This two-year lag is necessary due to the amount of time needed to confirm the membership and financial data, and to provide public agencies with their required employer contribution in advance of the start of a Fiscal Year.

Many assumptions are used to estimate the ultimate liability and the contributions that will be required to meet those obligations. See “– CalPERS; Potential Impacts on Future Contributions” herein.

Funding History. The funding history for the Pension Plans is shown in the schedules below, listing for each plan the actuarial accrued liability, share of the pool’s market value of assets, share of the pool’s unfunded liability, funded ratio, and annual covered payroll.

MISCELLANEOUS PLAN

Valuation Date	Accrued Liability (AL)	Share of Pool’s Market Value of Assets (MVA)	Unfunded Accrued Liability	Funded Ratio	Annual Covered Payroll
06/30/18	\$13,832,404	\$10,558,682	\$3,273,722	76.3%	\$1,926,898
06/30/19	14,652,877	11,156,136	3,496,741	76.1%	2,025,533
06/30/20	15,260,446	11,378,910	3,881,536	74.6%	1,961,158
06/30/21	16,262,614	13,746,299	2,516,315	84.5%	1,866,616
06/30/22	17,631,671	12,910,520	4,721,151	73.2%	1,977,995

Source: CalPERS Annual Valuation Report dated July 2023.

PEPRA PLAN

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Unfunded Accrued Liability	Funded Ratio	Annual Covered Payroll
06/30/18	\$55,859	\$44,847	\$11,012	80.3%	\$0.00
06/30/19	224,343	210,032	14,311	93.6%	425,368
06/30/20	302,791	282,355	20,436	93.3%	538,192
06/30/21	466,694	501,324	(34,630)	107.4%	738,386
06/30/22	590,064	527,237	62,827	89.4%	825,843

Source: CalPERS Annual Valuation Report dated July 2023.

Projected Future Annual Contributions. The schedule below sets forth the projected employer Normal Cost rate and corresponding Normal Cost payments, as well as the Unfunded Liability payments for Fiscal Years 2023-24 and 2024-25.

DISTRICT'S REQUIRED EMPLOYER CONTRIBUTION RATES & PAYMENTS

Pension Plan	Fiscal Year 2023-24			Fiscal Year 2024-25		
	Employer Normal Cost Rate	Employer Normal Cost Payment	Employer Payment of Unfunded Liability	Employer Normal Cost Rate	Employer Normal Cost Payment	Employer Payment of Unfunded Liability
Miscellaneous	10.10%	\$204,812	\$295,301	10.15%	\$195,686	\$363,797
PEPRA	07.68	61,606	0.00	07.87	87,993	2,395
Totals		\$266,418	\$295,301		\$283,679	\$366,192

Source: CalPERS Annual Valuation Report dated July 2023.

The schedule below sets forth the projected employer Normal Cost contribution rates for Fiscal Years 2024-25 through 2028-29. This projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. Future contribution requirements may differ significantly from those shown below.

**PROJECTED FUTURE EMPLOYER NORMAL COST CONTRIBUTION RATES
(Assumes 6.8% Investment Return Per Year)**

Pension Plan	2024-25	2025-26	2026-27	2027-28	2028-29
Miscellaneous	10.15%	10.20%	10.20%	10.20%	10.20%
PEPRA	07.87%	07.90%	07.90%	07.90%	07.90%

Source: CalPERS Annual Valuation Report dated July 2023.

The schedule below sets forth the projected Unfunded Liability payments required to be made by the District for Fiscal Years 2024-25 through 2028-29. This projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. Future contribution requirements may differ significantly from those shown below.

PROJECTED FUTURE UNFUNDED LIABILITY PAYMENTS
(Assumes 6.8% Investment Return Per Year)

<u>Pension Plan</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>2028-29</u>
Miscellaneous	\$363,797	\$397,000	\$429,000	\$455,000	\$514,000
PEPRA	\$2,395	\$3,900	\$5,500	\$7,000	\$8,600

Source: CalPERS Annual Valuation Report dated July 2023.

CalPERS; Potential Impacts on Future Required Contributions

The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the District's required contributions to CalPERS in future years. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

Actuarial Methods and Assumptions. At its December 2016 meeting, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with June 30, 2016 actuarial valuation. The decision was primarily based on reduced capital market assumptions provided by external investment consultants and CalPERS investment staff.

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for public agencies. These new assumptions are incorporated in the actuarial valuation used by CalPERS and will impact required contribution for FY 2020-21.

Notwithstanding the Board's decision to phase into a lower discount rate, subsequent analysis of the expected investment return of CalPERS asset or changes to the investment allocation may result in change to future discount rates.

Investment Performance. CalPERS earnings reports for Fiscal Years 2011 through 2022 report investment returns of approximately 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7%, 4.7%, 21.3% and -7.3% respectively. In July of 2023, CalPERS announced preliminary investment returns of approximately 5.8% for Fiscal Year 2023, which was 1% miss from its 6.8% target. Future earnings performance may increase or decrease future contribution rates for plan participants, including the District.

Subsequent Events. During the time period between the June 30, 2022 valuation date and the publication of the July 2023 actuarial valuation report, inflation was significantly higher than the expected inflation of 2.3% per annum. Since inflation influences cost-of-living increases for retirees and beneficiaries and active member pay increases, higher inflation is likely to put at least some upward pressure on contribution requirements and downward pressure on the funded status in the June 30, 2023 valuation, which will be published in July 2024. The actual impact of higher inflation on future valuation results will depend on, among other factors, how long higher inflation persists.

Other Post-Employment Benefits

Plan Description. The District provides other post-employment benefits (“OPEB”) to qualified employees who retire from the District and meet the District’s vesting requirements. The Plan is a single-employer defined benefit OPEB plan administered by the District. The District’s Board of Directors has the authority to establish and amend the benefit terms and financing requirements of the Plan. The District participates in CalPERS California Employer’s Retiree Benefit Trust Program (“CERBT”), a trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code. Copies of CalPERS CERBT audited financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA 95814.

Governmental Accounting Standards Board Statement No. 75 (“GASB 75”) requires governmental agencies to account for and report the outstanding obligations and commitments related to OPEB in essentially the same manner as for pensions. While requiring the District to disclose the unfunded actuarial accrued liability and the actuarially determined contribution (“ADC”) in its financial statements, GASB 75 does not require the District to fund such ADC. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed thirty years.

Benefits Provided. The District provides post-employment health care benefits to all employees who retire from the District and meet certain eligibility requirements. Retirees may enroll in any plan available through CalPERS medical, dental and vision programs. The contribution requirements of OPEB plan (the “OPEB Plan”) members and the District are established and may be amended by the Board of Directors.

To be eligible for retiree health benefits, an employee must retire from the District on or after age 55 with at least 15 years of District service. As of June 30, 2022 and 2021, the District’s contribution was \$700 per month for eligible employees regardless of the year in which the employee retired. As of June 30, 2022 the OPEB Plan consisted of 42 total members, 31 of which were active members eligible for future benefits and the balance were retirees currently receiving benefits.

Contributions. The contribution requirements for eligible retired employees of the District are established and may be amended by the Board of Directors. The District contributes towards the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District. The annual contribution is based on the actuarially determined contribution. As of June 30, 2022 and 2021, the District’s contributions were \$73,620 and \$79,915, respectively.

The funds held in the CERBT are legally protected from the claims of the general creditors of the District and may not be used for any purpose other than funding OPEB. Contributions to the CERBT and earnings on those contributions are irrevocable.

Change in OPEB Liability. The following table shows the reconciliation of the June 30, 2021 Total and Net OPEB Liability in the prior valuation to the June 30, 2022 Net OPEB Liability. The Net OPEB Liability for June 30, 2022 Fiscal Year-End was \$1,698,328. The Net OPEB Liability for June 30, 2023 Fiscal Year-End was \$2,084,715, representing an annual increase of \$386,387.

RECONCILIATION OF THE DISTRICT'S NET OPEB LIABILITY
(As of June 30, 2022)

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2021	\$3,091,116	\$1,392,788	\$1,698,328
Service Cost	\$101,835	\$0.00	\$101,835
Interest on Total OPEB Liability	208,357	0.00	208,357
Expected Investment Income		94,001	(94,001)
Administrative Expenses		(353)	353
Employer Contributions as Benefit Payments ^[1]		91,742	(91,742)
Actual Benefit Payments from Employer ^[1]	(91,742)	(91,742)	0.00
Expected Minus Actual Benefit Payments ^[2]	(18,780)	0.00	(18,780)
Expected Balance at June 30, 2022	\$3,290,786	\$1,486,436	\$1,804,350
Investment Gains (Losses)	\$0.00	(\$280,365)	\$280,365
Net Change during 2022	\$199,670	(\$186,717)	\$386,387
Actual Balance at June 30, 2022^[3]	\$3,290,786	\$1,206,071	\$2,084,715

[1] Includes \$18,122 due to implied rate subsidy.

[2] Deferrable as an Experience Gain or Loss.

[3] May include a slight rounding error.

Source: Indian Wells Valley Water District.

For additional information relating to the District's OPEB plan, see Note 8 to the District's Audited Financial Statements set forth in Appendix B.

CONSTITUTIONAL LIMITATIONS ON TAXES AND RATES AND CHARGES

California Constitution Articles XIII A and XIII B

Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed 1% of the “full cash value” of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes above that level required to pay debt service on voter-approved general obligation bonds. “Full cash value” is defined as “the County Assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value’ or, thereafter, the appraisal value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The “full cash value” is subject to annual adjustment to reflect inflation at a rate not to exceed 2% or a reduction in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors.

The foregoing limitation does not apply to ad valorem taxes to pay the interest and redemption charges on any indebtedness approved by the voters before July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property thereafter approved by the voters as required by law.

Under Article XIII B of the California Constitution, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge.

The District is of the opinion that the water service and user charges imposed by the District do not exceed the costs the District reasonably bears in providing the water services. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

California Constitution Articles XIII C and XIII D

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the California Constitution, which contain a number of provisions affecting the ability of local governments to levy and collect new or increased taxes, assessments, and property-related fees and charges.

Article XIII C provides that a local government may not impose, extend, or increase local taxes until such taxes are submitted to the electorate for approval. General taxes, imposed, extended, or increased for general governmental purposes of the local government, require a majority vote and special taxes, imposed, extended, or increased for specific purposes, require a two-thirds vote. In addition, Article XIII C provides that the constitutional initiative power will 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. However, on July 1, 1997, a bill was signed into law by the Governor of the

State enacting Government Code Section 5854, which states: “Section 3 of Article XIII C of the California Constitution, as adopted at the November 5, 1996 general election, will not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protection by Section 10 of Article I of the United States Constitution.” Government Code Section 5854 appears to limit the voters’ power to repeal or reduce Water Enterprise fees and charges if such reduction would interfere with the District’s payment of Installment Payments. If Government Code Section 5854 becomes the subject of a challenge, however, no guarantee can be made that the courts will agree with such interpretation.

Article XIII C does not define the terms “local tax,” “assessment,” “fee” or “charge.” In *Bighorn-Desert View Water Agency v. Verjil* (“Bighorn”), 39 Cal. 4th 205 (2006), decided by the California Supreme Court on July 24, 2006, the petitioner sought to establish his right to reduce a local water agency’s water delivery charges through use of the initiative power. In holding for the petitioner on this issue, the court stated that the absence of a restrictive definition of “fee” or “charge” in Article XIII C suggests that those terms include all levies that are ordinarily understood to be fees or charges, including all of the property-related fees and charges subject to Article XIID. Though the Supreme Court did not arrive at an exact definition of such terms, it did determine that fees and charges that are fees and charges within the meaning of Article XIID are necessarily fees and charges within the meaning of Article XIII C.

The Court held that Article XIII C authorizes the use of the initiative process to reduce water delivery charges but that it does not authorize use of the initiative power to impose a voter-approval requirement on future increases in water delivery charges. The court declined to determine whether the initiative power is limited by other statutory provisions requiring that water service charges be set at a level that will pay system operating expenses and debt service since that issue was not before the court.

Consequently, the voters of the District could, by future initiative, seek to repeal or reduce any local tax, assessment, fee or charge, including the District’s water service fees and charges, which are the source of Net Revenues pledged to the payment of the Installment Payments securing the Bonds. Though the use of the initiative power is arguably limited in a case such as this where fees and charges have been imposed by the District for services of the Water Enterprise that are pledged to the payment of the Installment Payments securing the Bonds, there can be no assurance that the voters of the District will not seek to approve such an initiative which attempts to reduce the fees and charges imposed by the District for services of the Water Enterprise that are pledged to the payment of the Installment Payments securing the Bonds.

Article XIID imposes various procedural and substantive requirements on local governments that levy an “assessment,” “fee,” or “charge.” Article XIID defines “fees” or “charges” as “any levy other than an ad valorem tax, a special tax, or an assessment imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.” “Property related service” means a public service having a direct relationship to property ownership (property ownership includes tenancies where tenants are directly liable to pay the fee or charge). In particular, a fee or charge (i) may not exceed the funds required to provide the property related service, (ii) may not be used for any purpose other than that for which the fee or charge was imposed, (iii) may not exceed the proportional cost of the service attributable to the parcel, (iv) may not be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question, and (v) may not be imposed for general governmental services.

In addition, before any property related fee or charge may be imposed or increased, the local government agency must provide mailed notice forty-five (45) days in advance of a hearing regarding the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the local government agency may not impose or increase the fee or charge. Moreover, except for fees or charges for water collection services, no property related fee or charge may be imposed or increased without a majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds approval by those residing in the affected area and voting at the election. Article XIID states that, beginning July 1, 1997, all fees or charges must comply with its provisions.

In *Richmond et al. v. Shasta Community Services District* (“Richmond”), the California Supreme Court held that a water connection fee was not a “property-related” fee or charge subject to Article XIID. However, in the opinion the California Supreme Court suggested in dicta that fees for ongoing water service through an existing connection were “property related” fees and charges imposed on a person as an incident of property ownership. The court addressed this issue directly in the *Bighorn* case discussed above. In its decision, the court cited its discussion in *Richmond* in support of its conclusion that a public agency’s fees and charges for ongoing water service through an existing connection are “property-related” fees and charges imposed on a person as an incident of property ownership for purposes of Article XIID, whether the fees and charges are calculated based on usage or are imposed as a fixed monthly fee.

The District believes that it has complied with the procedures required by Article XIID, as such article has been construed by the California Supreme Court, in connection with the increases in the Water Enterprise fees and charges approved by the Board of Directors of the District effective April 1, 2023. See “THE WATER ENTERPRISE – Water User Rate and Information” herein. The ability of the District to comply with the covenants in the Installment Sale Agreement, including the rate covenants described under “THE INSTALLMENT SALE AGREEMENT – Rate Covenants,” in connection with the levy and collection of Water Enterprise service charges could be adversely affected by actions taken or not taken by voters, property owners or other persons obligated to pay Water Enterprise service charges. Furthermore, the interpretation and application of Proposition 218 will likely be subject to further judicial determinations, and it is not possible at this time to predict with certainty the outcome of such determinations. See also “RISK FACTORS – Rate Process” herein.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (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 does not believe that the enactment of Proposition 26 will affect its ability to levy rates and charges for water services.

Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time-to-time other initiatives could be proposed and adopted affecting the Water Enterprise revenues, including the ability to increase or expend such revenues. See the caption "RISK FACTORS – Pending Ballot Initiative."

RISK FACTORS

The purchase of the Bonds involves investment risk. If a risk factor materialized to a sufficient degree, it could delay or prevent payment of principal of and interest on the Bonds. 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 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors. There can be no assurance that other risk factors will not become material in the future.

General

The payment of principal of and interest on the Bonds is secured solely by a pledge of the Revenues, consisting of mainly Installment Payments and other payments paid by the District pursuant to the Installment Sale Agreement. The obligation of the District to make the Installment Payments is a limited obligation of the District payable solely from a pledge of Net Revenues. The realization of the Net Revenues is subject to, among other things, the capabilities of management of the District, the ability of the District to provide water services to its users, and the ability of the District to establish and maintain water fees and charges sufficient to provide the required debt service coverage as well as pay for Operation and Maintenance Costs. Among other matters, natural disasters, water supply shortages, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums) could adversely affect the amount of Net Revenues realized by the District.

Limited Obligation

The obligation of the District to pay the Installment Payments securing the Bonds is a limited obligation of the District and is not secured by a legal or equitable pledge or charge or lien upon any property of the District or any of its income or receipts, except the Net Revenues. The obligation of the District to make the Installment Payments does not constitute an obligation of the District to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. No owner of any Bond may compel the exercise of the taxing power by the District or the forfeiture of any of its property.

Accuracy of Assumptions

To estimate projected financial results of the Water Enterprise, including the Coverage Projections set forth in Tables 14 and 15, and the corresponding projected Net Revenues available to pay debt service on the Bonds, the District has made certain financial forecasts and assumptions with regard to the rates and charges to be imposed in future years, the expenses associated with Water Enterprise operations and the interest rate at which funds will be invested. The District believes these financial forecasts and assumptions to be reasonable, but variations in the any one of the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those forecasted and such variations may be material, with a possible result being that Net Revenues may prove to be significantly less than projected in this Official Statement. In such event, Net Revenues may generate amounts which are less than 120% of Maximum Annual Debt Service in any given Fiscal Year. See the captions “THE INSTALLMENT SALE AGREEMENT – Rate Covenants – Covenant Regarding Net Revenues,” and “SECURITY FOR THE BONDS —Rate Stabilization Fund” herein. Accordingly, such assumptions and projections are at best educated estimates, and are not in any way a guaranty of future performance, and the District assumes no responsibility for the accuracy of such financial forecasts and projections.

Water System Demand

There can be no assurance that the demand for water supplied by the Water Enterprise will occur as described in this Official Statement. A decrease in demand could require an increase in rates or charges in order to comply with the rate covenant. Demand for water supplied by the Water Enterprise 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, an economic downturn, the closure or downsizing of China Lake Naval Air Station, voluntary conservation efforts or mandatory State conservation orders in response to drought conditions and other factors.

Limited Recourse on Default

If the District defaults on its obligation to pay the Installment Payments, the Trustee, as assignee of the Authority, has the right to declare the total unpaid principal amount of 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.

Increased Operation and Maintenance Costs

There can be no assurance that expenses of the District with respect to the Water Enterprise will be consistent with the levels contemplated in this Official Statement. Operation and Maintenance Costs could increase at higher rates than currently expected as a result of various factors, including increases in personnel costs (including Pension Plan and OPEB costs and expenses), energy costs, imported water purchase costs, water treatment costs, technology, safety and/or regulatory costs, and other factors. The District’s projections of Operation and Maintenance Costs shown herein under the caption “FINANCIAL INFORMATION – Projected Operating Results and Debt Service Coverage” do not assume unusual increases in Operation and Maintenance Costs.

Increases in Operation and Maintenance Costs could require an increase in rates or charges in order to comply with the rate covenants in the Installment Sale Agreement. See the captions “THE INSTALLMENT SALE AGREEMENT – Rate Covenants” herein. Rate increases are subject to the provisions of Proposition 218 and there can be no assurance that the District will be able to increase rates as needed to address increases in Operation and Maintenance Costs. See “RISK FACTORS – Rate Process” herein.

Financial Controls

The District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District, including the Water Enterprise, are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. While the District believes that it has established an internal control structure designed to protect against such events, no assurance can be given as to the adequacy of thereof, or any insurance coverage related thereto. If there were to be an occurrence of a loss, theft, or misappropriation, there could be a substantial reduction in the District’s ability to pay Installment Payments, which could result in a lack of the ability to generate sufficient Revenues to repay the Bonds.

Insurance

The Installment Sale Agreement requires the District to obtain and keep in force various forms of insurance or self-insurance, subject to deductibles, for repair or replacement of applicable portions of the Water Enterprise in the event of damage or destruction thereto. No assurance can be given as to the adequacy of any such self-insurance or any additional insurance to fund necessary repair or replacement of any such applicable portions of the Water Enterprise. Significant damage to the Water Enterprise could result in a lack of the ability to generate sufficient Revenues to repay the Bonds.

Further, the District is not legally obligated under the Installment Sale Agreement to maintain, or cause to be maintained, earthquake or flood insurance on the Water Enterprise, and the District does not presently maintain earthquake or flood insurance on behalf of the Water Enterprise. No assurance is made that any earthquake or flood insurance will be provided in the future, or if provided, that such insurance will continue to be maintained in the future. If there were to be an occurrence of a flood or severe seismic activity in the District, there could be substantial damage to the Water Enterprise, the cost of repair of which could exceed the net equity available therefore. In the event of significant flood or earthquake damage to the Water Enterprise, there can be no assurance that Revenues would be sufficient to pay principal of and interest on the Bonds.

Limitations on Remedies and Bankruptcy

The ability of the District to increase water services charges and to comply with its covenants under the Indenture and the Installment Sale Agreement and to generate Net Revenues sufficient to pay the Installment Payments in amounts sufficient to pay principal of and interest on the Bonds may be adversely affected by actions and events outside of the control of the District and may be adversely affected by actions

taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “CONSTITUTIONAL LIMITATIONS ON TAXES AND RATES AND CHARGES – California Constitution Articles XIIC and XIID” herein.

Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Indenture and the Installment Sale Agreement are in many respects 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 limitations on remedies contained in the Indenture and the Installment Sale Agreement, the rights and obligations under the Bonds, the Indenture and the Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against municipalities in the State. Various legal opinions to be delivered concurrently with the issuance of the Bonds will be so qualified. In addition, the opinion to be delivered by The Weist Law Firm, Bond Counsel, concurrently with the issuance of the Bonds, will also state that the enforceability of the Installment Sale Agreement is subject to the limitations on the imposition of fees and charges by the District relating to the Water Enterprise under Article XIIC and XIID of the California Constitution. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto. In the event the District fails to comply with its covenants under the Installment Sale Agreement or to pay Installment Payments securing the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the holders of the Bonds.

As noted above, the enforcement of the remedies provided in the Indenture and the Installment Sale Agreement could prove both expensive and time consuming. In addition, the rights and remedies provided in the Indenture and the Installment Sale Agreement may be limited by and are subject to provisions of the federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors’ rights. If the District were to file a petition under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), the Bondholders and the Trustee could be prohibited or severely restricted from taking any steps to enforce their rights under the Indenture. So long as the Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered Bondholder and will be entitled to exercise all rights and remedies of Bondholders.

Physical Condition of Water Enterprise Facilities

The reliability of the Water Enterprise is affected by a number of factors including physical and operational vulnerabilities of its facilities. Proper maintenance and early identification of degradation in well yields are important activities for a water system that relies entirely on well water as a source. Certain of the Water Enterprise facilities are near the end of their useful life. Long-lived facilities result in decreased reliability due to unplanned outages and place a greater maintenance burden on operations. The District budgets for the maintenance and operations of its facilities; however, the District gives no assurance that any future significant diminished physical status of its facilities would not materially adversely affect the operations of the Water Enterprise. Partial or complete failure of components of the Water Enterprise could cause a material increase in costs for repairs or a corresponding material adverse impact on Net Revenues.

Reliability of Future Groundwater Supply

Due to prolonged overdraft conditions in the Groundwater Basin, the community is currently experiencing the undesirable impacts of prolonged overdraft and will continue to experience increasing environmental, social, and economic impacts if sustainability is not achieved. The Groundwater Basin is currently experiencing reduction of groundwater in storage, chronic lowering of groundwater levels which result in shallow well performance being impacted or being impacted by poorer water quality, degradation of water quality, and localized land subsidence impacting structures/facilities at China Lake Naval Air Station.

Although, historically, the District's water supply has been high quality, the biggest potential future threat to the District's water supply relates to water quality, more specifically the amount of total dissolved solids (TDS) in the water that is extracted from the basin. In general, water that is lower down in the aquifer/basin has more TDS than water that is at the top of the aquifer/basin. Accordingly, if the water level in the basin declined substantially, the District's costs to lift and treat water from the basin would increase.

If overdraft conditions in the Groundwater Basin persist, or if there is any substantial degradation in the water quality, there could be an interruption in the service provided by the Water Enterprise, resulting in a reduction in the amount of Net Revenues available to pay Installment Payments. A suite of project and management actions have been evaluated and selected to address current and projected undesirable results with the goal of bringing the Groundwater Basin into sustainable balance. There are currently no reliable sources of supplemental water available to help achieve sustainability. Therefore, the initial priority is on water demand reductions, at least until a reliable supplemental water supply is secured.

No assurance can be given that the cost of achieving sustainability will not adversely affect the ability of the District to generate Net Revenues in the amounts required by the Installment Sale Agreement to pay the Installment Payments.

Energy Costs

No assurance can be given that any future significant reduction or loss of power would not materially adversely affect the operations of the Water Enterprise. The volume of water processed and delivered through the Water Enterprise on a daily basis requires a significant amount of power. Electricity is needed to run several assets including, among other things, pumps, lights, computers, mechanical valves and machinery. The District cannot guarantee that prices for electricity or gas will not increase, which could adversely affect the Water Enterprise's financial condition. See "CONSTITUTIONAL LIMITATIONS ON TAXES AND RATES AND CHARGES – California Constitution Articles XIII C and XIII D" herein.

Permits and Regulation

The kind and degree of water treatment and water quality effected through the Water Enterprise is regulated, to a large extent, by the federal government and/or the State of California. It is not possible to predict the direction federal or State regulation will take with respect to water quality standards, although it is likely that, over time, both will impose more stringent standards with attendant higher costs. No assurance can be given that the cost of compliance with such laws and regulations will not adversely affect the ability of the District to generate Net Revenues in the amounts required by the Installment Sale Agreement to pay the Installment Payments.

Natural Disasters

The area in and surrounding the District, like those in much of California, may be subject to unpredictable droughts, storms, floods, fires, soil expansion and liquefaction and seismic activity that could negatively affect the value of the Water Enterprise, as well as other assets of the District. The possibility of the occurrence of some of these conditions and events has not been taken into account in the design of the Water Enterprise and has not been taken into account in the designs of other public improvements which may be acquired or constructed by the District or other public agencies.

The District expects that one or more of these conditions will likely occur in the future, and, even if design criteria have been implemented to mitigate certain geologic events, which may or may not prove to be the case, such conditions may nevertheless result in damage to or destruction of part or all of the Water Enterprise. If there were to be an occurrence of a severe geotechnical condition or natural disaster in the area of the District, there could be an interruption in the service provided by the Water Enterprise resulting in a reduction in the amount of Net Revenues available to pay Installment Payments. Further, damage to components of the Water Enterprise could cause a material increase in costs for repairs or a corresponding material adverse impact on respective Net Revenues. The District is not obligated under the Resolutions or the Installment Sale Agreement to procure and maintain, or cause to be procured and maintained, nor does the District plan to procure and maintain, earthquake or flood insurance on the Water Enterprise.

Safety and Security

The safety of the facilities of the Water Enterprise is maintained by a combination of regular inspections by District employees, electronic monitoring, and analysis of unusual incident reports. All above-ground facilities operated and maintained by the District, are controlled access facilities with fencing and gates. Despite the security measures and precautions that are in place, military conflicts and terrorist activities could adversely impact operations of the Water Enterprise and the finances of the District.

The District continually plans and prepares for emergency situations and immediately responds to ensure services are maintained. However, there can be no assurance that any existing or additional safety and security measures will prove adequate in the event that terrorist activities are directed against the assets of the Water Enterprise or that costs of security measures will not be greater than presently anticipated. Furthermore, damage to the Water Enterprise could require the District to increase expenditures for repairs significantly enough to adversely impact the District's ability to pay Installment Payments for the Bonds.

Project Management

Although the 2024 Project is being sold to the Authority, the District is purchasing the 2024 Project back from the Authority in accordance with the Installment Sale Agreement, and has therein agreed to manage and operate the 2024 Project for and on behalf of the Authority. Should management prove deficient, it is possible that the Water Enterprise could fall into disrepair, possibly to levels that would require significant rate increases to properly remediate conditions. The District has covenanted to prescribe, revise and collect rates and charges for the Water Enterprise at certain levels; however, there can be no assurance that such amounts will be collected in the amounts and at the times necessary to make timely payments with respect to the Bonds. Additionally, the ability of the District to comply with its covenants under the Installment Sale Agreement may be adversely affected by actions and events outside of the control of the District and may be

adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “CONSTITUTIONAL LIMITATIONS ON TAXES AND RATES AND CHARGES” herein. Any remedies available to the owners of the Bonds, upon the occurrence of an event of default under the Indenture or the Installment Sale Agreement, are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. See “– Limitations on Remedies and Bankruptcy” herein.

Economic, Political, Social, and Environmental Conditions

Prospective investors are encouraged to evaluate current and prospective economic, political, social, and environmental conditions as part of an informed investment decision. Changes in economic, political, social, or environmental conditions on a local, state, federal, and/or international level may adversely affect investment risk generally.

Such conditional changes may include (but are not limited to): fluctuations in business production, consumer prices, financial markets, or unemployment rates; technological advancements; shortages or surpluses in natural resources or energy supplies; changes in law; social unrest, fluctuations in the crime rate, political conflict, acts of war or terrorism; environmental damage; and natural disasters.

Rate Process

The passage of Proposition 218 by the California electorate, which added Articles XIIIIC and XI IID to the California Constitution, affects the District’s ability to impose future rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed rate increases cannot be imposed as a result of a majority protest or initiative, it may adversely affect the ability of the District to generate Net Revenues in the amounts required by the Installment Sale Agreement to pay the Installment Payments. The District believes that its current water rates approved by the Board of Directors were effected in accordance with the public hearing and majority protest provisions of Proposition 218. See “CONSTITUTIONAL LIMITATIONS ON TAXES AND RATES AND CHARGES – California Constitution Articles XIIIIC and XI IID.”

The District’s ability to comply with the rate covenant under the Installment Sale Agreement may also be limited by the provisions of Proposition 218. The Weist Law Firm, Bond Counsel, will state in its opinion with respect to the Bonds that the enforceability of each of the Installment Sale Agreement is subject to the limitations on the imposition by the District of certain fees and charges relating to the Water Enterprise under Articles XIIIIC and XI IID of the California Constitution. See “APPENDIX E – FORM OF OPINION OF BOND COUNSEL” herein. The District’s ability to comply with the rate covenants may also be adversely affected by other factors as described in this Official Statement.

The foregoing discussion of Proposition 218 should not be considered an exhaustive or authoritative treatment of the issues. The District does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals and legislative enactments may all affect the impact of Proposition 218 on the Bonds as well as the market for the Bonds. Legislative and court calendar delays and other factors may prolong any uncertainty regarding the effects of Proposition 218.

Cybersecurity

The District, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, “Systems Technology”).

As a recipient and provider of personal, private, or sensitive information, the District can be subject to cybersecurity incidents that can result in adverse consequences to the District’s Systems Technology. The District has not experienced any cybersecurity incidents that have had a material effect on its operations.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the District’s Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the District invests in multiple forms of cybersecurity and operational safeguards. While District cybersecurity and operational safeguards are periodically tested, no assurances can be given by the District that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could damage the District’s Systems Technology and cause material disruption to the District’s operations and the provision of District services. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the District to material litigation and other legal risks, which could cause the District to incur material costs related to such legal claims or proceedings.

Although the District maintains cyber security liability 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.

COVID-19 and Future Outbreaks

COVID-19, a respiratory disease caused by a novel strain of coronavirus, has spread around the world, including in the State. The rapid spread of COVID-19 has altered the behavior of people and businesses in a manner that is resulting in significant negative effects on global, federal, state, and local economies and presents unique challenges including volatility in global financial markets, U.S. domestic debt and equity capital markets, travel and commerce generally. Nearly all industries and businesses have encountered and expect to further encounter significant disruption in their operations and the resulting deterioration of their financial condition. COVID-19 developments and related governmental and regulatory responses are rapidly changing. The District’s finances have generally not been materially and adversely impacted by the COVID-19 outbreak; however, because of the evolving nature of the COVID-19 outbreak and the uncertainty of its duration, the cumulative impact of the crisis on the District’s financial condition and operations cannot be fully determined at this time. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the operations or finances of the Water Enterprise.

Future Parity Obligations

As described in “THE INSTALLMENT SALE AGREEMENT – Issuance of Additional Obligations” herein, the Installment Sale Agreement permits the District to issue Parity Obligations, under which its

obligations would be payable on a parity with the payment of the Installment Payments. See “INTRODUCTION – Parity Obligations” for a description of the existing Parity Obligations.

The Coverage Requirement described in “THE INSTALLMENT SALE AGREEMENT – Issuance of Additional Obligations” involves, to some extent, projections of Net Revenues. If Parity Obligations are issued, the debt service coverage for the Bonds could be diluted below what it otherwise would have been. Moreover, there is no assurance that the assumptions that form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of the Bonds and any future Parity Obligations.

Risks Associated with Bond Insurance

In the event that the Authority defaults in the payment of principal of or interest on the Bonds when due, the owners of the Bonds will have a claim under the Policy for such payments. See the caption “BOND INSURANCE” herein. In the event that the Insurer becomes obligated to make payments with respect to the Bonds, no assurance can be given that such event will not adversely affect the market for the Bonds. In the event that the Insurer is unable to make payment of principal of and interest on the Bonds when due under the Policy, the Bonds will be payable solely from Installment Payments (which are payable solely from Net Revenues of the Water Enterprise) and amounts held in certain funds and accounts established under the Indenture, as described under the caption “SECURITY FOR THE BONDS” and “THE INSTALLMENT SALE AGREEMENT” herein.

The long-term rating on the Bonds is dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer’s financial strength and claims-paying ability are predicated upon a number of factors which could change over time. If the long-term ratings of the Insurer are lowered, such event could adversely affect the market for the Bonds. See the caption “RATINGS” herein.

None of the Authority, the District or the Underwriter has made an independent investigation of the claims-paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is being made by the Authority, the District or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the Bonds, potential investors should carefully consider the ability of the District to pay Installment Payments from Net Revenues, assuming that the Policy is not available to make payments on the Bonds, and the claims-paying ability of the Insurer through final maturity of the Bonds.

So long as the Policy remains in effect and the Insurer is not in default of its obligations thereunder, the Insurer has certain notice, consent and other rights under the Indenture and will have the right to control all remedies for default under the Indenture with respect to the Bonds. The Insurer is not required to obtain the consent of the owners of the Bonds with respect to the exercise of remedies. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” herein.

Future Capital Projects

The District periodically issues debt to fund essential capital projects and anticipates doing so in the foreseeable future as part of its ongoing Capital Improvement Program. See “THE WATER ENTERPRISE

– Future Water Enterprise Improvements.” As described herein, the District must demonstrate compliance with the Coverage Requirement as a prerequisite for incurring Parity Obligations. In the event that the District is not able to demonstrate compliance with the Coverage Requirement, the District would be prohibited from financing the proposed capital improvement project with Parity Obligations. This may result in the District either (i) using available reserves to pay for the proposed capital improvement project, (ii) financing the proposed capital improvement project with Subordinate Obligations, or (iii) postponing or discontinuing the proposed project altogether. In the event that such a project is essential for the continued operations of the Water Enterprise, there may be an interruption in the services it provides, resulting in a decrease in the amount of Net Revenues available to meet Installment Payments.

Investment of Funds

All funds and accounts held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See APPENDIX A attached hereto for a summary of the definition of Permitted Investments. All investments, including the Permitted Investments and those authorized by law from time to time for investments by public agencies, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or by the District, including but not limited to the amounts contained within the Project Fund, could have a material adverse effect on the security of the Bonds.

Pending Ballot Initiative

A voter initiative entitled “The Taxpayer Protection and Government Accountability Act” (“TPGAA”) has been determined to be eligible for the November 2024 Statewide general election and, unless withdrawn by its proponent prior to June 27, 2024, will be certified as qualified for the ballot in such election. Were it to be adopted by a majority of voters in the Statewide general election, TPGAA would amend the California Constitution to, among other things, provide that charges for services or product provided directly to the payor (such as charges for water) are “taxes” subject to voter approval unless the local government can prove by clear and convincing evidence that the charge is reasonable and does not exceed the “actual cost” of providing the service or product, defined as “(i) the minimum amount necessary to reimburse the government for the cost of providing the service or the product to the payor and (ii) where the amount charged is not used by the government for any purpose other than reimbursing that cost.” If adopted, TPGAA would be subject to judicial interpretation. The District is unable to predict whether and how TPGAA, if adopted, would be interpreted by the courts, and there can be no assurance that any such interpretation or application would not have an adverse impact on the District or the District’s water rates.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse historical 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.

Change in Law

In addition to the other limitations described in this Official Statement, the State of California electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by the District. There is no assurance that the State of California electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing Net Revenues and adversely affecting the security of the Bonds. See also “– Loss of Tax Exemption” below.

Loss of Tax Exemption

As discussed under the caption TAX MATTERS, interest on the Bonds could become included in gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the District or the Authority in violation of their respective covenants in the Indenture and the Installment Sale Agreement. In addition, current and future legislative proposals, if enacted into law, may cause interest on the Bonds 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. Should such an event of taxability occur, the Bonds are not subject to a special prepayment and will remain outstanding until maturity or until prepaid under one of the other prepayment provisions contained in the Indenture.

IRS Audit

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

Uncertainties of Projections, Forecasts and Assumptions

Compliance with certain of the covenants contained in the Installment Sale Agreement and Indenture is based upon assumptions and projections. Projections and assumptions are inherently subject to significant uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur and actual results are likely to differ, perhaps materially, from those projected. Accordingly, such projections are not necessarily indicative of future performance, and the District assumes no responsibility for the accuracy of such projections.

FINANCIAL STATEMENTS

Attached as APPENDIX B are the Audited Financial Statements of the District for Fiscal Year 2021-22, which include financial statements for the Water Enterprise, prepared by the District's Finance Department and audited by C.J. Brown & Company CPAs, Riverside, California (the "Auditor").

The Auditor's letter concludes that the Financial Statements, as presented, are accurate in all material respects and are presented in a manner designed to fairly set forth the financial position and results of operations of the District as measured by the financial activity of its various funds. The Financial Statements include information regarding other certain funds of the District, which are not pledged to make Installment Payments or to otherwise pay debt service on the Bonds. Additionally, the District has not requested nor did the District obtain permission from the Auditor to include the Audited Financial Statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the District. In addition, the Auditor has not reviewed this Official Statement.

TAX MATTERS

Federal Tax Status. In the opinion of The Weist Law Firm, Los Gatos, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of execution and delivery of the Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who

purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

California Tax Status. In the opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Form of Bond Counsel Opinion. At the time of issuance of the Bonds, Bond Counsel expects to deliver a final approving opinion for the Bonds in substantially the form set forth in Appendix E.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest with respect to the s to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to Bonds issued prior to enactment.

The opinions expressed by Special Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Special Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest with respect to the Bonds, or as to the consequences of owning or receiving interest with respect to the Bonds, as of any future date. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest with respect to the Bonds.

CERTAIN LEGAL MATTERS

The Weist Law Firm, Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which opinion is set forth in APPENDIX E. The Weist Law Firm is also serving as Disclosure Counsel. Payment of the fees and expenses of Bond Counsel and Disclosure Counsel are contingent upon the sale and issuance of the Bonds. Certain legal matters will be passed upon for the Authority and the District by their respective legal counsel.

CONTINUING DISCLOSURE

The District has covenanted in a Continuing Disclosure Certificate for the benefit of the Owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District's Water Enterprise by not later than nine months following the end of the District's Fiscal Year (currently, the District's fiscal year ends on June 30) (the "Annual Report"), commencing with the report of Fiscal Year ending June 30, 2024, and to provide notices of the occurrence of certain enumerated events, if material. The District has also covenanted in the Continuing Disclosure Certificate to promptly file audited financial statements and certain other financial information and operating data with respect to the District for the fiscal year ended June 30, 2023 on the EMMA website when they become available.

The Annual Report and notices of material events will be filed by the District with each Nationally Recognized Municipal Securities Information Repository. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in "Appendix C – FORM OF CONTINUING DISCLOSURE CERTIFICATE," hereto. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b) (5) promulgated under the Securities Exchange Act of 1934, as amended.

Pursuant to the continuing disclosure certificate relating to the 2018 Obligation, the District agreed to provide certain financial information and operating data relating to the District and the Water Enterprise by not later than April 1 of each year. Over the past five years, the District has complied in all material respects with its continuing disclosure undertakings.

LITIGATION

To the best knowledge of the Authority and the District, respectively, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the either the District or the Authority to restrain or enjoin the authorization, execution or delivery of the Bonds, the pledge of the Revenues or the collection of the payments to be made pursuant to the Indenture, the obligation of the District to pay Installment Payments from the Net Revenues made pursuant to the Installment Sale Agreement, or in any way contesting or affecting validity of the Bonds, the Indenture, the Installment Sale Agreement, or the agreement for the sale of the Bonds.

The District is periodically subject to lawsuits in the ordinary conduct of its affairs. The District believes that there are no claims or actions, threatened or pending which, if determined against the District, either individually or in the aggregate, would have a material adverse effect on the financial condition of the District or the Net Revenues.

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned the Bonds a rating of "AA" with the understanding that the Policy will be issued by Insurer concurrently with the delivery of the Bonds. In addition, S&P has assigned an underlying municipal bond rating of "A+" to the Bonds.

Such ratings reflect only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. The Authority, the District and the Underwriter have undertaken no responsibility either to bring to the attention of the Owners of the Bonds any proposed change in or withdrawal of the rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of the rating might have an adverse effect on the market price or marketability of the Bonds.

In providing a rating on the Bonds, 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. The District and the Authority make no representations as to any such calculations, and such calculations should not be construed as a representation by the District or the Authority as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of debt service or for any other purpose.

None of the Authority, the District or the Underwriter makes any representation as to the Insurer's creditworthiness and no representation that the Insurer's credit rating will be maintained in the future. S&P has previously taken action to downgrade the ratings of certain municipal bond insurers and has published various releases outlining the processes that S&P intends to follow in evaluating the ratings of financial guarantors. For some financial guarantors, the result of such evaluations could be a rating affirmation, a change in rating outlook, a review for downgrade or a downgrade. Potential investors are directed to S&P for additional information on S&P's evaluations of the financial guaranty industry and individual financial guarantors, including the Insurer. See the caption "BOND INSURANCE" for further information relating to the Insurer.

MUNICIPAL ADVISOR

The District has retained California Municipal Advisors LLC (the "Municipal Advisor") in connection with the issuance of the Bonds. The Municipal Advisor is a financial advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor will receive compensation from the District contingent upon the sale and delivery of the Bonds.

UNDERWRITING

The Bonds are being purchased by FHN Financial Capital Markets (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a price of \$7,694,084.62 (which price is equal to the \$7,345,000.00 aggregate principal amount of the Bonds, plus net original issue premium of \$405,994.10, and less Underwriter’s Discount of \$56,909.48).

The Bond Purchase Contract pursuant to which the Underwriter has agreed to purchase the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Contract, including the approval of certain legal matters by counsel and certain other conditions.

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and actual results may differ substantially from those set forth herein. 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 Bonds.

The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and interested parties must refer to each of them for a complete statement of their provisions. Copies are available for review by making requests to the District.

The Appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement. The Audited Financial Statements of the District (including financial statements of the District’s Water Enterprise), including a summary of significant accounting policies, for the Fiscal Year ended June 30, 2022 is contained in APPENDIX B.

EXECUTION AND DELIVERY

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

CALIFORNIA MUNICIPAL
PUBLIC FINANCING AUTHORITY

By: /s/ Isaac Moreno
Chair

INDIAN WELLS VALLEY WATER DISTRICT

By /s/ George Croll
General Manager

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APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture and the Installment Sale Agreement. This summary is not intended to be comprehensive or definitive and is qualified in its entirety by reference to such documents for a full and complete statement of the provisions thereof.

THE INDENTURE

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Definitions. Unless the context otherwise requires, the terms defined in the Indenture shall, for all purposes of the Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document mentioned in the Indenture, have the meanings therein specified, to be equally applicable to both the singular and plural forms of any of the terms defined in the Indenture. Unless the context otherwise requires, all capitalized terms that are used therein and not defined therein have the meanings ascribed thereto in the Installment Sale Agreement.

“Act” means the Joint Exercise of Powers Act, being Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, as in existence on the Closing Date or as thereafter amended from time to time.

“Administrative Fees and Expenses” means any application, commitment, financing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the Authority or the Trustee, including Additional Payments.

“Agreement” means that certain Joint Exercise of Powers Agreement, dated as of June 24, 2020, by and between the certain California public agencies creating the Authority, together with all amendments thereof and supplements thereto.

“Annual Debt Service” means, with respect to Bonds, for any Bond Year, the sum of (1) the interest payable on all Outstanding Bonds in such Bond Year, assuming that all Outstanding serial Bonds are retired as scheduled and that all Outstanding term Bonds, if any, are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds), and (2) the principal amount of all Outstanding Bonds maturing by their terms in such Bond Year.

“Authority” means the California Municipal Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State, including the Act.

“Authority Issuance Fee” means the fee paid to the Authority by the District from Bond proceeds on the Closing Date.

“Authority Annual Fee” means the greater of (i) of 0.035% of the aggregate principal amount of Bonds Outstanding on the date of calculation, or (ii) \$1,450. The Authority Annual Fee is due on the

Installment Payment Date preceding each Principal Payment Date, beginning with the Installment Payment Date preceding the April 1, 2025 Principal Payment Date.

“Authorized Representative” means: (a) with respect to the Authority, its Chair, Vice-Chair, Treasurer, Manager or any other person designated as an Authorized Representative of the Authority by a Certificate of the Authority signed by its Chair, Vice-Chair, Treasurer or Manager and filed with the District and the Trustee; and (b) with respect to the District, its President, Vice President, General Manager, Chief Financial Officer or any other person designated as an Authorized Representative of the District by a Certificate of the District signed by its President, Vice President, General Manager or Chief Financial Officer and filed with the Authority and the Trustee.

“Bank” means Mission Bank, a California corporation, organized under the laws of the State of California.

“Beneficial Owner” means with respect to any book-entry bond, pursuant to the applicable provision of the Indenture, the person who is the beneficial owner of such Bond, according to the records of the Depository or its agent, and with respect to any Bond not in book-entry form, the Owner thereof.

“Board” means the Board of Directors of the Authority.

“Bond Counsel” means The Weist Law Firm, or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

“Bond Fund” means the fund by that name established pursuant to the applicable provisions of the Indenture.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with section 6584) of the Act, as in existence on the Closing Date or as thereafter amended from time to time.

“Bonds” means the California Municipal Public Financing Authority (Indian Wells Valley Water District) Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project), issued pursuant to the Indenture on the Closing Date.

“Bond Year” means each twelve-month period extending from April 2 in one calendar year to April 1 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall commence on the Closing Date, and end on April 1, 2025.

“Business Day” means any day other than (1) a Saturday, a Sunday, or a day on which banking institutions in the State are authorized or obligated by law or executive order to be closed, (2) a day on which the New York Stock Exchange or the payment system of the Federal Reserve System is authorized or obligated by law or executive order to be closed, or (3) a day on which commercial banks are authorized or obligated by law or executive order to be closed in the city in which the Corporate Trust Office of the Trustee is located.

“CDIAC” means the California Debt and Investment Advisory Commission of the State, or any successor thereto.

“Certificate,” “Request” and “Requisition” of the Authority or the District mean, respectively, a written certificate, request or requisition signed in the name of the Authority by its Authorized Representative or in the name of the District on its own behalf or as agent of the Authority by the District’s 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 shall be read and construed as a single instrument.

“Closing Date” means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the payment of the purchase price of the Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

“Completion Date” means, with respect to any component of the 2024 Project, the date on which the Authority files a Certificate with the District and the Trustee stating that the Acquisition and Construction of such component of the 2024 Project has been completed pursuant to the Indenture.

“Continuing Disclosure Certificate” shall mean that certain Continuing Disclosure Certificate, dated as of March 1, 2024, executed and delivered by the District and acknowledged by Willdan Financial Services, as dissemination agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof

“Corporate Trust Office” means, with respect to the Trustee, the corporate trust office of the Trustee at its address set forth in the applicable provisions of the Indenture; except that that for purposes of the payment, prepayment, cancellation, surrender, transfer or exchange of certificates, such term means the corporate trust office of the Trustee located in Los Angeles, California, or at such other or additional offices as may be specified by the Trustee in writing to the District.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds and the application of the proceeds of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the District and the Authority (including, but not limited to, the Authority Issuance Fee), initial fees and expenses of the Trustee, compensation to any financial consultants, underwriters, insurance premiums, rating agency fees, other legal fees and expenses, filing and recording costs, costs of preparation and reproduction of documents and costs of printing.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to the applicable provisions of the Indenture.

“Debt Service” means, during any period of computation, the amount obtained for such period by totaling the following amounts with respect to the Bonds:

(a) The principal amount of all Outstanding Serial Bonds coming due and payable by their terms in such period;

(b) The minimum principal amount of all Outstanding Term Bonds scheduled to be redeemed by operation of mandatory sinking fund deposits in such period; and

(c) The interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to the applicable provisions of the Indenture.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“District” means the Indian Wells Valley Water District, a county water district duly organized and existing under the laws of the State; however, any reference to District in the Indenture shall specifically mean the Water Enterprise, unless the context clearly indicates otherwise.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Electronic Means” shall mean 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.

“Event of Default” means any of the events specified in the Installment Sale Agreement and the Indenture.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Federal Securities” means: (a) non-callable direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America; (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority or the District, as applicable, as its official fiscal year period.

“Independent Certified Public Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the District, and who, or each of whom-

(a) is in fact independent and not under domination of the Authority or the District;

(b) does not have any substantial interest, direct or indirect, in the Authority or the District; and

(c) is not connected with the Authority or the District as an officer or employee of the Authority or the District but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the District.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, (at <http://emma.msrb.org>); provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, shall mean such other organizations providing information with respect to the Bonds as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

“Installment Payment Date” means not later than three (3) Business Days prior to each April 1 and October 1, commencing not later than three (3) Business Days prior to October 1, 2024.

“Installment Payment Default Event” means any of the default events specified in the Installment Sale Agreement.

“Installment Payments” means all the payments required to be paid by the District pursuant to the applicable provisions of the Installment Sale Agreement, as quantified in Exhibit A to the Installment Sale Agreement, and including any amounts payable upon delinquent installments and including any prepayment thereof.

“2016 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of April 1, 2016, by and between the District and the Bank, as amended by the as amended by a First Amendment Installment Purchase Agreement, dated as of December 1, 2018, relating to the 2016 Obligations.

“2018 Installment Sale Agreement” means the Installment Sale Agreement, dated as of December 1, 2018, by and between the District and the Corporation, relating to the 2018 Obligations.

“Installment Sale Agreement” means the Installment Sale Agreement, dated as of March 1, 2024, by and between the District and the Authority relating to the 2024 Project, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

“Installment Payments” means the Installment Payments required to be paid by the District pursuant to the Installment Sale Agreement, including any prepayments thereof.

“Insurer” or “BAM” means Build America Mutual Assurance Company, or any successor thereto or assignee thereof, as the issuer of the Policy.

“Insurer Default” means (a) the Insurer has failed to make any payment under the Policy when due and owing in accordance with its terms; or (b) the Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (c) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).

“Interest Account” means the account by that name in the Bond Fund established pursuant to the applicable provisions of the Indenture.

“Interest Payment Date” means each April 1 and October 1, commencing October 1, 2024.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “Moody’s” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority.

“Net Proceeds” means insurance proceeds or an eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Water Enterprise to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“Net Revenues” means, for any Fiscal Year or twelve (12) calendar month period, the Gross Revenues during such Fiscal Year or twelve (12) calendar month period less the Operation and Maintenance Costs during such Fiscal Year or twelve (12) calendar month period; plus deposits to the Water System Fund or Bond Fund from amounts on deposit in the Rate Stabilization Fund in accordance with the applicable provisions of the Installment Sale Agreement, but excluding in all cases any moneys transferred to the Rate Stabilization Fund pursuant to Section 4.5(b)(4) of the Installment Sale Agreement.

“Nominee” means (a) initially, Cede & Co., as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to the applicable provisions of the Indenture.

“2018 Obligations” means the District’s obligations under the 2018 Installment Purchase Agreement.

“2016 Obligations” means the District’s obligations under the 2016 Installment Purchase Agreement.

“Opinion of Counsel” means a written opinion of The Weist Law Firm or such other counsel of recognized national standing in the field of law relating to municipal bonds.

“Original Purchaser” means FHN Financial Capital Markets, as the first purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

“Outstanding,” when used as of any particular time with respect to the Bonds, means (subject to the applicable provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except:

- (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid and discharged in accordance with the applicable provisions of the Indenture; and
- (c) Bonds transferred or exchanged in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

Additionally, amounts paid by the Insurer under the Policy shall not be deemed paid for purposes of the Indenture and the Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

“Overdue Rate” means the highest rate of interest represented by any of the Outstanding Bonds.

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

“Parity Obligations” means, collectively, the Bonds, the 2016 Obligations and the 2018 Obligations, along with any future obligations properly issued as Parity Obligations pursuant to the applicable provisions of the Installment Sale Agreement.

“Parity Payments” means all the Installment Payments and all other installment payments scheduled to be paid by the District under all Parity Obligations.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

1. Federal Securities.
2. Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P and Moody’s.

3. Interest-bearing deposit accounts (including certificates of deposit, including those placed by a third party pursuant to a separate agreement between the Agency and the Trustee), demand deposits, time deposits, other deposit products, trust accounts, trust funds, interest bearing deposits, interest bearing money market accounts, overnight bank deposits, federal funds or bankers' acceptances in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee or any of its affiliates), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P and Moody's; or (ii) such deposits are insured by the Federal Deposit Insurance Corporation.
4. Commercial paper rated in the highest short-term rating category by S&P and Moody's.
5. Federal funds, bank deposit products or bankers acceptances with a maximum term of one year of any bank which is an unsecured, uninsured and unguaranteed obligation rating in the highest rating category of S&P and Moody's.
6. Money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory, custodial, transfer agency or other management services, and for which the Trustee or its affiliate receives and retains a fee for such services to such funds).
7. Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Code and which are either (a) rated A or better by S&P and Moody's, or (b) fully secured as to the payment of principal and interest by Federal Securities.
8. Obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P and Moody's.
9. Bonds or notes issued by any state or municipality which are rated by S&P and Moody's in one of the two highest rating categories assigned by such rating agencies.
10. Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P and Moody's at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event such rating at any time falls below A.
11. The Local Agency Investment Fund of the State or any State administered pool investment fund in which the District is statutorily permitted or required to invest.
12. Any other investments approved in writing by the Insurer.

“Policy” means the municipal bond insurance policy securing the Bonds and delivered by the Insurer.

“Principal Account” means the account by that name in the Bond Fund established pursuant to the applicable provisions of the Indenture.

“Principal Payment Date” means each April 1, commencing April 1, 2025.

“2024 Project” means the water system facilities and Improvements to be Acquired and Constructed by the Authority and sold to the District pursuant to the Installment Sale Agreement, as such water system facilities and Improvements are described in Exhibit B of the Installment Sale Agreement.

“Project Costs,” means, with respect to the 2024 Project, all costs of the Acquisition and Construction thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the Acquisition and Construction of the 2024 Project;

(b) obligations incurred for labor and materials in connection with the Acquisition and Construction of the 2024 Project;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the Acquisition and Construction of the 2024 Project;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper Acquisition and Construction of the 2024 Project;

(e) any sums required to reimburse the District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the Acquisition and Construction of the 2024 Project;

(f) all Costs of Issuance and other financing costs incurred in connection with the Acquisition and Construction of the 2024 Project; and

(g) the interest components of the Installment Payments during the period of Acquisition and Construction of the 2024 Project.

“Project Fund” means the fund by that name established pursuant to the applicable provisions of the Indenture.

“Proof of Ownership” means the proof of Bond ownership, as established pursuant to the applicable provisions of the Indenture.

“Rating Agencies” means, as of any date, S&P and Moody’s, and their respective corporate successors and any other nationally recognized statistical rating organization (as that term is used in the rules and regulations of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended).

“Rebatable Arbitrage” means the amount (determinable as of the last day of each fifth Bond Year and upon retirement of the last Bond Outstanding) of arbitrage profits payable to the United States at all times and in the amounts specified in Section 148(f) of the Code and any applicable Regulations.

“Rebate Fund” means the Rebate Fund created and established pursuant to the applicable provisions of the Indenture.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month immediately preceding such Interest Payment Date, whether or not such 15th day is a Business Day.

“Redemption Fund” means the fund by that name established pursuant to the applicable provisions of the Indenture.

“Registration Books” means the records maintained by the Trustee pursuant to the applicable provisions of the Indenture for the registration and transfer of ownership of the Bonds.

“Representation Letter” means the representation letter from the Authority to DTC.

“Revenues” means (a) all amounts received by the Authority or the Trustee pursuant to or with respect to the Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments payable pursuant to the Installment Sale Agreement (including both timely and delinquent payments, any late charges, and whether paid from any source, insurance proceeds and condemnation proceeds deposited in the Insurance and Condemnation Fund and prepayments of Installment Payments), but excluding any Additional Payments, (b) amounts deposited in the Bond Fund, and (c) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture except the Rebate Fund.

“S&P” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “S&P” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099; or such other addresses and/or such other securities depositories as the Authority may designate.

“Security Documents” shall mean the Indenture, the Installment Sale Agreement, the Bonds, the corresponding authorizing resolutions or any additional or supplemental document executed in connection with the Bonds.

“Series” whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

“Sinking Account” means the account by that name in the Bond Fund established pursuant to the applicable provisions of the Indenture.

“State” means the State of California.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority 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” means the Tax Certificate delivered by the Authority and the District on the Closing Date, as the same may be amended or supplemented in accordance with its terms.

“Tax Regulations” means temporary and permanent regulations promulgated under or with respect to Sections 103, 141, 148 and all related sections of the Code.

“Term Bonds” means the Bonds maturing April 1, 2041, April 1, 2044, April 1, 2049, and April 1, 2054, which are subject to mandatory Sinking Account redemption prior to their stated maturity dates.

“Treasurer” means the Treasurer of the Authority.

“2018 Trust Agreement” means the Trust Agreement, dated as of December 1, 2018, by and among the District, the Corporation and the 2018 Trustee, relating to the issuance of the 2018 Obligations.

“2018 Trustee” means The Bank of New York Mellon Trust Company, N.A., or any successor thereto acting as 2018 Trustee pursuant to the 2018 Trust Agreement.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee under the Indenture.

“Water Enterprise” means, collectively, the entire water collection, storage, treatment, transmission and distribution system now owned or operated by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Water Enterprise, including, but not limited to, any and all properties and assets, real and personal, tangible and intangible, of the District, now or hereafter existing, used or pertaining to the collection, storage, treatment, transmission and distribution system, including all contractual rights to water supply and transmission, as well as all pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, storage, treatment, transmission and distribution of water, and any necessary lands, rights of way and other real or personal property useful in connection therewith, and all additions, extensions, expansions, improvements and betterments thereto and equipments thereof.

THE BONDS

Book-Entry System.

(a) Except as otherwise provided in the applicable provisions of the Indenture, all of the Bonds initially issued shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), or such other nominee as DTC shall request pursuant to the Representation Letter. Payment of the interest on any Bond registered in the name of Cede & Co. shall be made on each interest payment date for such Bonds to the account, in the manner and at the address indicated in or pursuant to the Representation Letter.

(b) The Bonds initially shall be issued in the form of a single authenticated fully registered bond for each stated maturity of such Bonds, representing the aggregate principal amount of the Bonds of such maturity. Upon initial issuance, the ownership of all such Bonds shall be registered in the registration records maintained by the Trustee pursuant to the applicable provision of the Indenture in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. The Trustee, the Authority and any paying agent may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or redemption price of and interest on such Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under the Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Bondholders of the Bonds and for all other purposes whatsoever; and neither the Trustee or the Authority or any paying agent shall be affected by any notice to the contrary. Neither the Trustee nor the Authority or any paying agent shall have any responsibility or obligation to any Participant (which shall mean, for purposes of the applicable provisions of the Indenture, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being a Bondholder, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the Bonds, (iii) any notice which is permitted or required to be given to Holders of Bonds under the Indenture, (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or (v) any consent given or other action taken by DTC as Holder of Bonds. The Trustee shall pay all principal of and premium, if any, and interest on the Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter, and all such payments shall be valid and effective to satisfy fully and discharge the Authority’s obligations with respect to the principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Bonds will be transferable to such new nominee in accordance with the applicable provisions of the Indenture.

(c) In the event that the Authority determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain bond certificates, the Trustee shall, upon the written instruction of the Authority, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of bond certificates. In such event, the Bonds will be transferable in accordance with the applicable provisions of the Indenture. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice of such discontinuance to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Bonds will be transferable in

accordance with the applicable provisions of the Indenture. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the Bonds then Outstanding. In such event, the Bonds will be transferable to such securities depository in accordance with the applicable provisions of the Indenture, and thereafter, all references in this Trust Indenture to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of the Indenture to the contrary, so long as all Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on each such Bond and all notices with respect to each such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) The Trustee is authorized and requested to execute and deliver the Representation Letter and, in connection with any successor nominee for DTC or any successor depository, enter into comparable arrangements, and shall have the same rights and immunities with respect to its actions thereunder as it has with respect to its actions under the Indenture.

(f) In the event that any transfer or exchange of Bonds is authorized under the applicable provisions of the Indenture, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of the Indenture. In the event Bond certificates are issued to Holders other than Cede & Co., its successor as nominee for DTC as holder of all the Bonds, another securities depository as holder of all the Bonds, or the nominee of such successor securities depository, the applicable provision of the Indenture shall also apply to, among other things, the registration, exchange and transfer of the Bonds and the method of payment of principal of, premium, if any, and interest on the Bonds.

Transfer of Bonds. Any 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 his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. The Authority and the Trustee may deem and treat the registered owner of any Bonds as the absolute owner of such Bonds for the purpose of receiving payment thereof and for all other purposes, whether such Bonds shall be overdue or not, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Bonds shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on such Bonds to the extent of the sum or sums so paid.

The Trustee shall not be required to issue, register the transfer of or exchange any Bonds during the fifteen (15) days preceding each interest payment date or the date of selection by the Trustee of Bonds for redemption, or to register the transfer of or exchange any Bonds which have been selected for redemption in whole or in part.

Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds for a like aggregate principal amount and of like maturity. The Trustee shall require the Bondowner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

Exchange of Bonds. Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity. Exchange of any Bond shall not be permitted during the period established by the Trustee for selection of Bonds for redemption or by the Trustee if such Bond has been selected for redemption pursuant to the applicable provisions of the Indenture. The Trustee shall require the Bondowner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

Registration Books. The Trustee will keep or cause to be kept, sufficient records for the registration and transfer of ownership of the Bonds, which shall at all reasonable times be open to inspection, including, without limitation, upon reasonable prior written notice of inspection, during regular business hours by the Authority and the District; and, upon presentation for such purpose, the Trustee shall, 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 Bonds as hereinbefore provided.

Form and Execution of Bonds. The Bonds shall be in substantially the form set forth in Exhibit A with such modifications, additions and deletions as the Authority shall deem necessary. The Bonds shall be executed in the name and on behalf of the Authority with the manual or facsimile signature of its Chair, Vice-Chair, Executive Director or Treasurer, attested by the manual or facsimile signature of its Secretary or Treasurer. The Bonds shall then be delivered to the Trustee for authentication by it.

In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Authority before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority, and also any Bonds may be signed and attested on behalf of the Authority by such persons as at the actual date of execution of such Bonds shall be the proper officers of the Authority although at the nominal date of such Bonds any such person shall not have been such officer of the Authority.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered under the Indenture and are entitled to the benefits of the Indenture.

Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be in fully registered form without coupons and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, at the Corporate Trust Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under the Indenture as definitive Bonds authenticated and delivered under the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and destroyed pursuant to its retention policy then in effect. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the District, the Authority and the Trustee and, if such evidence be satisfactory to them and indemnity satisfactory to them shall be given, the Authority, at the expense of the Owner of such lost, destroyed or stolen Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon the presentment of indemnity satisfactory to it). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under the applicable provisions of the Indenture and of the expenses which may be incurred by the District, the Authority and the Trustee in the premises. Any Bond issued under the applicable provisions of the Indenture in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Bonds shall be sufficient for any purpose of the Indenture (except as otherwise provided in the Indenture), if made in the following manner:

(a) The fact and date of the execution by any Owner, attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of authority.

(b) The fact of the ownership of Bonds by any person and the amount, the maturity and the numbers of such Bonds and the date of holding the same shall be proved by the Registration Books.

Nothing contained in the applicable provisions of the Indenture may be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters stated in the Indenture which the Trustee may deem sufficient. Any request or consent of the Owner of any Bond binds every future Owner of the same Bond in respect of anything done or suffered to be done by the Trustee under such request or consent.

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

Issuance of the Bonds. Upon the execution and delivery of the Indenture, the Authority shall execute and deliver the Bonds in the principal amounts set forth in the applicable provision of the Indenture to the Trustee for authentication and delivery to the Original Purchaser thereof upon the Request of the Authority.

Project Fund.

(a) The Trustee shall establish, maintain and hold in trust a separate fund to be known as the "Project Fund." There shall be deposited in the Project Fund the amounts indicated in the applicable provisions of the Indenture.

(b) Except as otherwise provided in the Indenture, moneys in the Project Fund shall be used solely for the payment of the Project Costs. The Trustee shall disburse moneys in the Project Fund from time to time to pay Project Costs (or to reimburse the Authority or the District for payment of Project Costs) upon receipt by the Trustee of a Requisition of the Authority or the District, substantially in the form attached hereto as Exhibit C, which: (A) states with respect to each disbursement to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment will be made, (iii) the amount to be disbursed, (iv) that each obligation mentioned therein is a proper charge against the Project Fund and has not previously been disbursed by the Trustee from amounts in the Project Fund, (v) that all conditions precedent set forth in the Installment Sale Agreement with respect to such disbursement have been satisfied, and (vi) that the amount of such disbursement is for a Project Cost; (B) specifies in reasonable detail the nature of the obligation; and (C) is accompanied by a bill or statement of account (if any) for each obligation.

The Trustee may conclusively rely on the information contained in any Requisition, shall be under no duty or obligation to analyze or verify any documentation supporting the payments or reimbursements, and shall have no responsibility with respect to the application of any funds disbursed in accordance with such Requisition. The Trustee shall be under no duty or obligation to analyze or verify any documentation supporting the payments or reimbursements, but shall hold and provide to Bondholders upon request such documentation supporting the payments or reimbursements, solely as a repository for the benefit of Bondholders.

Upon the filing with the Trustee of a Certificate of the Authority stating that the 2024 Project has been completed or that all Requisitions intended to be filed by the Authority and the District have been filed, the Trustee shall withdraw all amounts then on deposit in the Project Fund and transfer such amounts to the Bond Fund and the Project Fund shall be closed.

Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Installment Sale Agreement. The recital contained in the Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

No Additional Bonds. No Additional Bonds are permissible under the Indenture.

PARTICULAR COVENANTS

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal of and interest on all the Bonds in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall 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 Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the applicable provisions of the Indenture shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created in favor of the Bonds by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Installment Sale Agreement, the Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the applicable provisions of the Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of the Installment Sale Agreement, the Revenues and other assets and all the rights of the Bondowners, under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records. The Trustee shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Revenues, the Installment Sale Agreement, and all funds and accounts established pursuant to the Indenture consistent with the Trustee's record keeping practices in effect from time to time. Such books of record and account shall be available for inspection by the Authority and the District, during business hours and under reasonable circumstances. The Trustee shall deliver a monthly accounting of all funds and accounts except for any fund or account which has a zero balance and has not had any activity since the last reporting date. The Trustee shall establish such other funds and accounts as it deems necessary to carry out its duties under the Indenture.

No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part, except as provided in the Indenture with respect to the Bonds.

No Arbitrage. The Authority shall not take, or permit to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

Compliance with Rebate Requirements. The Authority shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investments earnings, if any, to the federal government.

Private Activity Bond Limitation. The Authority shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code, or the private loan financing test of section 141(c) of the Code.

Federal Guarantee Prohibition. The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code.

Continuing Disclosure. Pursuant to the applicable provisions of the Installment Sale Agreement, the District has undertaken all responsibility for compliance with continuing disclosure requirements with respect to the Bonds and neither the Authority nor the Trustee shall have any liability to the Owners of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of the Indenture, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order. The Trustee shall have no duties or liabilities with respect to any such Continuing Disclosure Certificate.

Installment Sale Agreement. The Trustee shall collect all amounts due from the District pursuant to the Installment Sale Agreement, and, subject to the applicable provisions of the Indenture, shall enforce, and take all steps, actions and proceedings provided in the Indenture and in the Installment Sale Agreement for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the District thereunder. The Authority may at any time amend the Installment Sale Agreement pursuant to the applicable provisions thereof for the purpose of providing for the issuance or incurrence of Parity Obligations without the consent of the Trustee. Except for such amendment pursuant to the preceding sentence, the Authority shall not amend, modify or terminate any of the terms of the Installment Sale Agreement, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent only if the Trustee shall receive (a) the opinion of Bond Counsel that such amendment, modification or termination is permitted under the Indenture and will not materially adversely affect the interests of the Bondowners, or (b) the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding to such amendment, modification or termination.

Waiver of Laws. The Authority shall 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 hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the Authority to the extent permitted by law.

Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Events of Default. The following events shall be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal of or premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as the same shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the District by the Authority, Insurer or Trustee; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such thirty (30) day period, such default shall not constitute an Event of Default under the Indenture if the District shall commence to cure such default within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The occurrence and continuation of an “Event of Default” within the meaning of Section 8.1 of the Installment Sale Agreement.

Notwithstanding everything to the contrary, so long as the Bonds are insured by the Insurer, no grace period for a covenant default shall exceed thirty (30) days without the prior written consent of the Insurer and further provided that no grace period shall be permitted for payment defaults.

Remedies Upon Event of Default. If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall be entitled, upon notice in writing to the Authority and the District, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything else in the Indenture or in the Bonds contained to the contrary notwithstanding; provided however, so long as the Bonds are insured by the Insurer, the maturity of such Bonds shall not be accelerated without the consent of the Insurer and in the event the maturity of the Bonds is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal, and interest accrued on such principal, to the date of acceleration (to the extent unpaid by the Authority) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer’s obligations under the Policy with respect to such Bonds shall be fully discharged.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority or the District shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds, payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its attorneys, agents, and advisors) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the District and the Trustee, or the Trustee if such declaration was made by the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the reasonable opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including internal costs of administration and in-house counsel and reasonable fees and disbursements of its outside counsel) incurred in and about the performance of its powers and duties under the Indenture. Any such costs and expenses are deemed to be reasonable costs of administration under the Indenture or as required under the Federal Bankruptcy Act;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, as follows:

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto, including amounts owed to the Insurer, of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

Second: To the payment to the persons entitled thereto, including amounts owed to the Insurer, of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the

payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Third: To provide for payment of any other amount then due and owing the Insurer.

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Trustee to Represent Bondowners. The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the 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 Bonds, the Indenture and applicable provisions of any law. Counsel to the Trustee is not counsel to the Bondholders and communications between the Trustee and such counsel are privileged. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondowners, the Trustee in its discretion may, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall 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 granted in the Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds, the Indenture, the Act, the Bond Law or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Bondowners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, but subject to the applicable provisions of the Indenture, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall 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 conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which would be unjustly prejudicial to Bondowners not parties to such direction or would expose the Trustee to liability.

Limitation on Bondowners' Right to Sue. No Owner of any Bonds shall 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, the Installment Sale Agreement or any applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding.

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

Absolute Obligation of Authority. Nothing in any provision of the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues and other assets pledged under the Indenture 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 Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bondowners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondowners, then in every such case the Authority, the Trustee and the Bondowners, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bondowners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power

or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Parties Interested. Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District, the Authority, the Insurer or the Trustee, their officers, employees and agents, and the Owners any right, remedy or claim under or by reason of the Indenture, or any covenant, condition or stipulation thereof, and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the District, the Authority, the Insurer or the Trustee, their officers, employees and agents, and the Owners.

THE TRUSTEE

Appointment of Trustee. The Bank of New York Mellon Trust Company, N.A. is appointed Trustee by the Authority and the District for the purpose of receiving all moneys required to be deposited with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture. The District agrees that it will maintain a Trustee having a corporate trust office in California, with a reported capital and surplus of at least \$50,000,000, duly authorized to exercise trust powers and subject to supervision or examination by Federal or State authority, so long as any Bonds are Outstanding. If such bank or trust company publishes a report of condition at least annually under law or the requirements of any supervising or examining authority above referred to then for the purpose of the applicable provisions of the Indenture the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The District and the Authority covenant that they will maintain a Trustee which is qualified under the provisions of the foregoing provisions of the applicable provisions of the Indenture, so long as any Bonds are Outstanding. The Trustee is authorized to pay or prepay the Bonds when duly presented for payment at maturity, or on prepayment, or on purchase by the Trustee as directed by the District prior to maturity in accordance with the applicable provisions of the Indenture, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Bonds paid and discharged.

Acceptance of Trusts. The Trustee accepts the trusts imposed upon it, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after curing or waiver of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth herein, and no implied covenants or obligations shall be read into the Indenture against the Trustee. The Trustee may not be relieved from liability for its own grossly negligent action, or its own grossly negligent failure to act or its own willful misconduct. In case an Event of Default has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it under the Indenture, and shall use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

(b) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if the repayment of such funds or adequate indemnity against such risk or liability is not assured to it. The Trustee shall be entitled to interest on any amounts advanced by it in the performance of its duties under the Indenture.

(c) The Trustee is not responsible for the validity of the Indenture or for any recital in the Indenture, or in the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds executed and delivered under the Indenture or intended to be secured and the Trustee is not bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority or the District under the Installment Sale Agreement. The Trustee is not responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the applicable provision of the Indenture.

(d) The Trustee is not accountable for the use or application of any Bonds or the proceeds thereof. The Trustee may be the Owner of Bonds secured with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a 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 Owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(e) In the absence of bad faith on its part, Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and correct and to have been signed or presented by the proper party or parties. Any action taken or omitted to be taken by the Trustee in good faith hereunder upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds executed and delivered in exchange therefor or in place thereof.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed by an Authority Representative or a City Representative as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Trustee has been given notice or is deemed to have notice, as provided in the applicable provisions of the Indenture, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of an Authority Representative or a City Representative to the effect that an authorization in the form therein set forth has been adopted by the Authority or the District, as the case may be, as conclusive evidence that such authorization has been duly adopted, and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated here in shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and

exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents. In acting or omitting to act pursuant to the Installment sales Agreement or any other documents executed in connection herewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under the Indenture.

(h) The Trustee is not required to take notice or be deemed to have notice of any Event of Default under the Indenture except failure by the District to make any of the Installment Payments to the Trustee required to be made by the District under the Installment Sale Agreement or failure by the Authority or the District to file with the Trustee any document required by the Indenture or by the Installment Sale Agreement to be so filed subsequent to the delivery of the Bonds, unless the Trustee is specifically notified in writing of such default by the Authority, the District or the Owners of at least 25% in aggregate principal amount of Bonds then Outstanding and all notices or other instruments required by the Indenture or by the Installment Sale Agreement to be delivered to the Trustee must, in order to be effective, be delivered at the Corporate Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, have the right (but not the duty) to inspect the Water Enterprise including all books, papers and records of the District pertaining to the Water Enterprise and the Bonds, and to take such memoranda from and with regard thereto as may be desired.

(j) The Trustee is not required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere provided in the Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of the Indenture, the Trustee has the right, but is not required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition so that by the terms thereof required as a condition of such action, by the Trustee deemed desirable for the purpose of establishing any right to the execution of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking any action referred to in the applicable provisions of the Indenture at the direction of the Bondowners, the Trustee may require that a satisfactory indemnity bond or other indemnification acceptable to the Trustee be furnished by the Bondowners, or any of them, for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any such action.

(m) All moneys received by the Trustee shall, until used or applied or invested as provided in the Indenture, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee has no liability for interest on any moneys received under the Indenture except such as may be agreed upon.

(n) The Trustee is not responsible for the sufficiency of the Installment Sale Agreement or its right to receive moneys under the Installment Sale Agreement.

(o) The Trustee is not liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount of the Outstanding Bonds 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.

(p) The Trustee is not liable for any error of judgment made by a responsible officer of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts relating thereto.

(q) The Trustee may, in its sole discretion and at the expense of the District and the Authority, consult with its counsel, Bond Counsel or counsel to the District or the Authority, and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Trustee under the Indenture in good faith and in accordance with such legal advice or opinion of counsel or Bond Counsel.

(r) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to the Indenture and delivered using Electronic Means; provided, however, that the Authority shall provide to the Trustee an incumbency certificate listing Authorized Officers and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority, whenever a person is to be added or deleted from the listing. If the Authority 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 shall be deemed controlling. The Authority understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall 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 Authority shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority 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 Authority. The Trustee shall 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 Authority agrees: (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 Authority; (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.

Fees, Charges and Expenses of Trustee. The Trustee is entitled to payment and reimbursement from the District and the Authority for reasonable fees for its services rendered under the Indenture and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default, but only upon

such occurrence, the Trustee shall have a first lien with right of payment prior to payment on account of principal, premium, if any, and interest represented by any Bond upon the amounts held under the Indenture for the foregoing fees, charges and expenses incurred by it respectively.

Notice to Bondowners of Default. If an Event of Default occurs of which the Trustee has been given or is deemed to have notice, as provided in the applicable provisions of the Indenture, then the Trustee shall promptly give written notice thereof by first class mail, postage prepaid, to the Owner of each Outstanding Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the District to make any Installment Payment when due, the Trustee may elect not to give such notice to the Bondowners if and so long as the Trustee in good faith determines that it is in the best interests of the Bondowners not to give such notice.

Removal of Trustee. So long as no Event of Default has occurred and is continuing the District may, upon at least 30 days' prior written notice and with the consent of the Authority, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee and the Authority, and may appoint a successor or successors thereto; provided that any such successor shall be a commercial bank or trust company meeting the requirements set forth in the applicable provisions of the Indenture.

Resignation by Trustee. The Trustee and any successor Trustee may at any time resign by giving written notice by registered or certified mail to the District. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall be effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the District shall mail notice thereof to the Bondowners at their respective addresses set forth on the Registration Books.

Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee under Sections 8.05 or 8.06, respectively, with the prior written consent of the District shall promptly appoint a successor Trustee. In the event the District for any reason whatsoever fails to appoint a successor Trustee within 30 days following the delivery to the Trustee of the instrument described in the applicable provisions of the Indenture or within 30 days following the receipt of notice by the District under the applicable provisions of the Indenture, at the expense of the District the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of the applicable provisions of the Indenture. Any such successor Trustee appointed by such court shall be the successor Trustee under the Indenture notwithstanding any action by the District purporting to appoint a successor Trustee following the expiration of such 30 day period. The Trustee shall be entitled to payment and reimbursement from the District and the Authority of any fees and expenses prior to appointment of any successor trustee.

Merger or Consolidation. Any bank, corporation or association into which the Trustee may be merged or converted or with which it may be consolidated or any corporation resulting from any merger, conversion or consolidation to which it shall be a party or any bank, corporation or association succeeding to all or substantially all of its corporate trust business, provided that such company or association shall be eligible under the applicable provisions of the Indenture, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper with any party hereto or any further

act on the part of any of the parties hereto except where an instrument or transfer or assignment is required by law to effect such succession, anything herein to the contrary in the Indenture notwithstanding.

Concerning any Successor Trustee. Every successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to its predecessor and also to the Authority and the District an instrument in writing accepting such appointment under the Indenture and thereupon such successor, without any further act, deed or conveyance, shall be fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the Authority, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor under the Indenture; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee under the Indenture to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority.

Non-Liability of Trustee. The recitals, statements and representations by the District and the Authority contained in the Indenture or in the Bonds shall be taken and construed as made by and on the part of the District and the Authority, as the case may be, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

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 of the Water Enterprise. Anything in the Indenture to the contrary notwithstanding, in no event shall the Trustee be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

If the Trustee renders any service hereunder not provided for in the Indenture or related financing documents, or the Trustee is made a party to or intervenes in any litigation pertaining to the Indenture or related financing documents or institutes interpleader proceedings relative hereto, the Trustee shall be compensated reasonably by the Authority for such extraordinary services and reimbursed for any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket and incidental expenses and legal fees and expenses occasioned thereby.

The District shall indemnify the Trustee and its agents for, and to hold them harmless against, any and all loss, damage, claim, liability or expense, arising out of or in connection with the acceptance or administration of the trust or trusts under the Indenture, including the costs and expenses of defending itself against any claim (whether asserted by the District or the Authority, or any holder or any person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, or in connection with enforcing the provisions of the Indenture, except to the extent that such loss, damage, claim, liability or expense is due to its own gross negligence or willful misconduct.

Nature of Trust Engagement. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants or obligations shall be read into the

Indenture against the Trustee. In accepting the trusts created by the Indenture, the Trustee acts solely as Trustee and not in its individual capacity and all persons, including without limitation the Bondowners, the District and the Authority having any claim against the Trustee arising from the Indenture shall look only to the funds and accounts under the Indenture for payment except as otherwise provided in the Indenture. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations represented by the Bonds.

MODIFICATION OR AMENDMENT OF THE INDENTURE

Amendments Permitted Without Consent of Owners. The Indenture and the rights and obligations of the Owners of the Bonds, and the Installment Sale Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any of the Bondowners, only to the extent permitted by law and only for any one or more of the following reasons:

- (i) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power in the Indenture reserved to the District;
- (ii) to cure, correct or supplement any ambiguous or defective provision contained in the Indenture;
- (iii) in any respect whatsoever in regard to questions arising under the Indenture or thereunder, as the parties hereto or thereto may deem necessary or desirable and which do not, in the opinion of Bond Counsel, materially adversely affect the interests of the Owners of the Bonds;
- (iv) if and to the extent permitted in the opinion of Bond Counsel filed with the Trustee, the District and the Authority, to delete or modify any of the provisions of the Indenture relating to the exemption from federal income taxation of interest represented by the Bonds; and/or
- (v) to facilitate the issuance of Parity Obligations by the District pursuant to the Installment Sale Agreement.
- (vi) any amendment which does not materially adversely affect the interests of the Owners of the Bonds or the Insurer.

Before the District and the Trustee shall adopt any such Supplemental Indenture pursuant to the above subsection or simultaneously with such adoption, there shall be or have been delivered to the District and the Trustee an opinion of Bond Counsel, stating that such Supplemental Indenture is authorized or permitted by the Indenture and will, upon the execution and delivery thereof, be valid and binding upon the District in accordance with its terms and will not in and of itself cause the interest on the Bonds to be included in gross income of the Owners for federal income tax purposes.

Any such supplemental agreement entered into under the applicable provisions of the Indenture will be effective upon execution and delivery by the parties hereto or thereto as the case may be.

Amendments Permitted With Consent of Owners. Except as permitted under the applicable provisions of the Indenture, the Indenture and the rights and obligations of the Owners of the Bonds, and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which will be effective when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the applicable provisions of the Indenture, have been filed with the Trustee.

No modification or amendment under the applicable provisions of the Indenture may (a) extend or have the effect of extending the fixed maturity of any Bond or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Bond, or (b) reduce or have the effect of reducing the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification of the Installment Sale Agreement, without the consent of the Owners of 100% in aggregate principal amount of the Outstanding Bonds, or (c) modify any of the rights or obligations of the Trustee without its written assent thereto.

Any such supplemental agreement may not take effect unless there is filed with the Trustee the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the applicable provisions of the Indenture) and the Trustee has given the notice required below. Each such consent shall be effective only if accompanied by Proof of Ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the applicable provisions of the Indenture. Any such consent shall be binding upon the Owner of the Bond giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice provided in the Indenture has been mailed.

After the Owners of the required percentage of Bonds have filed their consents to such supplemental agreement, the Trustee shall mail a notice to the Owners of the Bonds in the manner hereinbefore provided in the applicable provisions of the Indenture for the mailing of such supplemental agreement of the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in the applicable provisions of the Indenture (but failure to mail copies of said notice will not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by the applicable provisions of the Indenture to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental agreement shall take effect upon the mailing of such last-mentioned notice, and such supplemental agreement shall be deemed conclusively binding upon the parties hereto, the Owners of all Bonds at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60 day period.

Effect of Supplemental Agreement. From and after the time any supplemental agreement takes effect under the applicable provisions of the Indenture or the Installment Sale Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Bonds Outstanding, as the case may be, shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of the Indenture or the Installment Sale Agreement for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds. The Bonds shall bear a notation, by endorsement or otherwise, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of such Owner's Bond for the purpose at the Corporate Trust Office of the Trustee, a suitable notation shall be made on such Bond. The Trustee may determine that the delivery of substitute Bonds, so modified is necessary to conform to such Bondowners' action, which substitute Bonds shall thereupon be prepared, executed and delivered at the expense of the District. In that case, upon demand of the Owner of any Bond then Outstanding, such substitute Bond shall be exchanged at the Corporate Trust Office of the Trustee, without cost to such Owner, for a Bond of the same character then Outstanding, upon surrender of such Outstanding Bond.

Amendment of Particular Bonds. The provisions of the applicable provisions of the Indenture shall not prevent any Bondowner from accepting any amendment as to the particular Bonds held by held by such Owner, provided that proper notation thereof is made on such Bonds.

DEFEASANCE

Discharge of Indenture. The Bonds, or any portion thereof, may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

- (a) by paying or causing to be paid the principal of, as applicable, and interest on the Bonds, or any portion thereof, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or Federal Securities in the necessary amount (as provided in the applicable provisions of the Indenture) to pay or redeem all Bonds, or any portion thereof then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all of the Bonds, or any portion thereof then Outstanding.

If the Authority shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable under the Indenture by the Authority, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture with respect to the Bonds so paid or delivered for cancellation, as applicable, shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Request of the Authority, the Trustee shall take all such actions and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, including, without limitation, the selection by lot of the Bonds of any maturity that is to be defeased in part, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by them pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on 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 applicable provisions of the Indenture) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the applicable provisions of the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall 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 applicable provisions of the Indenture.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall 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 Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture (exclusive of the Project Fund) and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the applicable provisions of the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, all unpaid interest thereon to the redemption date and redemption premium (if any); or

(b) Federal Securities the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant (the "Verification") filed with the District, the Authority and the Trustee, provide money sufficient to pay the principal of, as applicable, and all unpaid interest to maturity, or to the redemption date, and, if applicable, redemptions premium as the case may be, on the Bonds to be paid or redeemed, as such principal, interest become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the applicable provisions of the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Authority) to apply such money to the payment of such principal, interest and (if applicable) redemption premium with respect to such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Verification referred to above).

Payment of Bonds After Discharge of Indenture. Anything contained in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two (2) years after the date when

the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Authority for the payment of the interest and premium (if any) on and principal of such Bonds.

MISCELLANEOUS

Liability of Authority Limited to Revenues. Notwithstanding anything in the Indenture or in the Bonds contained, the Authority shall not be required or obligated or liable to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal or interest on the Bonds or for any other purpose of the Indenture.

Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture the Authority or the Trustee is named or referred to, such reference shall 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 Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Limitation of Rights to Parties and Bondowners. Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the District, the Insurer and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or contained in the Indenture; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the District, the Insurer and the Owners of the Bonds.

Evidence of Rights of Bondowners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Bondowners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondowners 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 Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in the applicable provisions of 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 Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the District, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the District or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of the applicable provisions of the Indenture if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the District or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Payment of Bonds After Discharge. Notwithstanding any of the Indenture, but subject to any applicable laws of the State of California relating to the escheat of funds or property, any moneys held by the Trustee for the payment of the principal or interest represented by any Bonds and remaining unclaimed for 2 years after the principal represented by all of the Bonds has become due and payable (whether at maturity or upon call for prepayment or by acceleration as provided in the Indenture), if such moneys were so held at such date, or 2 years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the District free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the District and the Trustee indemnifying the Trustee with respect to claims of Owners of Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Trustee may (at the cost of the District) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the 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. Any moneys so held by the Trustee shall be held uninvested.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, 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 Bonds entitled thereto, subject, however, to the provisions of the applicable provision of the Indenture but without any liability for interest thereon.

Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the Indenture shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

PROVISIONS RELATING TO THE POLICY

Bond Insurance Provisions. Notwithstanding anything to the contrary set forth in the Indenture, the Installment Sale Agreement or in the Bonds, the following provisions of the applicable provisions of the Indenture shall govern with respect to the Bonds:

(1) *Notice and Other Information to be given to the Insurer.* The District will provide the Insurer with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Certificate and (ii) to the holders of Bonds or the Trustee under the Security Documents.

The notice address of the Insurer is: Build America Mutual Assurance Company, 200 Liberty Street, 27th Floor, New York, NY 10281, Attention: Surveillance, Re: Policy No. , Telephone: (212) 235-2500, Telecopier: (212) 235-1542, Email: notices@buildamerica.com. In each case in which notice or other communication refers to an event of default or a claim on the Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 235-5214 and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”

(2) *Defeasance.* The investments in the defeasance escrow relating to Bonds shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise maybe authorized under State law and approved by the Insurer.

At least three (3) Business Days prior to any defeasance with respect to the Bonds, the District shall deliver to the Insurer draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Bonds, a verification report (a “Verification Report”) prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to the Insurer and shall be in form and substance satisfactory to the Insurer. In addition, the escrow agreement shall provide that:

(a) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of Bond Counsel that such substitution will not adversely affect the exclusion (if interest on the Bonds is excludable) from gross income of the holders of the Bonds of the interest on the Bonds for federal income tax purposes and the prior written consent of the Insurer, which consent will not be unreasonably withheld.

(b) The Authority will not exercise any prior optional redemption of Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to the Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(c) The Authority shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Insurer.

(3) *Trustee.*

(a) The Insurer shall receive prior written notice of any name change of the Trustee, or the resignation or removal of the Trustee. Any Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by the Insurer in writing.

(b) No removal, resignation or termination of the Trustee shall take effect until a successor, meeting the requirements above or acceptable to the Insurer, shall be qualified and appointed.

(4) *Amendments, Supplements and Consents.* The Insurer's prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below. The Authority shall send copies of any such amendments or supplements to the Insurer and the rating agencies which have assigned a rating to the Bonds.

(a) *Consent of the Insurer.* Any amendments or supplements to the Security Documents shall require the prior written consent of the Insurer with the exception of amendments or supplements:

i. To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or

ii. To grant or confer upon the holders of the Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Bonds, or

iii. To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed, or

iv. To add to the covenants and agreements of the District in the Security Documents other covenants and agreements thereafter to be observed by the District or to surrender any right or power therein reserved to or conferred upon the District.

v. To issue additional parity debt in accordance with the requirements set forth in the Security Documents (unless otherwise specified in the Indenture).

(b) *Consent of the Insurer in Addition to Bondholder Consent.* Whenever any Security Document requires the consent of holders of Bonds, the Insurer's consent shall also be required. In addition, any amendment, supplement, modification to, or waiver of, any of the Security Documents

that adversely affects the rights or interests of the Insurer shall be subject to the prior written consent of the Insurer.

(c) *Insolvency.* Any reorganization or liquidation plan with respect to the District must be acceptable to the Insurer. The Trustee and each owner of the Bonds appoint the Insurer as their agent and attorney-in-fact with respect to the Bonds and agree that the Insurer may at any time during the continuation of any proceeding by or against the District under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”) direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a “Claim”), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each owner of the Bonds delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Trustee and each owner of the Bonds with respect to the Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(d) *Control by the Insurer Upon Default.* Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Bonds or the Trustee for the benefit of the holders of the Bonds under any Security Document. No default or event of default may be waived without the Insurer’s written consent.

(e) *The Insurer as Owner.* Upon the occurrence and continuance of a default or an event of default, the Insurer shall be deemed to be the sole owner of the Bonds for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

(f) *Consent of the Insurer for acceleration.* The Insurer’s prior written consent is required as a condition precedent to and in all instances of acceleration.

(g) *Grace Period for Payment Defaults.* No grace period shall be permitted for payment defaults on the Bonds. No grace period for a covenant default shall exceed 30 days without the prior written consent of the Insurer.

(h) *Special Provisions for Insurer Default.* If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs 4(a)-(e) above to the contrary, (1) if at any time prior to or following an Insurer Default, the Insurer has made payment under the Policy, to the extent of such payment the Insurer shall be treated like any other holder of the Bonds for all purposes, including giving of consents, and (2) if the Insurer has not made any payment under the Policy, the Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Insurer makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, “Insurer Default” means: (A) the Insurer has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) the Insurer

shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).

(5) *Installment Sale Agreement.*

(a) The security for the Bonds shall include a pledge and assignment of the Installment Sale Agreement, and a default under the Installment Sale Agreement shall constitute an Event of Default under this Trust Agreement. In accordance with the foregoing, the Installment Sale Agreement is pledged and assigned to the Trustee for the benefit of the holders of the Bonds.

(b) Any payments by the District under the Installment Sale Agreement that will be applied to the payment of debt service on the Bonds shall be made directly to the Trustee at least fifteen (15) days prior to each debt service payment date for the Bonds.

(6) *The Insurer as Third-Party Beneficiary.* The Insurer is recognized as and shall be deemed to be a third-party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

(7) *Payment Procedure Under the Policy.*

In the event that principal and/or interest due on the Bonds shall be paid by the Insurer pursuant to the Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the District to the registered owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered owners.

In the event that on the second (2nd) business day prior to any payment date on the Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Bonds due on such payment date, the Trustee shall immediately notify the Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Insurer or its designee.

In addition, if the Trustee has notice that any holder of the Bonds has been required to disgorge payments of principal of or interest on the Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify the Insurer or its designee of such

fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Bonds as follows:

(a) If there is a deficiency in amounts required to pay interest and/or principal on the Bonds, the Trustee shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holders of the Bonds in any legal proceeding related to the payment and assignment to the Insurer of the claims for interest on the Bonds, (ii) receive as designee of the respective holders in accordance with the tenor of the Policy payment from the Insurer with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the "Insurer Policy Payment Account") to only be used to make scheduled payments of principal of and interest on the Bond, and (iv) disburse the same to such respective holders; and

(b) If there is a deficiency in amounts required to pay principal of the Bonds, the Trustee shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holder of the Bonds in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the Bonds surrendered to the Insurer, (ii) receive as designee of the respective holders in accordance with the tenor of the Policy payment therefore from the Insurer, (iii) segregate all such payments in the Insurer Policy Payment Account to only be used to make scheduled payments of principal of and interest on the Bond, and (iv) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the District on any Bond or the subrogation or assignment rights of the Insurer.

Payments with respect to claims for interest on and principal of Bonds disbursed by the Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the District with respect to such Bonds, and the Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. The Security Documents shall not be discharged or terminated unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the District and Trustee agree for the benefit of the Insurer that:

(a) They recognize that to the extent the Insurer makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the Bonds, the Insurer

will be subrogated to the rights of such holders to receive the amount of such principal and interest from the District, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Bonds; and

(b) They will accordingly pay to the Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Bonds to holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

(8) *Additional Payments.* The District has unconditionally agreed under the Installment Sale Agreement that it will pay or reimburse the Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, fees and expenses of the Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer spent in connection with the actions described in the preceding sentence. The District has agreed under the Installment Sale Agreement that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Insurer until the date the Insurer is paid in full.

Notwithstanding anything in the Indenture to the contrary, the District has agreed under the Installment Sale Agreement to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Policy ("Insurer Policy Payment"); and (ii) interest on such Insurer Policy Payments from the date paid by the Insurer until payment thereof in full by the District, payable to the Insurer at the Late Payment Rate per annum (collectively, "Insurer Reimbursement Amounts") compounded semi-annually. Notwithstanding anything to the contrary, including without limitation the post default application of revenue provisions, Insurer Reimbursement Amounts shall be, and the District, under the Installment Sale Agreement, has covenanted and agreed that the Insurer Reimbursement Amounts are, payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Installment Payments on a parity with Parity Payments.

(9) *Exercise of Rights by the Insurer.* The rights granted to the Insurer under the Security Documents to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Bonds and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the holders of the Bonds or any other person is required in addition to the consent of the Insurer.

(10) The Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Security Documents, whether or not the Insurer has received a claim upon the Policy.

(11) So long as the Bonds are outstanding or any amounts are due and payable to the Insurer, the District shall not sell, lease, transfer, encumber or otherwise dispose of the Water Enterprise or any material portion thereof, except upon obtaining the prior written consent of the Insurer.

(12) No contract shall be entered into or any action taken by which the rights of the Insurer or security for or source of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

(13) If an event of default occurs under any agreement pursuant to which any Obligation (defined below) of the District has been incurred or issued and that permits the holder of such Obligation or trustee to accelerate the Obligation or otherwise exercise rights or remedies that are adverse to the interest of the holders of the Bonds or the Insurer, as the Insurer may determine in its sole discretion, then an event of default shall be deemed to have occurred under this Trust Agreement and the related Security Documents for which the Insurer or the Trustee, at the direction of the Insurer, shall be entitled to exercise all available remedies under the Security Documents, at law and in equity. For purposes of the foregoing “Obligation” shall mean any bonds, loans, certificates, installment or lease payments or similar obligations that are payable and/or secured on a parity or subordinate basis to the Bonds.

INSTALLMENT SALE AGREEMENT

Definitions. Unless the context clearly otherwise requires or unless otherwise defined in the Installment Sale Agreement, the capitalized terms in the Installment Sale Agreement shall have the respective meanings specified in the Indenture. In addition, the following terms defined in the Installment Sale Agreement shall, for all purposes of the Installment Sale Agreement, have the respective meanings specified in the Installment Sale Agreement.

“Acquisition and Construction” means, with respect to any portion of the 2024 Project, the acquisition, construction, improvement, equipping, renovation, remodeling or reconstruction thereof.

“Additional Payments” means the amounts payable by the District pursuant to the Installment Sale Agreement.

“Additional Revenues” means, with respect to the issuance of any Parity Obligations, any or all of the following amounts:

(a) An allowance for Net Revenues from any additions or improvements to or extensions of the Water Enterprise to be made with the proceeds of such Parity Obligations and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or for any more recent consecutive twelve (12) month period selected by the District, were not in service, all in an amount equal to the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first full Fiscal Year in which each addition, improvement or extension is respectively to be in operation, all as shown by the Certificate of an Authorized Representative of the District.

(b) An allowance for Net Revenues arising from any increase in the charges made for service from the Water Enterprise which has become effective prior to the incurring of such Parity Obligations but which, during all or any part of such Fiscal Year or such twelve (12) month period, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or twelve (12) month period, all as shown by the Certificate of an Authorized Representative of the District.

“Board” or “Board of Directors” means the Board of Directors of the District.

“Completion Date” means, with respect to any component of the 2024 Project, the date on which the District or Authority files a Certificate with the Trustee stating that the Acquisition and Construction of such component of the 2024 Project has been completed pursuant to the applicable provisions of the Indenture.

“Environmental Regulation” means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, hazardous substances, chemical waste, materials or substances.

“Excess Investment Earnings” means an amount required to be rebated to the United States of America under Section 148(f) of the Code due to investment of gross proceeds of the Certificates at a yield in excess of the yield represented by the Bonds.

“Gross Revenues” means all gross income and revenue received, or receivable by the District, from the ownership and operation of the Water Enterprise, determined in accordance with Generally Accepted Accounting Principles, including, without limiting the generality of the foregoing, (a) all rates, fees and charges received for, and all other income and receipts derived by, the District from the operation of the Water Enterprise or arising from the Water Enterprise, including all rates, fees and charges received by the District for the Water Enterprise service and the other services of the Water Enterprise, (b) all proceeds of insurance (if any) covering business interruptions loss relating to the Water Enterprise, (c) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other monies to the extent that the use of such earnings and income is limited by or pursuant to law to the Water Enterprise, including all income from the investment of amounts on deposit in the Water System Fund, the Parity Obligation Payment Fund, and the Rate Stabilization Fund, (d) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water Enterprise, and (e) all other monies howsoever derived by the District from the operation of the Water Enterprise or arising from the Water Enterprise, including major facility charges; provided, that the term “Gross Revenues” shall not include contributions in aid of construction or refundable customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District.

“Independent Certified Public Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the District, and who, or each of whom-

- (a) is in fact independent and not under domination of the Authority or the District;
- (b) does not have any substantial interest, direct or indirect, in the Authority or the District; and
- (c) is not connected with the Authority or the District as an officer or employee of the Authority or

the District but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the District.

“Installment Payment Date” means not later than three (3) Business Days prior to each April 1 and October 1, commencing not later than three (3) Business Days prior to October 1, 2024.

“Installment Payments” means the amounts payable by the District pursuant to the applicable provisions of the Installment Sale Agreement, including any applicable prepayments thereof.

“Installment Sale Agreement” means the Installment Sale Agreement, dated as of March 1, 2024, by and between the District and the Authority relating to the 2024 Project, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

“Insurance Consultant” means any person or firm knowledgeable with respect to insurance carried by, required for and available to water districts operating facilities similar to the Water Enterprise, including a pooled self-insurance program in which premiums are established on the basis of the recommendation of an actuary of national reputation.

“Policy” means the municipal bond insurance policy issued by the Insurer guaranteeing the scheduled payment of principal and interest with respect to the Certificates when due.

“Insurer” means Build America Mutual Assurance Company, a New York stock insurance company, or any successor thereto or assignee thereof.

“Maximum Annual Debt Service” means with respect to the Installment Payments and all Parity Obligation Payments, as of the date of any calculation, the maximum sum obtained for the current or any future Bond Year by totaling the following amounts for such Bond Year:

(a) the aggregate principal amount of the Installment Payments and any Parity Obligation Payments coming due and payable by their terms in such Bond Year, including the principal amount required to be paid by operation of mandatory sinking fund prepayment in such Bond Year; and

(b) the amount of interest which would be due during such Bond Year on the aggregate principal amount of the Installment Payments and any Parity Obligation Payments which would be Outstanding in such Bond Year if the Installment Payments and any Parity Obligations are retired as scheduled.

Notwithstanding the foregoing, with respect to any Parity Obligations which then bear interest at a variable rate, such interest shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if such Parity Obligations are not yet outstanding, the initial rate (if established and binding), (ii) if such Parity Obligations have been outstanding for at least 12 months, the average rate of the 12 months immediately preceding the date of calculation, (iii)(A) if interest on such Parity Obligations is excludable from gross income under the Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus 50 basis points, or (B) if interest is not so excludable, the interest rate on direct United States Treasury obligations with comparable maturities plus fifty (50) basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage

during a certain period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during such period.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“Net Proceeds” means, when used with respect to any condemnation award or any insurance proceeds received with respect to the Water Enterprise, the amount of such condemnation award or insurance proceeds remaining after payment of all expenses (including reasonable attorneys’ fees) incurred in the collection of such award or proceeds.

“Net Revenues” means, for any Fiscal Year or twelve (12) calendar month period, the Gross Revenues during such Fiscal Year or twelve (12) calendar month period less the Operation and Maintenance Costs during such Fiscal Year or twelve (12) calendar month period; plus deposits to the Water System Fund or Bond Fund from amounts on deposit in the Rate Stabilization Fund in accordance with Section 4.7 of the Installment Sale Agreement, but excluding in all cases any moneys transferred to the Rate Stabilization Fund pursuant to the applicable provisions of the Installment Sale Agreement.

“Obligations” means all Parity Obligations and all Subordinate Obligations.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid or incurred by the District for maintaining and operating the Water Enterprise, determined in accordance with Generally Accepted Accounting Principles, including but not limited to (a) costs of acquisition of water, including all associated treatment and delivery costs, to be used by the Water Enterprise, (b) costs of electricity and other forms of energy supplied to the Water Enterprise, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water Enterprise in good repair and working order, (d) the reasonable administrative costs of the District attributable to the operation and maintenance of the Water Enterprise, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and (e) all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms thereof or of any resolution authorizing the issuance of any Parity Obligations or of such Parity Obligations, such as compensation, reimbursement and indemnification of the trustee for any such Parity Obligations and fees and expenses of Independent Certified Public Accountants and engineers, but in all cases excluding (i) debt service payable on obligations incurred by the District with respect to the Water Enterprise, including but not limited to the Installment Payments and any debt service payments made or to be made on Parity Obligations and Subordinate Obligations, (ii) costs of capital additions, replacements, betterments, extensions or improvements which under Generally Accepted Accounting Principles, are chargeable to a capital account, and (iii) depreciation, replacement and obsolescence charges or reserves therefore and amortization of intangibles or other bookkeeping entries of a similar nature.

“Original Purchaser” means FHN Financial Capital Markets, as the first purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

“Owner” “Holder” “Bond Owner” or “Bond Holder,” whenever used in the Installment Sale Agreement with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Parity Obligations” means the Bonds, the 2016 Obligations, the 2018 Obligations and future Parity Obligations payable from Net Revenues on a parity with the Parity Payments.

“Parity Payments” means all the Installment Payments and all other installment payments scheduled to be paid by the District under all Parity Obligations.

“Parity Obligation Agreement” means the installment sale agreement, indenture or other contract pursuant to which an issue of Parity Obligations was issued and secured.

“2024 Project” means the water system facilities and Improvements to be Acquired and Constructed by the Authority and sold to the District pursuant to the Installment Sale Agreement, as such water system facilities and Improvements are described in Exhibit B of the Installment Sale Agreement.

“Project Costs,” means, with respect to the 2024 Project, all costs of the Acquisition and Construction thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the Acquisition and Construction of the 2024 Project;

(b) obligations incurred for labor and materials in connection with the Acquisition and Construction of the 2024 Project;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the Acquisition and Construction of the 2024 Project;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper Acquisition and Construction of the 2024 Project;

(e) any sums required to reimburse the District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the Acquisition and Construction of the 2024 Project;

(f) all Costs of Issuance and other financing costs incurred in connection with the Acquisition and Construction of the Project; and

(g) the interest components of the Installment Payments during the period of Acquisition and Construction of the 2024 Project.

“Purchase Price” means the purchase price of the 2024 Project, in the aggregate principal amount of \$7,345,000, together with interest on the unpaid principal balance, payable in Installment Payments coming due and payable in the respective amounts and on the respective dates specified in Exhibit A.

“Rate Stabilization Fund” means the fund by that name established pursuant to the applicable provision of the Installment Sale Agreement.

“Subordinate Obligations” means all obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established in the Installment Sale Agreement.

“Subordinate Payments” means all installment payments scheduled to be paid by the District under all Subordinate Obligations.

“Term of the Installment Sale Agreement” means the time during which the Installment Sale Agreement is in effect, as provided in the applicable provision of the Installment Sale Agreement.

“Water Enterprise” means, collectively, the entire water collection, storage, treatment, transmission and distribution system now owned or operated by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Water Enterprise, including, but not limited to, any and all properties and assets, real and personal, tangible and intangible, of the District, now or hereafter existing, used or pertaining to the collection, storage, treatment, transmission and distribution system, including all contractual rights to water supply and transmission, as well as all pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, storage, treatment, transmission and distribution of water, and any necessary lands, rights of way and other real or personal property useful in connection therewith, and all additions, extensions, expansions, improvements and betterments thereto and equipments thereof.

“Water System Fund” means the District’s existing Water System Fund established and held by the District with respect to the Water Enterprise, into which all or any part of the Gross Revenues are deposited.

COVENANTS AND REPRESENTATIONS OF THE DISTRICT

Pursuant to the Installment Sale Agreement, the District made the following covenants and representations to the Authority and the Insurer as of the Closing Date:

(a) The District is a county water district duly organized and existing under the laws of the State, has full legal right, power and authority to enter into the Installment Sale Agreement and to carry out and consummate all transactions contemplated, and by proper action has duly authorized the execution and delivery of the Installment Sale Agreement.

(b) The representatives of the District executing the Installment Sale Agreement are fully authorized to execute the same.

(c) The Installment Sale Agreement has been duly authorized, executed and delivered by the District, and constitutes the legal, valid and binding agreement of the District, enforceable against the District in accordance with its terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.

(d) The execution and delivery of the Installment Sale Agreement, the consummation of the transactions contemplated in the Installment Sale Agreement and the fulfillment of or compliance with the terms and conditions of the Installment Sale Agreement, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the District is a party or by which it or the 2024 Project are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the District, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated by the Installment Sale Agreement, or the financial condition, assets, properties, 2024 Project or operations of the Water Enterprise, including but not limited to the performance of the District's obligations under the Installment Sale Agreement.

(e) No consent or approval of any trustee or holder of any indebtedness of the District or of the voters of the District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Installment Sale Agreement or the consummation of any transaction therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or threatened against or affecting the District or the Water Enterprise which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Installment Sale Agreement or upon the financial condition, assets, properties or operation of the District or Water Enterprise, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Installment Sale Agreement, or the financial conditions, assets, properties or operations of the District or Water Enterprise, including but not limited to the performance of the District's obligations under the Installment Sale Agreement.

(g) The District and the 2024 Project comply in all material respects with all applicable Environmental Regulations, including, without limitation, regulations governing air pollution, soil and water pollution, the use, generation, storage, treatment, removal, handling or disposal of hazardous substances, other materials or wastes, and the emission of electromagnetic or nuclear radiation.

(h) The District has heretofore established the Water System Fund into which the District deposits and will continue to deposit all Gross Revenues, and which the District will maintain throughout the Term of the Installment Sale Agreement.

(i) There are no outstanding bonds, notes, loans, leases, installment sale agreements or other obligations issued or incurred by the District which have any security interest in or claim upon the Net Revenues, which security interest or claim is superior to the Installment Payments. Except for the 2016 Installment Purchase Agreement and the 2018 Installment Sale Agreement, each of which have a pledge of Net Revenues on a parity basis with the Installment Payments, the District has not issued or incurred any

obligations payable on a parity with the pledge of the Net Revenues to the Installment Payments under the Installment Sale Agreement.

(j) No event has occurred and no condition exists which would constitute an Event of Default with respect to the Installment Sale Agreement or which, with the passing of time or with the giving of notice or both would become such an Event of Default.

(k) The District acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of the 2024 Project, that it is familiar with the provisions of all of the documents and instruments relating to such financing to which the District is a party or of which it is a beneficiary, including the Indenture, and that it understands the risks inherent in such transactions.

(l) The District agrees to pay or reimburse the Insurer and Authority, as Additional Payments, any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in connection herewith or under the Indenture or any other Security Documents; (ii) the pursuit of any remedies under the Indenture, the Installment Sale Agreement or any other Security Documents or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture, the Installment Sale Agreement or any other Security Documents whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture, the Installment Sale Agreement or any other Security Documents or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Policy. The Insurer and Authority reserve the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture, the Installment Sale Agreement or any other related Security Documents.

ACQUISITION AND CONSTRUCTION OF THE 2024 PROJECT

Acquisition and Construction of the 2024 Project. The Authority agrees to supervise and provide for, or cause to be supervised and provided, for the Acquisition and Construction of the 2024 Project by the District as its agent, and the District agrees enter into contracts and provide for, as agent of the Authority, the complete Acquisition and Construction of the 2024 Project in accordance with plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the District pursuant to all applicable requirements of law.

It is expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any costs associated with the 2024 Project or otherwise, and that all such costs and expenses shall be paid by the District, regardless of whether the funds deposited in the Project Fund or otherwise are sufficient to cover all such costs and expenses

Direct payment of the Project Costs shall be made from amounts on deposit in the Project Fund, pursuant to the applicable provisions of the Indenture. All contracts for, and all work relating to, the Acquisition and Construction of the 2024 Project shall be subject to all applicable provisions of law relating to the acquisition and construction of public works by the District.

The District expects that the Acquisition and Construction of the 2024 Project will be completed on or before March 1, 2027; provided, however, that the failure to complete any 2024 Project by the estimated

Completion Date thereof shall not constitute an Event of Default under the Installment Sale Agreement or a grounds for termination of the Installment Sale Agreement, nor shall such failure result in the diminution, abatement or extinguishment of the obligations of the District under the Installment Sale Agreement to pay the Installment Payments.

The District shall have the right from time to time in its sole discretion to amend the description of the 2024 Project to be financed and sold by the Authority under the Installment Sale Agreement. In order to exercise such right, the District shall file with the Authority and the Trustee an amended Exhibit B hereto.

Upon the completion of the Acquisition and Construction of the 2024 Project or any component thereof, but in any event not later than 30 days following such completion, an Authorized Representative of the District shall execute and deliver to the Authority and the Trustee a written Certificate which (a) states that the Acquisition and Construction of the 2024 Project or such component thereof have been substantially completed, (b) identifies the total Project Costs thereof, and (c) identifies the amounts, if any, to be reserved in the accounts within the Project Fund for payment of future Project Costs.

The District understands and agrees that upon the completion of the Acquisition and Construction of the 2024 Project, the amounts, if any, on deposit in the Project Fund shall be deposited by the Trustee in the Bond Fund and the Trustee shall close the Project Fund.

Appointment of District as Agent of Authority. The Authority has appointed the District as its agent to carry out all phases of the Acquisition and Construction of the 2024 Project pursuant to and in accordance with the provisions of the Installment Sale Agreement. The District accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Authority regarding the Acquisition and Construction of the 2024 Project. The District, as agent of the Authority under the Installment Sale Agreement, shall enter into, administer and enforce all purchase orders or other contracts relating to the Acquisition and Construction of the 2024 Project.

All contracts for, and all work relating to, the Acquisition and Construction of the 2024 Project shall be subject to all applicable provisions of law relating to the acquisition, construction, improvement, and equipping of like projects and property by joint powers authorities and by county water districts. The District shall pay the Project Costs from amounts held by it in the accounts within the Project Fund in accordance with the provisions of the Installment Sale Agreement and the provisions of the Indenture.

SALE OF 2024 PROJECT; INSTALLMENT PAYMENTS; RATE COVENANTS; PARITY OBLIGATIONS

Purchase and Sale of 2024 Project. In consideration for the Installment Payments as set forth in the applicable provisions of the Installment Sale Agreement, the Authority agrees to sell to the District, and the District agrees to purchase from the Authority, the 2024 Project and all Improvements at the Purchase Price and upon the terms and conditions set forth in the Installment Sale Agreement.

Term. The Term of the Installment Sale Agreement shall commence on the Closing Date, and shall end on the date on which the District shall have paid all of the Installment Payments, Additional Payments and all other amounts due and payable under the Installment Sale Agreement.

Title. Upon the Completion Date of each component of the 2024 Project, title to such component shall be deemed conveyed to and vested in the District. The Authority and the District shall execute, deliver and cause to be recorded any and all documents reasonably required by the District to consummate such transfers of title.

Installment Payments.

(a) *Purchase Price; Obligation to Pay.* The District shall, subject to its rights of prepayment provided in the applicable provisions of the Installment Sale Agreement, pay to the Authority, as the Purchase Price, together with interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, payable in Installment Payments coming due and payable in the respective amounts and on the respective dates specified in Exhibit A. Each Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event that the District fails to make any of the payments which are required to be made by it under the applicable provisions of the Installment Sale Agreement, such payment shall continue as an obligation of the District until such amount shall have been fully paid, and the District agrees 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. The Installment Payments shall be paid by the District to the Trustee, as assignee of the Authority pursuant to the Indenture.

(b) *Effect of Prepayment.* In the event that the District prepays all remaining Installment Payments in full pursuant to the applicable provisions of the Installment Sale Agreement, the District's obligations under the Installment Sale Agreement shall thereupon cease and terminate, including but not limited to the District's obligation to pay Installment Payments therefor under the applicable provisions of the Installment Sale Agreement; *provided, however*, that the District's obligations to compensate and indemnify the Trustee pursuant to the applicable provision of the Installment Sale Agreement, and to pay any amounts due and owing the Insurer pursuant to the applicable provisions of the Installment Sale Agreement, shall survive such prepayment. In the event that the District prepays the Installment Payments in part but not in whole pursuant to the applicable provisions of the Installment Sale Agreement, the principal component of each succeeding Installment Payment shall be reduced as provided in such Sections, and the interest component of each remaining Installment Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable on the Bonds thereby redeemed pursuant to the corresponding applicable provisions of the Indenture.

(c) *Rate on Overdue Payments.* In the event the District should fail to make any of the payments required in the applicable provision of the Installment Sale Agreement, the payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid, and the District agrees to pay the same with interest thereon, from the date of default to the date of payment, at the Overdue Rate, or at such other rate as may be provided in the Installment Sale Agreement and the Indenture.

(d) *Assignment.* The District understands and agrees that that certain rights of the Authority, including but not limited to the right of the Authority to receive payment of the Installment Payments, have been assigned by the Authority to the Trustee in trust, pursuant to the Indenture, for the benefit of the Owners of the Bonds, and the District consents to such assignment.

Pledge and Application of Net Revenues.

(a) *Pledge and Assignment of Net Revenues.* All of the Net Revenues, and all moneys on deposit in any of the Bond Fund, are irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments on a parity with any Parity Obligations, and, except as otherwise provided in the Installment Sale Agreement, the Net Revenues shall not be used for any other purpose so long as any of the Installment Payments remain unpaid. Such pledge, charge and assignment shall constitute a lien on, and security interest in, the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms of the Installment Sale Agreement.

All Net Revenues, whether held by the District as trustee or deposited with the Trustee, shall nevertheless be disbursed, allocated and applied solely to the uses and purposes set forth in the applicable provisions of the Installment Sale Agreement, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

(b) *Deposits into Water System Fund; Transfers to Make Installment Payments.* The District has heretofore established the Water System Fund, which the District agrees to continue to hold and maintain separate and apart from other funds for the purposes and uses set forth in the Installment Sale Agreement. All of the Gross Revenues shall be deposited by the District immediately upon receipt in the Water System Fund, which fund is continued in the treasury of the District and which fund shall be maintained by the District.

The District shall, from the moneys in the Water System Fund, pay all Operation and Maintenance Costs (including amounts which are reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable. All remaining moneys (i.e., Net Revenues) in the Water System Fund will be held by the District in the Water System Fund in trust for the benefit of the Trustee (as assignee of the rights of the Authority under the Installment Sale Agreement) and the Bond Owners, and for the benefit of the owners of any Parity Obligations. The resulting Net Revenues shall be set aside by the District at the following times in 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 hereinafter authorized in the applicable provisions of the Installment Sale Agreement:

(1) *Bond Fund.* On or before each Installment Payment Date, the District shall, from remaining moneys in the Water System Fund, transfer to the Trustee for deposit in the Bond Fund an amount that is equal to the interest and principal payable and coming due on the Bonds on the next succeeding Interest Payment Date. The District shall also, from the moneys in the Water System Fund, transfer to the applicable trustee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Parity Obligation Payments in accordance with the provisions of the applicable Parity Obligation Agreement.

Any moneys which are on deposit in the Bond Fund on each Installment Payment Date (other than amounts that are required for the payment of past due principal or interest with respect to any Bonds not presented for payment) shall be credited to the payment of the Installment Payments due and payable on such date. No deposit need be made in the Bond Fund as Installment Payments if the amount in the Bond Fund is at least equal to the amount of the Installment Payment that is due and payable on the next succeeding Installment Payment Date.

(2) Reserve Funds. On or before each Installment Payment Date, the District shall, from remaining moneys in the Water System 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 to reserve funds or accounts established for applicable Parity Obligations an amount that is equal to the amount required to be deposited therein.

(3) Subordinate Obligation Payments. After the payments contemplated by subparagraphs (1) and (2) above have been made, any amounts thereafter remaining in the Water System Fund may from time to time be used for the payment of the interest and principal payments becoming due and payable under all Subordinate Obligations and the net payments becoming due and payable respect to Subordinate Obligations; so long as the following conditions are met:

(i) all Operations and Maintenance Costs are being and have been paid and are then current; and

(ii) all deposits and payments contemplated by subparagraphs (1) and (2) above shall have been made in full and no deficiency in any reserve fund or reserve account for Parity Obligations shall exist, and there shall have been paid, or segregated within the Water System Fund and Bond Fund, the amounts currently payable pursuant to subparagraphs (1) and (2).

(4) General Expenditure; Rate Stabilization Fund. So long as the payment of any amounts owed to the Bond Insurer shall have been paid, all Net Revenues remaining after paying all of the sums required to be paid under the Installment Sale Agreement by the District by the provisions of Sections 4.5(b)(1), (2) and (3) above, may be withdrawn from the Water System Fund for expenditure for any lawful purpose of the District, including (i) the payment of Additional Payments, (ii) the payment of any unsecured obligations, (iii) the acquisition and construction of extensions and betterments to the Water Enterprise, (iv) the prepayment of any obligations of the District relating to the Water Enterprise, or (v) any other lawful purposes of the District, including, but not limited to, deposits to the Rate Stabilization Fund in accordance with Section 4.7(c) of the Installment Sale Agreement.

(c) Certain Necessary Transfers. The parties hereto acknowledge that although all Parity Obligations are secured equally and ratably by Net Revenues, debt service and other funds with respect to obligations other than the Bonds may be held by the Trustee or by trustees other than the Trustee under documents and agreements other than the Indenture and the Installment Sale Agreement, and the Installment Sale Agreement and the Indenture impose no obligations upon the Trustee with respect to such other obligations. The District is authorized to make such transfers from the Water System Fund necessary to effectuate such Parity Obligations' parity claim on the Net Revenues.

(d) Budget and Appropriation of Installment Payments. During the Term of the Installment Sale Agreement, the District shall adopt and make all necessary budgets and appropriations of the Installment Payments from the Net Revenues, and shall, upon written request of the Trustee, furnish to the Trustee a Written Certificate stating that the Installment Payments have been included in the final budget of the District for the current Fiscal Year. In the event any Installment Payment requires the adoption by the District of any

supplemental budget or appropriation, the District shall promptly adopt the same. The covenants on the part of the District contained in this subsection (d) shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in this subsection (d).

Special Obligation of the District; Obligations Absolute. The District's obligation to pay the Installment Payments, the Additional Payments and any other amounts coming due and payable under the Installment Sale Agreement shall be a special obligation of the District limited solely to the Net Revenues. Under no circumstances shall the District be required, obligated or liable to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified in the Installment Sale Agreement for the payment of the Installment Payments and the Additional Payments, nor shall any other funds or property of the District be liable for the payment of the Installment Payments and the Additional Payments and any other amounts coming due and payable under the Installment Sale Agreement.

Subject to the preceding paragraph, the obligations of the District to make the Installment Payments and the Additional Payments from the Net Revenues and to perform and observe the other agreements contained in the Installment Sale Agreement shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the District, the Authority or the Trustee of any obligation to the District or otherwise with respect to the Water Enterprise, whether under the Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the District by the Authority. Until such time as all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable under the Installment Sale Agreement shall have been fully paid or prepaid, the District (a) will not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts, (b) will perform and observe all other agreements contained in the Installment Sale Agreement, and (c) will not terminate the Term of the Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, failure to complete the 2024 Project, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water Enterprise, sale of the Water Enterprise, the taking by eminent domain of title to or temporary use of any component of the Water Enterprise, commercial frustration of purpose, any change in the tax or law other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or the Installment Sale Agreement.

Nothing contained in the Installment Sale Agreement shall be construed to release the Authority or the Trustee from the performance of any of the agreements on its part contained in the Installment Sale Agreement or in the Indenture, and in the event the Authority or the Trustee shall fail to perform any such agreements, the District may institute such action against the Authority or the Trustee as the District may deem necessary to compel performance so long as such action does not abrogate the obligations of the District contained in the preceding paragraph. The District may, however, at the District's own cost and expense and in the District's own name or in the name of the Authority prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect the District's rights under the Installment Sale Agreement, and in such event the Authority agrees to cooperate fully with the District and to take such action necessary to effect the substitution of the District for the Authority in such action or proceedings if the District shall so request.

Rates and Charges.

(a) *Covenant Regarding Gross Revenues.* The District shall, to the fullest extent permitted by law, fix, prescribe, revise and collect rates, fees and charges for the services and commodities furnished by the Water Enterprise during each Fiscal Year (together with other funds accumulated from Gross Revenues and which are lawfully available to the District for payment of any of the following amounts during such Fiscal Year), which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues which are sufficient to pay the following amounts in the following order of priority:

(i) All Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;

(ii) The Installment Payments and the principal of and interest on any Parity Obligations and Subordinate Obligations as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such Installment Payments or such principal and interest on any Parity Obligations or Subordinate Obligations are payable from the proceeds of the Bonds or Parity Obligations, or from any other source of legally available funds of the District which have been deposited with the Trustee for such purpose prior to the commencement of such Fiscal Year;

(iii) All amounts, if any, required to restore the balance any required reserve funds to the full amount of the applicable requirement; and

(iv) All Additional Payments and other payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable, from Gross Revenues during such Fiscal Year, including payments with respect to Subordinate Obligations.

(b) *Covenant Regarding Net Revenues.* In addition to the foregoing requirements, the District shall, to the fullest extent permitted by law, fix, prescribe, revise and collect rates, fees and charges for the services and commodities furnished by the Water Enterprise for each Fiscal Year which are reasonably fair and nondiscriminatory and which are sufficient to yield Net Revenues for such Fiscal Year equal to at least 120% of the Maximum Annual Debt Service in such Fiscal Year; provided, an adjustment will be made to the amount of Net Revenues for deposits to or withdrawals from the Rate Stabilization Fund.

(c) *Rate Stabilization Fund.* There is created a separate fund to be known as the "Rate Stabilization Fund," to be held, replenished and maintained by the District. The District may, during or within 210 days after a Fiscal Year, deposit any amount of funds which are legally available therefor into the Rate Stabilization Fund. The District may at any time withdraw moneys from the Rate Stabilization Fund. Net Revenues deposited into the Rate Stabilization Fund shall not be taken into account as Net Revenues for purposes of the calculations required by the covenants in the Installment Sale Agreement relating to Net Revenue coverage in the Fiscal Year to which such deposit is attributable, and amounts withdrawn from the Rate Stabilization Fund, during or within 210 days after a Fiscal Year, may be taken into account as Net Revenues for purposes of the calculations required by such covenants in such Fiscal Year to the extent provided in the definition of "Net Revenues."

Superior and Subordinate Obligations. The District shall not issue or incur any additional bonds or other obligations during the Term of the Installment Sale Agreement having any priority in payment of principal or interest out of the Gross Revenues or the Net Revenues over the Installment Payments. The District may at any time execute any Subordinate Obligations payable, provided that (i) no Event of Default has occurred and is continuing, and (ii) Net Revenues, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any other 12-month period selected by the District ending not more than 90 days prior to the date of issuance of such Parity Obligations, in either case verified by a certificate or opinion of an Independent Certified Public Accountant employed by the District, plus (at the option of the District) the Additional Revenues, are at least equal to 100% of the amount of Maximum Annual Debt Service with respect to the Installment Payments and all Parity Obligation Payments then outstanding (including the Parity Obligations then proposed to be issued).

Nothing contained in the Installment Sale Agreement shall limit the ability of the District to execute obligations payable from a lien on Net Revenues that is subordinate to the lien of Net Revenues for both Parity Obligations and Subordinate Obligations.

Issuance of Parity Obligations. The District may issue or incur other bonds, notes, loans, advances or indebtedness payable from Net Revenues on a parity with the Installment Payments to provide financing for the Water Enterprise in such principal amount as the District may determine. The District may issue or incur any Parity Obligations subject to the following specific conditions which are made conditions precedent to the issuance and delivery of the Parity Obligations:

(1) No Event of Default (or event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance.

(2) Net Revenues, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any other 12-month period selected by the District ending not more than 90 days prior to the date of issuance of such Parity Obligations, in either case verified by a certificate or opinion of an Independent Certified Public Accountant employed by the District, plus (at the option of the District) the Additional Revenues, are at least equal to 120% of the amount of Maximum Annual Debt Service with respect to the Installment Payments and all Parity Obligation Payments then outstanding (including the Parity Obligations then proposed to be issued).

Additional Payments. In addition to the Installment Payments, the District shall pay when due all costs and expenses incurred by the Authority (including, but not limited to, the Authority Annual Fee) and the Trustee to comply with the provisions of the Indenture, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund) and amounts payable to the federal government pursuant to the applicable provisions of the Indenture, and shall pay to the Trustee upon request therefor all compensation for fees due to the Trustee and all of its costs and expenses payable as a result of the performance of and compliance with its duties under the Installment Sale Agreement or under the Indenture or any related documents, together with all amounts required to indemnify the Trustee and/or Authority pursuant to the applicable provision of the Indenture, and all costs and expenses of the Authority's and Trustee's attorneys, auditors, financial advisors, engineers and accountants, and all amounts due and owing the Insurer under the Installment Sale Agreement or under the Indenture. The rights of the Insurer, Authority and Trustee and the obligations of the District under the applicable provision of the Installment

Sale Agreement shall survive the termination of the Installment Sale Agreement and any resignation or removal of the Trustee.

Payment of Rebatable Amounts. The District agrees to furnish all information to, and cooperate fully with, the Authority, the Trustee and their respective officers, employees, agents and attorneys, in order to assure compliance with the applicable provisions of the Indenture. In the event that the Authority or the Trustee shall determine, pursuant to the applicable provisions of the Indenture, that any amounts are due and payable to the United States of America thereunder and that neither the Authority nor the Trustee has on deposit an amount of available moneys (excluding moneys on deposit in the funds and accounts established for the payment of the principal of or interest or redemption premium, if any, on the Bonds) to make such payment, the Authority or the Trustee shall promptly notify the District of such fact.

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

Maintenance, Utilities, Budget, Taxes and Assessments. Throughout the Term of the Installment Sale Agreement, all improvement, repair and maintenance of the Water Enterprise shall be the responsibility of the District, and the District shall pay for or otherwise arrange for the payment of all Operation and Maintenance Costs and other services supplied to the Water Enterprise, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Water Enterprise resulting from ordinary wear and tear. On or before the first day of each Fiscal Year, the District will file with the Trustee a budget setting forth the estimated Operation and Maintenance Costs of the Water Enterprise for such Fiscal Year. The Trustee shall not be required to review, and shall not be deemed to have knowledge of, the contents of such budget, it being understood that the Trustee shall receive and hold such budget as repository for examination and copying by any Owner at such Owner's expense.

The District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority, the Trustee or the District, affecting the Water Enterprise or the respective interests or estates therein; *provided, however*, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of the Installment Sale Agreement as and when the same become due.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the District that, in its opinion, by nonpayment of any such items, the interest of the Authority under the Installment Sale Agreement or under the Indenture will be materially adversely affected, in which event the District shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority.

Operation of Water Enterprise. The District covenants and agrees to operate the Water Enterprise in an efficient and economical manner and to operate, maintain and preserve the Water Enterprise in good repair and working order. The District covenants that, in order to fully preserve and protect the priority and security of the Bonds, the District shall pay from the Gross Revenues and discharge all lawful claims for labor,

materials and supplies furnished for or in connection with the Water Enterprise which, if unpaid, may become a lien or charge upon the Gross Revenues or the Net Revenues prior or superior to the lien granted under the Installment Sale Agreement, or which may otherwise impair the ability of the District to pay the Installment Payments in accordance herewith.

Public Liability and Property Damage Insurance. The District shall maintain or cause to be maintained, throughout the Term of the Installment Sale Agreement, but only if and to the extent available at reasonable cost from reputable insurers, a standard comprehensive general insurance policy or policies in protection of the Authority, the Trustee, the District, and their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Water Enterprise. Said policy or policies shall provide coverage in such liability limits and shall be subject to such deductibles as shall be customary with respect to works and property of a like character. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District, subject to the applicable provisions of the Installment Sale Agreement, or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which such proceeds shall have been paid.

Casualty Insurance. The District shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Installment Sale Agreement, but only in the event and to the extent available from reputable insurers at reasonable cost, casualty insurance against loss or damage to any improvements constituting any part of the Water Enterprise, covering such hazards as are customarily covered with respect to works and property of like character. Such insurance may be subject to deductible clauses which are customary for works and property of a like character. Such insurance may be maintained as part of or in conjunction with any other casualty insurance carried by the District and may be maintained in whole or in part in the form of self-insurance by the District, subject to the applicable provisions of the Installment Sale Agreement, or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance. All amounts collected from insurance against accident to or destruction of any portion of the Water Enterprise shall be Gross Revenues and shall be used to repair, rebuild or replace such damaged or destroyed portion of the Water Enterprise or otherwise as permitted by the Installment Sale Agreement.

Records and Accounts. The District shall keep proper books of record and accounts of the Water Enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Water Enterprise. Said books shall, upon prior request, be subject to the reasonable inspection by the Owners of not less than ten percent (10%) in aggregate principal amount of the Outstanding Bonds, or their representatives authorized in writing. The District shall cause the books and accounts of the Water Enterprise to be audited annually by an Independent Certified Public Accountant, not more than two hundred seventy (270) days after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Bond Owners at the office of the District.

Private Activity Bond Limitation. The District shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code, or the private loan financing test of section 141(c) of the Code.

No Arbitrage; Maintenance of Tax-Exemption. The District shall not take, or permit or suffer to be taken by the Authority, Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the obligations of the District under the Installment Sale Agreement to be “arbitrage bonds” within the meaning of Section 148(a) of the Code. Furthermore, the District shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the obligations of the District under the Installment Sale Agreement to be “federally guaranteed” within the meaning of section 149(b) of the Code.

Rebate of Excess Investment Earnings to United States. The District shall calculate or cause to be calculated the Excess Investment Earnings in all respects at the times and in the manner required under the Code. The District shall pay the full amount of Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Code. Such payments shall be made by the District from any source of legally available funds of the District.

EVENTS OF DEFAULT

Events of Default Defined. The following events shall be Events of Default under the Installment Sale Agreement:

(a) Failure by the District to pay any Installment Payment when and as the same become due and payable under the Installment Sale Agreement.

(b) Failure by the District to pay any Additional Payment when due and payable under the Installment Sale Agreement, and the continuation of such failure for a period of ten (10) days.

(c) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Insurer, Authority or the Trustee; *provided, however*, that if the District shall notify the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an event of default under the Installment Sale Agreement if the District shall commence to cure such failure within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

(e) The occurrence and continuation of any event of default under and as defined in the instruments authorizing the issuance or incurrence of any Parity Obligations.

(f) The Installment Sale Agreement or any Parity Obligation Document, or any material provision of thereof or thereof, shall at any time for any reason cease to be the legal, valid and binding obligation of the District or shall cease to be in full force and effect, or shall be declared to be unenforceable, invalid or void, or the validity or enforceability thereof shall be contested by the District, or the District shall renounce the same or deny that it has any further liability under the Installment Sale Agreement or thereunder.

(g) Dissolution, termination of existence or insolvency of the District.

Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Trustee as assignee of the Authority shall have the right, subject to all of the rights of the Insurer set forth in Article XII of the Indenture, at its option and without any further demand or notice, but subject in all respects to the provisions of Article VIII of the Indenture to take any one or more of the following actions:

(a) Declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the Overdue Rate from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable. Notwithstanding the foregoing provisions of this subsection (a), however, if, at any time after the principal components of the unpaid Installment Payments 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 Trustee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, with interest on such overdue principal and interest components calculated at the Overdue Rate, and the reasonable fees and expenses of the Trustee and Authority (including any fees and expenses of its attorneys), and any and all other defaults known to the Trustee (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) have been made good, then, and in every such case, the Trustee shall rescind and annul such declaration and its consequences. However, no such rescission and annulment extends to or affects any subsequent default, or impairs or exhausts any right or power consequent thereon. As provided in the applicable provisions of the Installment Sale Agreement, the Trustee is required to exercise the remedies provided in the Installment Sale Agreement in accordance with the Indenture;

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of the Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under the Installment Sale Agreement; and

(c) as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bond Owners under the Installment Sale Agreement, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged under the Installment Sale Agreement, with such powers as the court making such appointment shall confer.

Non-Waiver. Nothing in this article or in any other provision of the Installment Sale Agreement shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Installment Payments when due, as provided in the Installment Sale Agreement, out of the Gross Revenues pledged for such payment, or shall affect or impair the right of the Authority or Insurer, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Installment Sale Agreement.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority or Insurer to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority or Insurer by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority or Insurer. If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority or Insurer, the District and the Authority and Insurer shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

No Remedy Exclusive. No remedy conferred in the Installment Sale Agreement or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in the applicable provisions of the Installment Sale Agreement it shall not be necessary to give any notice, other than such notice as may be required therein or by law.

Trustee and Bond Owners to Exercise Rights. Such rights and remedies as are given to the Authority under this Article VIII have been assigned by the Authority to the Trustee under the Indenture, to which assignment the District consents. Such rights and remedies shall be exercised by the Trustee, subject to all of the rights of the Insurer set forth in the Installment Sale Agreement and in Article XII of the Indenture, and the Owners of the Bonds as provided in the Indenture.

PREPAYMENT OF INSTALLMENT PAYMENTS

Security Deposit. Notwithstanding any other provision of the Installment Sale Agreement, the District may on any date secure the payment of Installment Payments, in whole or in part, by irrevocably depositing with the Trustee an amount of cash which, together with other available amounts, is either:

- (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, when due under the applicable provisions of the Installment Sale Agreement, or
- (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an Independent Certified Public Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Installment Payments when due under the applicable provisions of the Installment Sale Agreement.

If a security deposit is posted under the applicable provisions of the Installment Sale Agreement for the payment of all remaining Installment Payments, all obligations of the District under the Installment Sale Agreement, and the pledge of Net Revenues, and all other security provided by the Installment Sale Agreement for said obligations, shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from such security deposit. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of such Installment Payments in accordance with the applicable provision of the Installment Sale Agreement.

Optional Prepayment. The District is granted an option to prepay the principal components of the Installment Payments in whole or in part on any date on or after April 1, 2032. Such option shall be exercised by payment of a prepayment price equal to the sum of (a) the aggregate principal components of the Installment Payments to be prepaid, (b) the interest component of the Installment Payment required to be paid on or accrued to such date, and (c) the premium (if any) then required to be paid upon the corresponding prepayment of the Bonds pursuant to Section 4.01(b) of the Indenture. Such prepayment price shall be deposited by the Trustee in the Redemption Fund to be applied to the prepayment of Bonds pursuant to Section 4.01(b) of the Indenture. If the District prepays the Installment Payments in part but not in whole, the principal components thereof shall be prepaid among such maturities and in such integral multiples of \$5,000 as the District designates in written notice to the Trustee. The District shall give the Trustee written notice of its intention to exercise its option not less than 45 days in advance of the date of exercise, or such shorter period of time as may be agreed to by the Trustee.

Mandatory Prepayment from Net Proceeds. The District shall be obligated to prepay the Installment Payments in whole or in part on any Installment Payment Date pursuant to Section 4.01(c) of the Indenture from Net Proceeds of any insurance or condemnation award theretofore to the extent required to be used to prepay Bonds and Parity Obligations pursuant to the Installment Sale Agreement or pursuant to the Indenture; and

Except in the case of such prepayment of the Installment Payments in full, such payment shall be in addition to the Installment Payment required to be paid by the District on the next Installment Payment Date. Prepayment of Bonds pursuant to the applicable provisions of the Installment Sale Agreement shall be made on a pro rata basis based on the original principal amount of each series of the Bonds and any Parity Obligations, to the extent then outstanding.

Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Installment Payments in full under the applicable provisions of the Installment Sale Agreement, such that the Indenture with respect to the Bonds shall be discharged by its terms as a result of such prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable under the Installment Sale Agreement, all available amounts then on deposit in the funds and accounts established under the Indenture shall be credited towards the amounts then required to be so prepaid.

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APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDING JUNE 30, 2022**

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Indian Wells Valley Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2022 and 2021



History and Organization:

On January 24, 1955, the Ridgecrest County Water District was formed in accordance with Division 12, Section 30000-00901 of the California Water Code. The District was incorporated as a Political Corporation on February 1, 1955, and established as a California public entity with authority to construct, operate and maintain a community water works system, such as the District deems necessary and proper. In January 1970, the name was changed to Indian Wells Valley Water District to recognize that service had extended beyond the political boundaries of the City of Ridgecrest. Service is provided to nearly 12,000-metered sites. Voters living within the District's boundaries elect five Directors to govern the District. The District has a staff of 30 full-time regular employees. The District operates strictly from water rate charges and fees for services and has no revenue from taxes or federal sources. The District operates ten production wells, eleven water tanks that provide for 17.1 million gallons of storage, and seven booster stations.

Indian Wells Valley Water District Board of Directors as of June 30, 2022

Name	Title	Elected/ Appointed	Current Term
David C.H. Saint-Amand	President	Elected	11/18-11/22
Mallory J. Boyd	Vice-President	Elected	11/20-11/24
Charles F. Cordell	Director	Elected	11/20-11/24
Charles D. Griffin	Director	Elected	11/20-11/24
Stan G. Rajtora	Director	Elected	11/18-11/22

**Indian Wells Valley Water District
Donald M. Zdeba, General Manager
500 W. Ridgecrest Blvd.
Ridgecrest, California 93555
(760) 375-5086 – www.iwvwd.com**

Indian Wells Valley Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2022 and 2021

Indian Wells Valley Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2022 and 2021

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Financial Section

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Christopher J. Brown, CPA, CGMA
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Jeffrey Palmer

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Independent Auditor's Report

Board of Directors
Indian Wells Valley Water District
Ridgecrest, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Indian Wells Valley Water District (District) which comprises the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indian Wells Valley Water District as of June 30, 2022 and 2021, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control–related matters that we identified during the audits.

Emphasis of Matter

As discussed in note 13 to the financial statements, in June 30, 2022, the District adopted the provisions of *Governmental Accounting Standards Board (GASB) Statement No. 87– Leases*.

As a result, the District has restated its net position to reflect the effects of the change in its accounting policy. Our opinion is not modified with respect to this matter.

Independent Auditor's Report, continued

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 4 through 9 and the required supplementary information on pages 49 through 52 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 audits 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 March 13, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 53 and 54.

C.J. Brown & Company, CPAs

C.J. Brown & Company CPAs
Cypress, California
March 13, 2023

Indian Wells Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2022 and 2021

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Indian Wells Valley Water District (District) provides an introduction to the financial statements for the fiscal years ended June 30, 2022 and 2021. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2022, the District's net position decreased 0.54%, or \$207,174 to \$37,865,258, due to a decrease of \$876,126 from ongoing operations offset by capital contributions of \$668,952. In fiscal year 2021, the District's net position increased 2.79%, or \$1,033,421 to \$38,072,432, due to capital contributions of \$1,960,222 offset by a decrease of \$926,801 from ongoing operations.
- Total revenues increased 17.04% or \$2,392,920 to \$16,433,858. In fiscal year 2021, the District's total revenues increased 25.67% or \$2,868,265 to \$14,040,938.
- Operating revenues increased 17.28% or \$2,393,383 to \$16,240,442. In fiscal year 2021, the District's operating revenues increased 27.50% or \$2,986,638 to \$13,847,059.
- Non-operating revenues decreased 0.24% or \$463 to \$193,416. In fiscal year 2021, the District's non-operating revenues decreased 37.91% or \$118,373 to \$193,879.
- Total expenses increased 15.65% or \$2,342,245 to \$17,309,984. In fiscal year 2021, the District's total expenses increased 13.24% or \$1,750,171 to \$14,967,739.
- Operating expenses increased 26.74% or \$2,753,196 to \$13,050,526. In fiscal year 2021, the District's operating expenses increased 19.04% or \$1,647,117 to \$10,297,330.
- Non-operating expenses decreased 2.28% or \$30,700 to \$1,318,173. In fiscal year 2021, the District's non-operating expenses decreased 3.00% or \$41,760 to \$1,348,873.
- Capital contributions decreased 65.87% or \$1,291,270 to \$668,952. In fiscal year 2021, the District's capital contributions increased 176.37% or \$1,250,953 to \$1,960,222.

Required Financial Statements

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

The Statement of Net Position includes all the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. These statements measure the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. These statements can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net change in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Indian Wells Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2022 and 2021

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that help answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid. These two statements report the District's *net position* and changes in it. One can think of the District's net position (assets and deferred outflows of resources, less liabilities and deferred inflows of resources), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 15 through 48.

Statement of Net Position

Condensed Statements of Net Position					
	2022	As Restated 2021	Change	As Restated 2020	Change
Assets:					
Current assets	\$ 21,710,920	24,042,764	(2,331,844)	25,185,602	(1,142,838)
Non-current assets	120,000	120,000	-	120,000	-
Capital assets, net	<u>55,868,511</u>	<u>54,588,290</u>	<u>1,280,221</u>	<u>53,141,029</u>	<u>1,447,261</u>
Total assets	<u>77,699,431</u>	<u>78,751,054</u>	<u>(1,051,623)</u>	<u>78,446,631</u>	<u>304,423</u>
Deferred outflows of resources	<u>1,305,011</u>	<u>1,006,665</u>	<u>298,346</u>	<u>823,725</u>	<u>182,940</u>
Liabilities:					
Current liabilities	3,116,282	2,786,612	329,670	2,673,824	112,788
Non-current liabilities	<u>35,929,654</u>	<u>38,423,376</u>	<u>(2,493,722)</u>	<u>39,091,395</u>	<u>(668,019)</u>
Total liabilities	<u>39,045,936</u>	<u>41,209,988</u>	<u>(2,164,052)</u>	<u>41,765,219</u>	<u>(555,231)</u>
Deferred inflows of resources	<u>2,093,248</u>	<u>483,161</u>	<u>1,610,087</u>	<u>466,126</u>	<u>17,035</u>
Net position:					
Net investment in capital assets	22,730,376	20,317,430	2,412,946	18,108,694	2,208,736
Restricted	5,428,522	6,839,839	(1,411,317)	10,063,771	(3,223,932)
Unrestricted	<u>9,706,360</u>	<u>10,915,163</u>	<u>(1,208,803)</u>	<u>8,866,546</u>	<u>2,048,617</u>
Total net position	<u>\$ 37,865,258</u>	<u>38,072,432</u>	<u>(207,174)</u>	<u>37,039,011</u>	<u>1,033,421</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$37,865,258 and \$38,072,432 as of June 30, 2022 and 2021, respectively.

Indian Wells Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2022 and 2021

Statement of Net Position, continued

The largest portion of the District's net position (60% and 53% as of June 30, 2022 and 2021, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2022 and 2021, the District showed a positive balance in its unrestricted net position of \$9,706,360 and \$10,915,163, respectively, which may be utilized in future years. See note 12 for further information.

Statement of Revenues, Expenses, and Changes in Net Position

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2022	As Restated 2021	Change	As Restated 2020	Change
Revenue:					
Operating revenue	\$ 16,240,442	13,847,059	2,393,383	10,860,421	2,986,638
Non-operating revenue	193,416	193,879	(463)	312,252	(118,373)
Total revenue	<u>16,433,858</u>	<u>14,040,938</u>	<u>2,392,920</u>	<u>11,172,673</u>	<u>2,868,265</u>
Expense:					
Operating expense	13,050,526	10,297,330	2,753,196	8,650,213	1,647,117
Depreciation and amortization	2,941,285	3,321,536	(380,251)	3,176,722	144,814
Non-operating expense	1,318,173	1,348,873	(30,700)	1,390,633	(41,760)
Total expense	<u>17,309,984</u>	<u>14,967,739</u>	<u>2,342,245</u>	<u>13,217,568</u>	<u>1,750,171</u>
Net loss before capital contributions	(876,126)	(926,801)	50,675	(2,044,895)	1,118,094
Capital contributions:	<u>668,952</u>	<u>1,960,222</u>	<u>(1,291,270)</u>	<u>709,269</u>	<u>1,250,953</u>
Changes in net position	(207,174)	1,033,421	(1,240,595)	(1,335,626)	2,369,047
Net position, beginning of year	<u>38,072,432</u>	<u>37,039,011</u>	<u>1,033,421</u>	<u>38,374,637</u>	<u>(1,335,626)</u>
Net position, end of year as restated	<u>\$ 37,865,258</u>	<u>38,072,432</u>	<u>(207,174)</u>	<u>37,039,011</u>	<u>1,033,421</u>

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

In fiscal year 2022 the District's net position decreased 0.54%, or \$207,174 to \$37,865,258, due to a decrease of \$876,126 from ongoing operations, offset by \$668,952 in capital contributions. In fiscal year 2021, the District's net position increased 2.79%, or \$1,033,421 to \$38,072,432, due to \$1,960,222 in capital contributions, which were offset by a decrease of \$926,801 from ongoing operations.

The District's total revenues increased 17.04% or \$2,392,920 to \$16,433,858 in fiscal year 2022. In fiscal year 2021, the District's total revenues increased 25.67% or \$2,868,265 to \$14,040,938.

The District's operating revenues increased 17.28% or \$2,393,383 to \$16,240,442 in fiscal year 2022, primarily due to increases of \$1,858,246 in water consumption sales, \$446,054 in ready-to-serve charges, \$90,647 in arsenic compliance charges as compared to the prior year. In fiscal year 2021, the District's operating revenues increased 27.50% or \$2,986,638 to \$13,847,059, primarily due to increases of \$2,672,035 in water consumption sales, \$259,281 in other charges for services, \$79,626 in arsenic compliance charges, and \$14,477 in zone charges', which were offset by a decrease of \$38,781 in ready-to-serve charges as compared to the prior year.

Indian Wells Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2022 and 2021

Statement of Revenues, Expenses, and Changes in Net Position, continued

The District's non-operating revenues decreased 0.24% or \$463 to \$193,416 in fiscal year 2022, primarily due to a decreases of \$29,455 in other revenue and \$17,843 in investment earnings, which were offset by increases of \$39,825 in gain on disposition of assets and \$10,032 in special assessment 87-1 for debt service. In fiscal year 2021, the District's non-operating revenues primarily due to decreased 37.91% or \$118,373 to \$193,879, primarily due to a decrease of \$152,036 in investment earnings, offset by increases of \$18,909 in gain on disposition of assets and \$13,462 in other revenue.

The District's total expenses increased 15.65% or \$2,342,245 to \$17,309,984 in fiscal year 2022. In fiscal year 2021, the District's total expenses increased 13.24% or \$1,750,171 to \$14,967,739.

The District's operating expenses increased 26.74% or \$2,753,196 to \$13,050,526 in fiscal year 2022, primarily due to increases of \$2,627,882 in general and administrative, \$177,800 in engineering, \$86,842 in customer service, \$22,069 in water supply, which were offset by decreases of \$123,808 in arsenic plant expenses, \$17,157 in transmission and distribution, and \$14,311 in legislative expenses as compared to the prior year. In fiscal year 2021, the District's operating expenses increased 19.04% or \$1,647,117 to \$10,297,330, primarily due to increases of \$1,663,894 in general and administrative, \$107,044 in customer service, \$20,811 in legislative expenses, and \$20,538 in arsenic plant expenses; which were offset by decreases of \$114,987 in engineering, \$30,228 in transmission and distribution, and \$23,980 in water supply as compared to the prior year.

The District's depreciation decreased 11.45%, or \$380,251 to \$2,941,285 in fiscal year 2022, primarily due to maturing existing capital assets as compared to prior year. In fiscal year 2021, the District's depreciation increased 4.56%, or \$144,814 to \$3,321,536, primarily due to asset additions added to depreciable assets in the prior year.

The District's non-operating expenses decreased 2.28% or \$30,700 to \$1,318,173 in fiscal year 2022, primarily due to a decrease of \$28,700 in interest expense related to long-term debt as compared to the prior year. In fiscal year 2021, the District's non-operating expenses decreased 3.00% or \$41,760 to \$1,348,873, primarily due to a decrease of \$37,819 in interest expense related to long-term debt as compared to the prior year.

The District's capital contributions decreased 65.87% or \$1,291,270 to \$668,952 in fiscal year 2022, due to decreases of \$745,348 in capital contributions from the State, \$375,917 in capital facility fees, \$117,369 in capital contributions from developers, \$38,610 in capital contributions from local sources, and \$14,026 in capital contributions for the Cash for Grass grant. In fiscal year 2021, the District's capital contributions increased 176.37% or \$1,250,953 to \$1,960,222, due to increases of \$690,116 in capital contributions from the State, \$440,073 in capital facility fees, and \$190,078 in capital contributions from developers, which were offset by decreases of \$48,973 in capital contributions for the Cash for Grass grant, and \$20,341 in capital contributions from local sources.

Indian Wells Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2022 and 2021

Capital Asset Administration

Changes in capital asset amounts for 2022 were as follows:

	<u>As Restated 2021</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2022</u>
Capital assets:				
Non-depreciable assets	\$ 10,606,537	4,287,362	(2,494,879)	12,399,020
Depreciable assets	110,505,452	2,429,023	-	112,934,475
Accumulated depreciation and amortization	<u>(66,523,699)</u>	<u>(2,941,285)</u>	<u>-</u>	<u>(69,464,984)</u>
Total capital assets, net	<u>\$ 54,588,290</u>	<u>3,775,100</u>	<u>(2,494,879)</u>	<u>55,868,511</u>

Changes in capital asset amounts for 2021 were as follows:

	<u>As Restated 2020</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>As Restated 2021</u>
Capital assets:				
Non-depreciable assets	\$ 6,807,777	4,784,265	(985,505)	10,606,537
Depreciable assets	109,680,567	973,037	(148,152)	110,505,452
Accumulated depreciation and amortization	<u>(63,347,315)</u>	<u>(3,321,536)</u>	<u>145,152</u>	<u>(66,523,699)</u>
Total capital assets, net	<u>\$ 53,141,029</u>	<u>2,435,766</u>	<u>(988,505)</u>	<u>54,588,290</u>

At the end of fiscal years 2022 and 2021, the District's investment in capital assets amounted to \$55,868,511 and \$54,588,290 (net of accumulated depreciation and amortization), respectively. This investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles leased equipment and construction-in-process. See note 5 for further information.

Debt Administration

Changes in long-term debt amounts for 2022 were as follows:

	<u>As Restated 2021</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2022</u>
Long-term debt:				
COPs payable	\$ 28,064,312	-	(796,157)	27,268,155
Loans payable	6,171,897	-	(313,670)	5,858,227
Lease payable	<u>34,651</u>	<u>-</u>	<u>(22,898)</u>	<u>11,753</u>
Total long-term debt	<u>\$ 34,270,860</u>	<u>-</u>	<u>(1,132,725)</u>	<u>33,138,135</u>

Indian Wells Valley Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2022 and 2021

Debt Administration, continued

Changes in long-term debt amounts for 2021 were as follows:

	<u>As Restated</u> <u>2020</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>As Restated</u> <u>2021</u>
Long-term debt:				
COPs payable	\$ 28,837,970	-	(773,658)	28,064,312
Loans payable	6,484,384	-	(312,487)	6,171,897
Lease payable	56,763	-	(22,112)	34,651
Total long-term debt	\$ <u>35,379,117</u>	<u>-</u>	<u>(1,108,257)</u>	<u>34,270,860</u>

See note 7 for further information.

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present, and future periods.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Chief Financial Officer at 500 West Ridgecrest Boulevard, Ridgecrest, California 93555 – (760) 375-5086.

Basic Financial Statements

Indian Wells Valley Water District
Statements of Net Position
June 30, 2022 and 2021

	<u>2022</u>	<u>As Restated 2021</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 13,334,987	14,092,991
Restricted – cash and cash equivalents (note 2)	5,445,347	6,857,594
Accrued interest receivable	15,686	15,064
Accounts receivable – water sales and services	1,928,791	2,100,594
Accounts receivable – other	20,457	135,271
Assessment bonds receivable – delinquent (note 3)	72,857	84,578
Lease receivable (note 4)	7,862	9,534
Materials and supplies inventory	798,169	646,603
Prepaid expenses and other deposits	86,764	100,535
Total current assets	<u>21,710,920</u>	<u>24,042,764</u>
Non-current assets:		
Lease receivable (note 4)	-	7,862
Mitigation deposit – California Department of Fish and Game	120,000	120,000
Capital assets – not being depreciated (note 5)	12,399,020	10,606,537
Capital assets, net – being depreciated (note 5)	43,469,491	43,981,753
Total non-current assets	<u>55,988,511</u>	<u>54,716,152</u>
Total assets	<u>77,699,431</u>	<u>78,758,916</u>
Deferred outflows of resources:		
Deferred other post-employment benefit outflows (note 8)	447,985	89,664
Deferred pension outflows (note 9)	857,026	917,001
Total deferred outflows of resources	<u>\$ 1,305,011</u>	<u>1,006,665</u>

Continued on next page

See accompanying notes to the basic financial statements

Indian Wells Valley Water District
Statements of Net Position, continued
June 30, 2022 and 2021

	<u>2022</u>	<u>As Restated 2021</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,354,862	1,139,640
Accrued wages and related payables	136,153	105,397
Customer deposits	359,539	333,219
Accrued interest payable	16,825	17,755
Unearned revenue	106,456	75,446
Long-term liabilities – due within one year:		
Compensated absences (note 6)	85,965	80,275
Bonds payable (note 7)	710,000	688,750
Loans payable (note 7)	334,729	323,232
Lease payable (note 7)	11,753	22,898
Total current liabilities	<u>3,116,282</u>	<u>2,786,612</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 6)	343,862	321,099
Bonds payable (note 7)	26,558,155	27,375,562
Loans payable (note 7)	5,523,498	5,848,665
Lease payable (note 7)	-	11,753
Net other post-employment benefit liability (note 8)	1,698,328	1,392,967
Net pension liability (note 9)	1,805,811	3,473,330
Total non-current liabilities	<u>35,929,654</u>	<u>38,423,376</u>
Total liabilities	<u>39,045,936</u>	<u>41,209,988</u>
Deferred inflows of resources:		
Deferred lease inflows (note 4)	4,782	14,345
Deferred other post-employment benefit inflows (note 8)	258,290	133,930
Deferred pension inflows (note 9)	1,830,176	334,886
Total deferred inflows of resources	<u>2,093,248</u>	<u>483,161</u>
Net position:		
Net investment in capital assets (note 10)	22,730,376	20,317,430
Restricted (note 11)	5,428,522	6,839,839
Unrestricted (note 12)	9,706,360	10,915,163
Total net position	<u>\$ 37,865,258</u>	<u>38,072,432</u>

See accompanying notes to the basic financial statements

Indian Wells Valley Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2022 and 2021

	2022	As Restated 2021
Operating revenues:		
Water consumption sales	\$ 8,542,606	6,684,360
Ready-to-serve charges	4,981,649	4,535,595
Arsenic compliance charges	1,923,473	1,832,826
Zone charges	207,183	213,981
Other charges for services	585,531	580,297
Total operating revenues	16,240,442	13,847,059
Operating expenses:		
Water supply	1,148,551	1,126,482
Arsenic plant	81,731	205,539
Transmission and distribution	1,616,006	1,633,163
Field services	451,698	457,819
Engineering	483,309	305,509
Customer service	647,131	560,289
Legislative	95,896	110,207
General and administrative	8,526,204	5,898,322
Total operating expenses	13,050,526	10,297,330
Operating income before depreciation expense	3,189,916	3,549,729
Depreciation expense – capital recovery	(2,941,285)	(3,321,536)
Operating income	248,631	228,193
Non-operating revenue(expense):		
Special assessment 87-1 for debt service	12,859	2,827
Investment earnings	86,752	104,595
Rental revenue	10,029	13,051
Interest expense	(1,314,473)	(1,343,173)
Debt service costs	(3,700)	(5,700)
Gain on disposition of assets	58,734	18,909
Other revenue	25,042	54,497
Total non-operating expense, net	(1,124,757)	(1,154,994)
Net loss before capital contributions	(876,126)	(926,801)
Capital contributions:		
Capital facility fees	398,644	774,561
Capital contributions – State	86,963	832,311
Capital contributions – Cash for Grass grant	-	14,026
Capital contributions – developer	183,345	300,714
Capital contributions – local	-	38,610
Total capital contributions	668,952	1,960,222
Changes in net position	(207,174)	1,033,421
Net position, beginning of year	38,072,432	37,039,011
Net position, end of year, as restated (note 13)	\$ 37,865,258	38,072,432

See accompanying notes to the basic financial statements

Indian Wells Valley Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>As Restated 2021</u>
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 16,678,194	13,149,082
Cash paid to employees for salaries and wages	(8,161,634)	(5,772,692)
Cash paid to vendors and suppliers for materials and services	<u>(4,802,673)</u>	<u>(3,729,638)</u>
Net cash provided by operating activities	<u>3,713,887</u>	<u>3,646,752</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(4,211,972)	(4,749,216)
Proceeds from capital contributions	668,952	1,921,612
Special assessments for debt service	24,580	41,766
Bond issuance costs 2018 Certificates of Participation	-	-
Principal paid on long-term debt	(1,132,725)	(1,108,257)
Interest paid on long-term debt	(1,315,403)	(1,342,388)
Debt service costs on long-term debt	<u>(3,700)</u>	<u>(5,700)</u>
Net cash used in capital and related financing activities	<u>(5,970,268)</u>	<u>(5,242,183)</u>
Cash flows from investing activities:		
Investment earnings	<u>86,130</u>	<u>130,494</u>
Net cash provided by investing activities	<u>86,130</u>	<u>130,494</u>
Net decrease in cash and cash equivalents	(2,170,251)	(1,464,937)
Cash and cash equivalents, beginning of year	<u>20,950,585</u>	<u>22,415,522</u>
Cash and cash equivalents, end of year	<u>\$ 18,780,334</u>	<u>20,950,585</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	\$ 13,334,987	14,092,991
Restricted assets – cash and cash equivalents	<u>5,445,347</u>	<u>6,857,594</u>
Total cash and cash equivalents	<u>\$ 18,780,334</u>	<u>20,950,585</u>

Continued on next page

See accompanying notes to the basic financial statements

Indian Wells Valley Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>As Restated 2021</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 248,631	228,193
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,941,285	3,321,536
Rental revenue	10,029	13,051
Gain on disposition of assets	58,734	18,909
Other revenue	25,042	54,497
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services	171,803	(714,244)
Accounts receivable – other	114,814	(60,005)
Materials and supplies inventory	(151,566)	(161,757)
Prepaid expenses and other deposits	13,771	558,603
(Increase)Decrease in deferred outflows of resources:		
Deferred other post-employment benefit outflows	(358,321)	(10,405)
Deferred pension outflows	59,975	(172,535)
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	215,222	82,942
Accrued wages and related payables	30,756	(5,065)
Customer deposits	26,320	4,946
Unearned revenue	31,010	(12,081)
Compensated absences	28,453	42,536
Net other post-employment benefit liability	305,361	111,905
Net pension liability	(1,667,519)	328,691
Increase(Decrease) in deferred inflows of resources:		
Deferred lease inflows	(9,563)	14,345
Deferred other post-employment benefit inflows	124,360	(36,616)
Deferred pension inflows	1,495,290	39,306
Total adjustments	<u>3,465,256</u>	<u>3,418,559</u>
Net cash provided by operating activities	<u><u>\$ 3,713,887</u></u>	<u><u>3,646,752</u></u>
Non-cash investing and financing transactions:		
Change in fair market value of investments	\$ <u>17,677</u>	<u>114</u>

See accompanying notes to the basic financial statements

Indian Wells Valley Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2022 and 2021

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Indian Wells Valley Water District (District) was formed for the purpose of furnishing potable water within the District. The District was formed under the provisions of the County Water Act found in Division 12 of the State of California Water Code. The District is located in Kern County and includes the community of Ridgecrest and provides water to approximately 12,000 customers.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

The District has adopted the following GASB pronouncements in the current year:

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of Annual Comprehensive Financial Report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for Annual Comprehensive Financial Report sounds like a profoundly objectionable racial slur. This Statement’s introduction of the new term is founded on a commitment to promoting inclusiveness.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity, and other assumptions that are internally generated and cannot be observed in the market.

5. Restricted Assets

Certain assets of the District are restricted for use by ordinance or debt covenant and, accordingly, are shown as restricted assets on the accompanying statements of net position. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

6. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

7. Lease Receivable / Payable

Leases receivable / payable are measured at the present value of payments expected to be received (paid) during the lease term.

8. Materials and Supplies Inventory

Materials and supplies inventory consist primarily of water meters, pipe, and pipefittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using the weighted-average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

9. Prepaids

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

10. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Transmission and distribution system – 30 to 35 years
- Structures and improvements – 10 to 30 years
- Vehicles and large equipment – 3 to 10 years
- Office furniture and equipment – 3 to 10 years

Leased equipment is amortized on a straight-line basis over the life of the lease.

11. Deferred Outflows of Resources

The statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and, therefore, will *not* be recognized as an outflow of resources (expenditure) until that time. The District has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow which is equal to employer contributions made after the measurement date of the net other-postemployment benefit liability. This amount will be amortized-in-full against the net other-postemployment benefit liability in the next fiscal year.
- Deferred outflow for the change in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with other-postemployment benefits through the Plan.

Pensions

- Deferred outflow which is equal to employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net difference between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pension through the Plan.
- Deferred outflow for the net change due to the difference in the change in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pension through the Plan.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

12. Compensated Absences

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

13. Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District's OPEB plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation dates: June 30, 2021 and 2019
- Measurement dates: June 30, 2021 and 2020
- Measurement periods: July 1, 2020 to June 30, 2021 and July 1, 2019 to June 30, 2020

14. 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) plan (Plan) and addition to/deduction from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

- Valuation dates: June 30, 2020 and June 30, 2019
- Measurement dates: June 30, 2021 and June 30, 2020
- Measurement periods: July 1, 2020 to June 30, 2021 and July 1, 2019 to June 30, 2020

15. Deferred Inflows of Resources

The statements of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of resources applicable to future periods and, therefore, will *not* be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the difference between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with other-postemployment benefits through the Plan.
- Deferred inflow for the difference in investment gains and losses of the other post-employment benefit plans' fiduciary net position. This amount is amortized over a 5-year period.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

15. Deferred Inflows of Resources, continued

Pensions

- Deferred inflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5-year period.
- Deferred inflow for the net difference in actual and proportionate share of employer contribution which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

16. Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted* – the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that is not included in the determination of the net investment in capital assets or restricted components of net position.

17. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment.

18. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

(2) Cash and Investments

Cash and investments as of June 30 are classified as follows:

		<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$	13,334,987	14,092,991
Cash and cash equivalents – restricted		<u>5,445,347</u>	<u>6,857,594</u>
Total cash and investments	\$	<u>18,780,334</u>	<u>20,950,585</u>

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(2) Cash and Investments, continued

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

	<u>2022</u>	<u>2021</u>
Cash on hand	\$ 1,200	1,200
Deposits with financial institutions	<u>2,877,121</u>	<u>3,831,327</u>
Total cash on hand and deposits	<u>2,878,321</u>	<u>3,832,527</u>
Deposits in Local Agency Investment Fund	1,359,165	1,373,123
Deposits in Kern County Investment Pool	10,359,697	9,368,770
Deposits in money market funds	<u>4,183,151</u>	<u>6,376,165</u>
Total investments	<u>15,902,013</u>	<u>17,118,058</u>
Total cash and cash equivalents	<u>\$ 18,780,334</u>	<u>20,950,585</u>

As of June 30, the District's authorized deposits had the following average days to maturity:

	<u>2022</u>	<u>2021</u>
Deposits in Local Agency Investment Fund	311 days	291 days
Deposits in Kern County Investment Pool	580 days	639 days

Investments Authorized by the California Government Code and the District's Investment Policy

The District is legally empowered by statute and resolution to invest in money-market funds, the California State Investment Pool – Local Agency Investment Fund, and the Kern County Investment Pool. The District's investment policy identifies other investment types that are authorized for the District to invest under the California Government Code.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at 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 pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

Investment in Kern County Investment Pool

The Kern County Treasurer's Pooled Cash Portfolio (Pool) is a pooled investment fund program governed by the Kern County Board of Supervisors and administered by the Kern County Treasurer and Tax Collector. Investments in the Pool are highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit.

The Kern County's bank deposits are either federally insured or collateralized in accordance with the California Government Code. Pool detail may be obtained from the Kern County Treasurer and Tax Collector's website at www.kcttc.co.kern.ca.us.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(2) Cash and Investments, continued

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of 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 custodial credit risk for *investments* is the risk that, in the event of 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. 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.

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 or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies.

California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000, are federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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.

As of June 30, 2022 and 2021, the District's investments held to maturity were categorized as twelve months or less, respectively.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2022 were as follows:

Investment Types	Total	Minimum Legal Rating	Rating as of Year End	
			AAA	Not Rated
Local Agency Investment Fund (LAIF)	\$ 1,359,165	N/A	-	1,359,165
Kern County Investment Pool	10,359,697	N/A	-	10,359,697
Money market funds	4,183,151	AAA	4,183,151	-
Total	\$ <u>15,902,013</u>		<u>4,183,151</u>	<u>11,718,862</u>

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(2) Cash and Investments, continued

Credit ratings of investments as of June 30, 2021 were as follows:

Investment Types	Total	Minimum Legal Rating	Rating as of Year End	
			AAA	Not Rated
Local Agency Investment Fund (LAIF)	\$ 1,373,123	N/A	-	1,373,123
Kern County Investment Pool	9,368,770	N/A	-	9,368,770
Money market funds	6,376,165	AAA	6,376,165	-
Total	\$ 17,118,058		6,376,165	10,741,893

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for external investment pools) that represent 5% or more of total District investments at June 30, 2022 and 2021, respectively.

Fair Value Measurements

Investments measured at fair value on a recurring and non-recurring basis for 2022 are as follows:

Investment Type	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Held by bond trustee:				
Money market funds	\$ 4,183,151	4,183,151	-	-
Total investments measured at fair value	4,183,151	4,183,151	-	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	1,359,165			
Kern County Investment Pool	10,359,697			
Total	\$ 15,902,013			

Investments measured at fair value on a recurring and non-recurring basis for 2021 are as follows:

Investment Type	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Held by bond trustee:				
Money market funds	\$ 6,376,165	6,376,165	-	-
Total investments measured at fair value	6,376,165	6,376,165	-	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	1,373,123			
Kern County Investment Pool	9,368,770			
Total	\$ 17,118,058			

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(3) Assessment Bonds Receivable

The District has elected to hold the AD 87-1 Assessment District Bonds rather than sell them on the open market. Since the District has "invested" in these bonds, they are entitled to receive all revenue relating to the Assessment District Bonds.

The assessment bonds receivable at June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Assessment bonds receivable – current and delinquent	\$ 72,857	84,578
Total assessments bonds receivable, net	\$ <u>72,857</u>	<u>84,578</u>

At June 30, 2022 and 2021, the AD 87-1 Assessment District Bonds had been paid-in-full. The remaining balance represents the delinquent portion of the assessment bonds receivable balance. The balances were determined collectible at June 30, 2022 and 2021.

(4) Lease Receivable

The change in lease receivable for the year ended June 30, were as follows:

	<u>Restated 2021</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2022</u>	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Deferred Inflows</u>
Lease receivable:							
Mammoth Lakes	\$ 17,396	-	(9,534)	7,862	7,862	-	\$ (4,782)
Total lease receivable	\$ <u>17,396</u>	<u>-</u>	<u>(9,534)</u>	<u>7,862</u>	<u>7,862</u>	<u>-</u>	<u>\$ (4,782)</u>

The change in lease receivable for the year ended June 30, were as follows:

	<u>Restated 2020</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Restated 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Deferred Inflows</u>
Lease receivable:							
Mammoth Lakes	\$ -	19,127	(1,731)	17,396	9,534	7,862	\$ (14,345)
Total lease receivable	\$ <u>-</u>	<u>19,127</u>	<u>(1,731)</u>	<u>17,396</u>	<u>9,534</u>	<u>7,862</u>	<u>\$ (14,345)</u>

Mammoth Lakes – Butterworth Ranch

On January 1, 2021, the District entered into a lease agreement with a tenant doing business as Mammoth Lakes Pack Outfit (Mammoth Lakes). Mammoth Lakes has agreed to pay the District for purpose of leasing land for the purpose of agriculture use at the District's site known as Butterworth Ranch. The terms of the agreement require Mammoth Lakes to pay the District in semi-annual installments through December 31, 2022.

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.50%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2022 and 2021, deferred inflows were reported at \$4,782 and \$14,345, respectively.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(4) Lease Receivable, continued

Butterworth Ranch, continued

Future payments to be received and deferred inflows as of June 30, 2022, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2023	\$ 7,862	139	8,001	\$ (4,782)
Total	7,862	139	8,001	\$ (4,782)
Current	(7,862)			
Non-current	\$ -			

(5) Capital Assets

Changes in capital assets for 2022 were as follows:

	<u>Restated 2021</u>	<u>Additions/</u>	<u>Deletions/ Transfers</u>	<u>Balance 2022</u>
Non-depreciable assets:				
Land and land rights	\$ 2,870,035	-	(1,266)	2,868,769
Construction-in-process	7,736,502	4,287,362	(2,493,613)	9,530,251
Total non-depreciable assets	10,606,537	4,287,362	(2,494,879)	12,399,020
Depreciable and amortizable assets:				
Transmission and distribution system	62,770,902	442,791	-	63,213,693
Production and source of supply	32,814,069	1,178,683	-	33,992,752
General plant	14,842,366	807,549	-	15,649,915
Leased equipment	78,115	-	-	78,115
Total depreciable and amortizable asset	110,505,452	2,429,023	-	112,934,475
Accumulated depreciation and amortization:				
Depreciable assets	(66,479,061)	(2,918,966)	-	(69,398,027)
Amortizable assets	(44,638)	(22,319)	-	(66,957)
Total accumulated depreciation and amortization	(66,523,699)	(2,941,285)	-	(69,464,984)
Total depreciable and amortizable assets, net	43,981,753	(512,262)	-	43,469,491
Total capital assets, net	\$ 54,588,290	3,775,100	(2,494,879)	55,868,511

Major capital assets additions during the years include upgrades and extensions of the District's water transmission and distribution system, production and source of supply infrastructure, general plant, and equipment purchases.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(5) Capital Assets, continued

Changes in capital assets for 2021 were as follows:

	<u>Restated 2020</u>	<u>Additions/</u>	<u>Deletions/ Transfers</u>	<u>Restated 2021</u>
Non-depreciable assets:				
Land and land rights	\$ 2,870,035	-	-	2,870,035
Construction-in-process	3,937,742	4,784,265	(985,505)	7,736,502
Total non-depreciable assets	6,807,777	4,784,265	(985,505)	10,606,537
Depreciable and amortizable assets:				
Transmission and distribution system	62,009,777	761,125	-	62,770,902
Production and source of supply	32,804,071	9,998	-	32,814,069
General plant	14,788,604	201,914	(148,152)	14,842,366
Leased equipment	78,115	-	-	78,115
Total depreciable and amortizable asset	109,680,567	973,037	(148,152)	110,505,452
Accumulated depreciation and amortization:				
Depreciable assets	(63,324,996)	(3,299,217)	145,152	(66,479,061)
Amortizable assets	(22,319)	(22,319)	-	(44,638)
Total accumulated depreciation and amortization	(63,347,315)	(3,321,536)	145,152	(66,523,699)
Total depreciable and amortizable assets, net	46,333,252	(2,348,499)	(3,000)	43,981,753
Total capital assets, net	\$ 53,141,029	2,435,766	(988,505)	54,588,290

Major capital assets additions during the years include upgrades and extensions of the District's water transmission and distribution system, general plant, and equipment purchases.

(6) Compensated Absences

Changes to compensated absences for 2022 were as follows:

	<u>Balance 2021</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2022</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	401,374	396,739	(368,286)	429,827	85,965	343,862

Changes to compensated absences for 2021 were as follows:

	<u>Balance 2020</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	358,838	356,602	(314,066)	401,374	80,275	321,099

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(7) Long-term Debt

Changes in long-term debt amounts for 2022 were as follows:

	As Restated 2021	Additions	Payments	Balance 2022	Current Portion	Long-term Portion
Bonds payable:						
2018 Certificates of participation	\$ 25,083,750	-	(688,750)	24,395,000	710,000	23,685,000
Premium on issuance – 2018 Series	2,980,562	-	(107,407)	2,873,155	-	2,873,155
Total bonds payable	28,064,312	-	(796,157)	27,268,155	710,000	26,558,155
Loans payable:						
Mission Bank – 2016 loan	6,171,897	-	(313,670)	5,858,227	334,729	5,523,498
Lease payable:						
Unitrends equipment lease	34,651	-	(22,898)	11,753	11,753	-
Total long-term debt	\$ 34,270,860	-	(1,132,725)	33,138,135	1,056,482	32,081,653

Changes in long-term debt amounts for 2021 were as follows:

	As Restated 2020	Additions	Payments	As Restated 2021	Current Portion	Long-term Portion
Bonds payable:						
2018 Certificates of participation	\$ 25,750,000	-	(666,250)	25,083,750	688,750	24,395,000
Premium on issuance – 2018 Series	3,087,970	-	(107,408)	2,980,562	-	2,980,562
Total bonds payable	28,837,970	-	(773,658)	28,064,312	688,750	27,375,562
Loans payable:						
Mission Bank – 2016 loan	6,484,384	-	(312,487)	6,171,897	323,232	5,848,665
Lease payable:						
VAR Technology equipment lease	56,763	-	(22,112)	34,651	22,898	11,753
Total long-term debt	\$ 35,379,117	-	(1,108,257)	34,270,860	1,034,880	33,235,980

2018 Series Certificates of Participation – Water Revenue Refunding Bonds

On November 13, 2018, the District issued 2018 Series Certificates of Participation Water Revenue Bonds, not to exceed \$38,000,000 for the purpose of advance refunding its outstanding 2009 Series Certificates of Participation Water Revenue Bonds and to finance new capital improvement projects. As a result of the refunding, the District's 2009 Certificates of Participation issue is considered defeased and the liability for that obligation has been removed from the District's financial statements. The District completed the advance refunding to reduce the District's total debt service payments over a 20-year period by a present-value amount of approximately \$2.905 million to obtain an economic gain of approximately \$3.831 million.

The certificates-of-participation are scheduled to mature in fiscal year 2049. An interest rate premium in the amount of \$3,258,032 was calculated on the issuance of the refunding revenue bonds and will be amortized over the life of the debt. Principal and interest are payable in monthly installments due on the 1st of each month at rates ranging from 4.00% to 5.00% with monthly principal installments ranging from \$43,333 to \$129,583.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(7) Long-term Debt, continued

2018 Series Certificates of Participation – Water Revenue Refunding Bonds, continued

Future long-term debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 710,000	1,172,200	1,882,200
2024	747,500	1,136,700	1,884,200
2025	780,000	1,099,325	1,879,325
2026	818,750	1,060,325	1,879,075
2027	856,250	1,019,387	1,875,637
2028-2032	5,008,750	4,407,437	9,416,187
2033-2037	6,417,500	3,020,813	9,438,313
2038-2042	4,451,250	1,452,625	5,903,875
2043-2047	3,293,750	668,200	3,961,950
2048-2049	1,311,250	75,250	1,386,500
Total	24,395,000	<u>15,112,262</u>	<u>39,507,262</u>
Current	(710,000)		
Bond premium	<u>2,873,155</u>		
Long-term	\$ <u>26,558,155</u>		

Mission Bank – 2016 Loan

On April 1, 2016, the District entered into a loan agreement to receive an \$8,000,000 loan from Mission Bank to finance the construction of the Solar Power Facility project. Terms of the agreement call for annual payments including interest at 3.50% maturing in fiscal year 2036.

Future long-term debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 334,729	199,403	534,132
2024	346,123	188,009	534,132
2025	358,944	175,188	534,132
2026	371,711	162,421	534,132
2027	384,932	149,200	534,132
2028-2032	2,139,402	531,258	2,670,660
2033-2036	1,922,386	209,998	2,132,384
Total	5,858,227	<u>1,615,477</u>	<u>7,473,704</u>
Current	<u>(334,729)</u>		
Long-term	\$ <u>5,523,498</u>		

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(7) Long-term Debt, continued

VAR Technology Finance Equipment Lease

On December 14, 2018, the District entered into an agreement with the VAR Technology Finance, to lease backup server equipment for use in the District's administrative office. Terms of the agreement commenced on July 1, 2019, for a period of 48 months, with rent due monthly at \$1,979 per month for the entire lease term.

Following the provisions set forth by *GASB Statement No. 87*, the District has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 3.50%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$	11,753	120	11,873
Total		11,753	120	11,873
Current		(11,753)		
Long-term	\$	-		

(8) Other Post-Employment Benefit (OPEB) Plan

Plan Description

The District provides other post-employment benefits (OPEB) to qualified employees who retire from the District and meet the District's vesting requirements. The Plan is a single-employer defined benefit OPEB plan administered by the District. The District's Board has the authority to establish and amend the benefit terms and financing requirements of the Plan. The District participates in CalPERS California Employer's Retiree Benefit Trust Program (CERBT), a trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code. Copies of CalPERS CERBT audited financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA 95814.

Benefits Provided

The District provides post-employment health care benefits to all employees who retire from the District and meet certain eligibility requirements. Retirees may enroll in any plan available through CalPERS medical, dental and vision programs. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

To be eligible for retiree health benefits, an employee must retire from the District on or after age 55 with at least 15 years of District service. As of June 30, 2022 and 2021, the District's contribution was \$700 per month for eligible employees regardless of the year in which the employee retired.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(8) Other Post-Employment Benefit (OPEB) Plan, continued

Employees Covered by Benefit Terms

At June 30 the following employees were covered by the benefit terms:

	<u>2022</u>	<u>2021</u>
Active plan members	31	31
Retirees and beneficiaries receiving benefits	<u>11</u>	<u>9</u>
Total Plan membership	<u>42</u>	<u>40</u>

Contributions

The contribution requirements for eligible retired employees of the District are established and may be amended by the Board of Directors. The District contributes towards the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District. The annual contribution is based on the actuarially determined contribution.

For the years ended June 30, the contributions were as follows:

	<u>2022</u>	<u>2021</u>
Contributions – employer	\$ <u>73,620</u>	<u>79,915</u>

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial Assumptions

The net OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

The following is a summary of the actuarial assumptions and methods:

Inflation	2022 – 2.50 percent 2021 – 2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	2022 – 6.75 percent 2021 – 7.00 percent
Healthcare cost trend rates	4.00 percent
Retirees' share of benefit-related costs	100 percent of the District's share of projected health insurance premiums for retirees age 55 with a minimum 15 years of service hired before July 1, 2013. 100 percent of the District's share of projected health insurance premiums for retirees age 60 with a minimum 15 years of service hired on or after January 1, 2013.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(8) Other Post-Employment Benefit (OPEB) Plan, continued

Discount Rate

At June 30, 2022 and 2021, the discount rate used to measure the net OPEB liability was 6.75 percent and 7.00 percent, respectively. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The asset class percentages were taken from the current composition of the CERBT trust, and the expected yields were taken from a CalPERS publication for the Pension Fund. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2022 and 2021 are summarized in the following table:

Asset Class	Target Allocation* CERBT Strategy 1	Expected Real Return**
Global equity	59%	7.79%
Fixed income	25%	4.50%
Treasury inflation-protected securities	5%	3.25%
Commodities	3%	7.80%
Real estate trusts	8%	7.50%
Total	100%	

* Policy target effective October 1, 2018

** Assumed long-term rate of inflation - 2.75%

*** Expected long-term net rate of return, rounded - 6.75%

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(8) Other Post-Employment Benefit (OPEB) Plan, continued

Changes in the Net OPEB Liability

Changes in net OPEB liability for the years were as follows:

	June 30, 2022			June 30, 2021
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability	Net OPEB Liability
Balance at beginning of year	\$ 2,485,853	1,092,886	1,392,967	1,281,062
Changes for the year:				
Service cost	67,973	-	67,973	66,154
Interest	173,446	-	173,446	163,097
Expected investment income	-	76,488	(76,488)	(73,909)
Administrative expense	-	(413)	413	516
Employer contributions as benefit payments	-	79,915	(79,915)	(79,259)
Actual benefit payments from employer	(79,915)	(79,915)	-	-
Expected minus actual benefit payments	(4,155)	-	(4,155)	(1,305)
Experience (gains) losses	(92,504)	-	(92,504)	-
Changes in assumptions	540,418	-	540,418	-
Changes in benefit terms	-	-	-	-
Investment gains/(losses)	-	223,827	(223,827)	36,611
Net change	605,263	299,902	305,361	111,905
Balance at end of year	\$ 3,091,116	1,392,788	1,698,328	1,392,967

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

The following tables present the District's net OPEB liability calculated using the discount rate, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

As of June 30, 2022, the discount rate comparison was as follows:

	Discount Rate - 1% 5.75%	Current Discount Rate 6.75%	Discount Rate + 1% 7.75%
District's net OPEB liability	\$ 2,139,962	1,698,328	1,335,568

As of June 30, 2021, the discount rate comparison was as follows:

	Discount Rate - 1% 6.00%	Current Discount Rate 7.00%	Discount Rate + 1% 8.00%
District's net OPEB liability	\$ 1,732,707	1,392,967	1,110,803

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(8) Other Post-Employment Benefit (OPEB) Plan, continued

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

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 healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

As of June 30, 2022, the healthcare cost trend rate comparison was as follows:

		Current Healthcare Cost Trend Rate	
	1% Decrease 3.00%	4.00%	1% Increase 5.00%
District's net OPEB liability	\$ 1,323,389	1,698,328	2,178,522

As of June 30, 2021, the healthcare cost trend rate comparison was as follows:

		Current Healthcare Cost Trend Rate	
	1% Decrease 3.00%	4.00%	1% Increase 5.00%
District's net OPEB liability	\$ 1,125,025	1,392,967	1,712,966

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2022 and 2021, the District recognized OPEB expense of \$145,020 and \$144,799, respectively.

As of June 30, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$ 73,620	-	79,915	-
Changes in assumptions	374,365	-	-	(132,540)
Differences between expected and actual experience	-	(90,210)	-	(1,390)
Investment gains and losses	-	(168,080)	9,749	-
Total	\$ 447,985	(258,290)	89,664	(133,930)

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(8) Other Post-Employment Benefit (OPEB) Plan, continued

As of June 30 2022 and 2021, employer OPEB contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$73,620 and \$79,915 will be/were recognized as a reduction of the net OPEB liability for the fiscal years ended June 30, 2023 and 2022, respectively.

As of June 30, 2022, other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources, Net
2023	\$ (20,324)
2024	(14,198)
2025	(11,773)
2026	(19,089)
2027	25,674
Thereafter	155,785
Total	\$ 116,075

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 49 and 50 for the Required Supplementary Information.

(9) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Benefits Provided

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

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 55 Risk Pool to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2012. All employees hired after January 1, 2013 are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(9) Defined Benefit Pension Plan, continued

Benefits Provided, continued

The Plan's provisions and benefits in effect at June 30, 2022 and 2021, are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 60	52 - 62
Monthly benefits, as a % of eligible compensation	1.5% to 2.4%	1.0% to 2.5%
2022:		
Required employee contribution rates	6.920%	6.750%
Required employer contribution rates	12.000%	7.590%
2021:		
Required employee contribution rates	6.918%	6.750%
Required employer contribution rates	10.409%	7.732%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers to be determined on an annual basis by an actuary and shall be effective on the July 1, following notice of a change in the rate. Funding contributions for the Plan 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.

As of the fiscal years ended June 30, the contributions to the Plan were as follows:

	Miscellaneous Plan	
	2022	2021
Contributions – employer	\$ 489,602	429,611

Net Pension Liability

As of the fiscal years ended June 30, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan was as follows:

	Proportionate Share of Net Pension Liability	
	2022	2021
Miscellaneous Plan	\$ 1,805,811	3,473,330

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(9) Defined Benefit Pension Plan, continued

Net Pension Liability, continued

The District's net pension liability for the PERF C is measured as the proportionate share of the net pension liability for the miscellaneous pool. As of June 30, 2022 and 2021, the net pension liability of the Plan is measured as of June 30, 2021 and 2020 (the measurement dates), respectively. The total pension liability for the PERF C's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and 2019 (valuation dates), rolled forward to June 30, 2021 and 2020, respectively, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's change in the proportions of the net pension liability as of June 30, were as follows:

	Miscellaneous Plan	
	2022	2021
Proportion – beginning of year	0.03192%	0.03069%
Proportion – end of year	0.03339%	0.03192%
Change – increase (decrease)	0.00147%	0.00123%

Pension Expense and Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2022 and 2021, the District recognized pension expense of \$377,348 and \$625,073, respectively.

As of June 30, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Description	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 489,602	-	429,611	-
Net difference between actual and expected experience	202,503	-	178,991	-
Net change in assumptions	-	-	-	(24,773)
Net difference between projected and actual earnings on plan investments	-	(1,576,384)	103,181	-
Differences between actual contribution and proportionate share of contribution	-	(253,792)	-	(310,113)
Net adjustment due to differences in proportions of net pension liability	164,921	-	205,218	-
Total	\$ 857,026	(1,830,176)	917,001	(334,886)

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(9) Defined Benefit Pension Plan, continued

Pension Expense and Deferred Pension Outflows (Inflows) of Resources, continued

As of June 30 2022 and 2021, the District reported \$489,602 and \$429,611, respectively, as deferred outflows of resources related to contributions subsequent to the measurement dates. Pension contributions subsequent to the measurement date for the year ended June 30, 2022, will be recognized as a reduction of the net pension liability for the year ended June 30, 2023. Pension contributions subsequent to the measurement date for the year ended June 30, 2021, were recognized as a reduction of the net pension liability for the year ended June 30, 2022.

At June 30, 2022, other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized as pension expense as follows:

Fiscal Year Ending June 30,	Deferred Net Outflows / (Inflows) of Resources
2023	\$ (339,521)
2020	(345,291)
2021	(353,920)
2026	(424,020)

Actuarial Assumptions

The total pension liability in the June 30, 2020 and 2019, actuarial valuation reports were determined using the following actuarial assumptions:

Valuation dates	June 30, 2020 and 2019
Measurement dates	June 30, 2021 and 2020
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50 % net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' membership data for all funds
Period upon which actuarial experience survey assumptions were based	1997-2015
Post retirement benefit	COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf>.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(9) Defined Benefit Pension Plan, continued

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

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

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

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

At June 30, 2022 and 2021, the long-term expected real rate of return by asset class was as follows:

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Year 11+**
Global equity	50.00%	4.80%	5.98%
Global fixed income	28.00%	1.00%	2.62%
Inflation sensitive	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(9) Defined Benefit Pension Plan, continued

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

The following table presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate, 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 one-percentage-point lower or one-percentage-point higher than the current rate:

As of June 30, 2022, the discount rate comparison was as follows:

	Discount Rate 1% Decrease 6.15%	Current Discount Rate 7.15%	Discount Rate 1% Increase 8.15%
District's net pension liability	\$ 3,916,411	1,805,811	61,008

As of June 30, 2021, the discount rate comparison was as follows:

	Discount Rate 1% Decrease 6.15%	Current Discount Rate 7.15%	Discount Rate 1% Increase 8.15%
District's net pension liability	\$ 5,509,766	3,473,330	1,790,687

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 51 and 52 for the Required Supplementary Information.

Payable to the Pension Plan

As of June 30, 2022 and 2021, the District reported no payables for the outstanding amount of contribution to the pension plan.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(10) Net Investment in Capital Assets

Calculation of net investment in capital assets as of June 30 were as follows:

	<u>2022</u>	<u>As Restated 2021</u>
Capital assets:		
Capital assets – not being depreciated	\$ 12,399,020	10,606,537
Capital assets, net – being depreciated	43,469,491	43,981,753
Current:		
Certificates-of-participation	(710,000)	(688,750)
Loans payable	(334,729)	(323,232)
Lease payable	(11,753)	(22,898)
Non-current:		
Certificates-of-participation	(26,558,155)	(27,375,562)
Loans payable	(5,523,498)	(5,848,665)
Lease payable	-	(11,753)
Total net investment in capital assets	<u>\$ 22,730,376</u>	<u>20,317,430</u>

(11) Restricted

Calculation of restricted net position as of June 30 was as follows:

	<u>2022</u>	<u>As Restated 2021</u>
Restricted – cash and cash equivalents	\$ 5,445,347	6,857,594
Accrued interest payable	<u>(16,825)</u>	<u>(17,755)</u>
Total restricted net position	<u>\$ 5,428,522</u>	<u>6,839,839</u>

(12) Unrestricted

Unrestricted net position as of June 30 were categorized as follows:

	<u>2022</u>	<u>As Restated 2021</u>
Non-spendable net position:		
Materials and supplies inventory	\$ 798,169	646,603
Prepaid expenses and other deposits	86,764	100,535
Mitigation deposit – California Department of Fish and Game	<u>120,000</u>	<u>120,000</u>
Total non-spendable net position	<u>1,004,933</u>	<u>867,138</u>
Spendable net position:		
Capital replacement reserve	5,800,951	6,698,683
Rate stabilization reserve	<u>2,900,476</u>	<u>3,349,342</u>
Total spendable net position	<u>8,701,427</u>	<u>10,048,025</u>
Total unrestricted net position	<u>\$ 9,706,360</u>	<u>10,915,163</u>

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(13) Adjustments to Net Position

In fiscal year 2022, the District implemented GASB Statement No. 87 to recognize its lessee and lessor agreements. The nature, justification, and an explanation of the change are included in Note 1.C.

As a result of the implementation for the District's lessee agreement, the District recorded a right to use asset included as part of capital assets, a lease payable, reclassified a portion of its equipment lease expense to interest expense, and has recorded prior period adjustments to restate net position as of June 30, 2020 and 2021. Please see Notes 5 and 7 for further information.

As a result of the implementation for the District's lessor agreement, the District recorded a lease receivable, a deferred lease inflow of resources, reclassified a portion of its rental income to interest income, and has recorded prior period adjustments to restate net position as of June 30, 2021. Please see Note 4 for further information.

The adjustments to net position were as follows:

Net position at July 1, 2019, as previously stated	\$ 38,374,637
Effect of the adjustments to record lessee equipment lease right-to-use asset and lease payable balances as a result of GASB 87	(967)
Change in net position at June 30, 2020, as previously stated	<u>(1,334,659)</u>
Net position at June 30, 2020, as restated	\$ <u>37,039,011</u>
Effect of the adjustments to record annual principal payment, interest expense, and amortization of the equipment lease as a result of GASB 87	(207)
Effect of the adjustments to record lessor lease receivable, deferred lease lease inflows, and interest income as a result of GASB 87	<u>3,051</u>
Subtotal adjustments to net position	\$ <u>2,844</u>
Change in net position at June 30, 2021, as previously stated	1,030,577
Net position at June 30, 2021, as restated	\$ <u><u>38,072,432</u></u>

(14) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in two Deferred Compensation Programs (Programs): A 457 plan and a 401(a) plan. The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Programs. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors. For the District's 457 plan, the market value of all plan assets held in trust by Mutual of America at June 30, 2022 and 2021, was \$2,542,775 and \$2,922,731, respectively. For the District's 401(a) plan, the market value of all plan assets held in trust by Mutual of America at June 30, 2022 and 2021, were \$77,776 and \$49,365, respectively.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(14) Deferred Compensation Savings Plan, continued

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for these plans, the assets and related liabilities are not shown on the statements of net position.

(15) Debt Without District Commitment

Special Assessment Districts

The District maintains two Assessment Districts. These Assessment Districts were established under the Municipal Improvement Act of 1913 and partially financed with the 1951 Improvement Act bonds. Accounting for these Assessment Districts follows the Governmental Accounting Standards Board Statement No. 6, *Accounting and Financial Reporting for Special Assessments*. GASB No. 6 states that enterprise funds, such as that of the District, are to account for special assessment financing debt on the books of the District only if one of the following conditions exists:

1. The District is directly liable for the special assessment debt
2. The District is not directly liable for the special assessment debt, but the debt is expected to be repaid from revenues of the District.

Since the District is not directly liable for the Assessment District debt and it is expected all such debt will be repaid from landowner assessments and not District revenues, the special assessment debt is not included in the District's financial statements. The District acts solely as an agent for the bondholders in collecting and forwarding the special assessments.

Assessment District No. 87-1

The District acquired the Ridgecrest Heights Water System during the 1988 fiscal year. In order to finance the construction of the estimated \$6,741,000 of required improvements the District formed Assessment District 87-1 on June 14, 1989. The District holds the Assessment District Bonds and did not sell them on the open market. Bond principal and interest revenues will be used to repay loans received to finance construction from the State of California. At June 30, 2020, the bond debt service was paid-in-full.

Assessment District No. 91-1

Assessment District 91-1 consists of approximately 300 acres of land subdivided into 133 residential lots contiguous to the southwesterly boundary of the City of Ridgecrest, California. The District formed Assessment District 91-1 on January 15, 1992, for the design and construction of a domestic water system for the property within the Assessment District. The cost of this construction was estimated at \$1,508,000. Total assessments were \$1,508,000 and \$237,551 was collected during the cash collection period which ended February 15, 1992.

The remaining unpaid assessments of \$1,270,449 were bonded and these limited obligation improvement bonds were sold on July 13, 1992. On August 23, 2001, the District approved resolution 01-05 under the California Streets and Highways Code Section 8771, 8772 and 8773, that the terms and conditions of the bond repayment schedule be modified as of June 30, 2008. The outstanding bonds and interest due to the bond holder were paid under the modified payment schedule. As of June 30, 2022, Assessment District 91-1 did not hold a cash balance in the Kern County Treasury. These funds are available for District expenses/improvements with the appropriate Board action/approvals.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(16) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2022, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. The District purchased additional excess coverage layers: to a combined total coverage limit of \$10,000,000 for general, auto and public officials' liability, increasing the limits on the insurance coverage noted above. Deductibles: General Liability Property Damage- \$500, Auto Liability Property Damage - \$1,000.

In addition, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis. A combined total of \$1 billion per occurrence (pool limit), subject to a \$1,000 deductible per occurrence unless otherwise listed in declarations.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence (pool limit), subject to a \$1,000 deductible per occurrence, unless other specific object or peril as listed on the declaration.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim, and an annual pool aggregate of \$8,500,000.
- Workers' compensation insurance up to statutory limits and Employer's Liability Coverage up to \$5 million.

Settled claims have not exceeded any of the coverage amounts in the last three fiscal years. There were no reductions in insurance coverage in fiscal years 2022, 2021, and 2020. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2022, 2021, and 2020.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2022, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Indian Wells Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2022 and 2021

(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(18) Commitments and Contingencies

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(19) Subsequent Events

Management is not aware of any events or transactions, including estimates that provide additional evidence about conditions which existed after June 30, 2022, which require disclosure as of March 13, 2023, which is the date the financial statements were available to be issued.

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Required Supplementary Information

Indian Wells Valley Water District
Schedules of Changes in the District's Net OPEB Liability and Related Ratios
As of June 30, 2022
Last Ten Fiscal Years*

Fiscal year ending	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB liability					
Service cost	\$ 67,973	66,154	43,624	42,456	41,320
Interest	173,446	163,097	97,754	70,031	91,646
Assumption changes	540,418	-	(603,686)	485,414	-
Changes in benefit terms	-	-	906,443	-	-
Expected benefit payments	-	-	-	(44,151)	-
Experience (gains)/losses	(92,504)	-	(17,713)	-	-
Actual benefit payments from employer	(79,915)	(79,259)	(61,487)	-	-
Actual minus expected benefit payments	-	-	-	1,172	(42,438)
Expected minus actual benefit payments	<u>(4,155)</u>	<u>(1,305)</u>	<u>16,420</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	605,263	148,687	381,355	554,922	90,528
Total OPEB liability – beginning	<u>2,485,853</u>	<u>2,337,166</u>	<u>1,955,811</u>	<u>1,400,889</u>	<u>1,310,361</u>
Total OPEB liability – ending	<u>\$ 3,091,116</u>	<u>2,485,853</u>	<u>2,337,166</u>	<u>1,955,811</u>	<u>1,400,889</u>
Plan Fiduciary Net Position					
Employer contributions as benefit payments	\$ 79,915	79,259	61,487	-	-
Expected investment income	76,488	73,909	49,717	46,906	-
Investment gains/(losses)	223,827	(36,611)	12,145	30,630	-
Actual investment income	-	-	-	-	97,323
Administrative expenses	(413)	(516)	(214)	(1,787)	(811)
Actual benefit payments from employer	(79,915)	(79,259)	(61,487)	-	-
Expected benefit payments	-	-	-	(44,151)	-
Benefit payments	-	-	-	-	(42,438)
Actual minus expected benefit payments	-	-	-	1,172	-
Other **	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,190</u>	<u>-</u>
Net change in plan fiduciary net position	299,902	36,782	61,648	33,960	54,074
Plan fiduciary net position – beginning	<u>1,092,886</u>	<u>1,056,104</u>	<u>994,456</u>	<u>960,496</u>	<u>906,422</u>
Plan fiduciary net position – ending	<u>\$ 1,392,788</u>	<u>1,092,886</u>	<u>1,056,104</u>	<u>994,456</u>	<u>960,496</u>
Net OPEB liability – ending	<u>\$ 1,698,328</u>	<u>1,392,967</u>	<u>1,281,062</u>	<u>961,355</u>	<u>440,393</u>
Covered payroll	<u>\$ 2,574,331</u>	<u>2,524,428</u>	<u>1,984,705</u>	<u>2,305,138</u>	<u>2,156,274</u>
Net OPEB liability as a percentage of covered payroll	<u>65.97%</u>	<u>55.18%</u>	<u>64.55%</u>	<u>41.70%</u>	<u>20.42%</u>

Notes to Schedule:

Valuation dates	June 30, 2021	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
Method and assumptions used to determine contribution rates:					
Single and agent employers	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization period	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market value	Market value	Market value	Market value	Market value
Inflation	2.50%	2.75%	2.75%	2.75%	2.75%
Salary increases	2.75%	2.75%	2.75%	2.75%	2.75%
Investment rate of return	6.75%	7.00%	7.00%	5.00%	7.00%
Mortality, retirement, disability					
Termination	(4)	(3)	(3)	(3)	(3)

(1) Level percentage of payroll, closed

(2) Pre-retirement mortality based on RP-2014 Employee Mortality Tables, Post retirement mortality rates based on RP-2014 Health Annuitant Mortality Table

(3) 2014 CalPERS Active Mortality for Miscellaneous Employees

(4) 2017 CalPERS Mortality for Miscellaneous and School Employees

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Indian Wells Valley Water District
Schedules of OPEB Plan Contributions
As of June 30, 2022
Last Ten Fiscal Years*

Fiscal year ending	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ 73,620	79,915	79,259	61,487	57,651
Contributions in relation to the actuarially determined contribution	<u>(73,620)</u>	<u>(79,915)</u>	<u>(79,259)</u>	<u>(61,487)</u>	<u>(57,651)</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ <u>2,574,331</u>	<u>2,524,428</u>	<u>1,984,705</u>	<u>2,305,138</u>	<u>2,156,274</u>
Contribution's as a percentage of covered payroll	<u>2.86%</u>	<u>3.17%</u>	<u>3.99%</u>	<u>2.67%</u>	<u>2.67%</u>

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Indian Wells Valley Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2022
Last Ten Fiscal Years*

Fiscal years	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement dates	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	<u>0.03339%</u>	<u>0.03192%</u>	<u>0.03069%</u>	<u>0.02917%</u>	<u>0.02875%</u>	<u>0.02712%</u>	<u>0.02292%</u>	<u>0.02885%</u>
District's proportionate share of the net pension liability	<u>\$ 1,805,811</u>	<u>3,473,330</u>	<u>3,144,639</u>	<u>2,810,828</u>	<u>2,851,601</u>	<u>2,346,813</u>	<u>1,573,256</u>	<u>1,795,052</u>
District's covered payroll	<u>\$ 2,574,331</u>	<u>2,524,428</u>	<u>1,984,705</u>	<u>2,305,138</u>	<u>2,156,274</u>	<u>2,095,489</u>	<u>2,075,823</u>	<u>1,907,011</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>70.15%</u>	<u>137.59%</u>	<u>158.44%</u>	<u>121.94%</u>	<u>132.25%</u>	<u>111.99%</u>	<u>75.79%</u>	<u>94.13%</u>
District's fiduciary net position as a percentage of the District's total pension liability	<u>88.70%</u>	<u>77.30%</u>	<u>78.02%</u>	<u>79.45%</u>	<u>78.83%</u>	<u>80.54%</u>	<u>86.11%</u>	<u>83.61%</u>

Notes to schedule:

Benefits changes:

There were no changes in benefits

Changes in assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses.

The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

The asset valuation method changed from the 15 year smoothed market method to the market value method.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%

The inflation rate was reduced from 2.75% to 2.625%

From fiscal year June 30, 2018 to June 30, 2019:

The inflation rate was reduced from 2.625% to 2.50%

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

There were no changes in assumptions.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Indian Wells Valley Water District
Schedules of Pension Plan Contributions
As of June 30, 2022
Last Ten Fiscal Years*

Fiscal years	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Actuarially determined contribution	\$ 491,371	403,812	380,872	317,222	261,417	232,521	170,777	136,504
Contribution's in relation to the actuarially determined contribution	<u>(491,371)</u>	<u>(403,812)</u>	<u>(380,872)</u>	<u>(317,222)</u>	<u>(261,417)</u>	<u>(232,521)</u>	<u>(170,777)</u>	<u>(136,504)</u>
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-
Covered payroll	\$ <u>2,574,331</u>	<u>2,524,428</u>	<u>1,984,705</u>	<u>2,305,138</u>	<u>2,156,274</u>	<u>2,095,489</u>	<u>2,075,823</u>	<u>1,907,011</u>
Contribution's as a percentage of covered payroll	<u>19.09%</u>	<u>16.00%</u>	<u>19.19%</u>	<u>13.76%</u>	<u>12.12%</u>	<u>11.10%</u>	<u>8.23%</u>	<u>7.16%</u>

Notes to schedule:

Valuation dates	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Methods and assumptions used to: determine contribution rates:								
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market value	Market value	Market value	Market value	Market value	Market value	Market value	15 year Smoothed Market Method
Inflation	2.500%	2.500%	2.625%	2.750%	2.750%	2.750%	2.750%	2.750%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.000% (3)	7.000% (3)	7.250% (3)	7.375% (3)	7.500% (3)	7.500% (3)	7.500% (3)	7.500% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level of percentage of payroll, closed

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

(3) Net of pension plan investment expense, including inflation

(4) 50 for all plans with exception of 52 for Miscellaneous 2% @62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Report on Internal Controls and Compliance



Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

C.J. Brown & Company CPAs

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Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Indian Wells Valley Water District
Ridgecrest, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Indian Wells Valley Water District (District) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated March 13, 2023.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting
and on Compliance and Other Matters Based on Audits of Financial Statements
Performed in Accordance with *Government Auditing Standards*, (continued)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C.J. Brown & Company, CPAs

C.J. Brown & Company CPAs
Cypress, California
March 13, 2023

APPENDIX C

FORM OF THE CONTINUING DISCLOSURE CERTIFICATE

\$7,345,000

**CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY
INDIAN WELLS VALLEY WATER DISTRICT
SERIES 2024 WATER REVENUE BONDS
(Water Transmission Pipeline Replacement Project)**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the Indian Wells Valley Water District, a county water district duly organized and existing under the laws of the State of California (the “District”) in connection with the issuance of \$7,345,000 California Municipal Public Financing Authority, Indian Wells Valley Water District, Series 2024 Water Revenue Bonds (Water Transmission Pipeline Replacement Project) (the “Bonds”) by the California Municipal Public Financing Authority (the “Authority”). The Bonds are being issued pursuant to an Indenture of Trust (the “Indenture”), dated as of March 1, 2024, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The Bonds are limited obligations of the Authority payable from the Revenues (defined herein) pledged under the Indenture, consisting primarily of installment payments (the “Installment Payments”) to be made by the District under an installment sale agreement, dated as of March 1, 2024, by and between the Authority and the District (the “Installment Sale Agreement”). The Installment Payments are secured by a pledge of and lien on the net revenues of the District’s municipal water enterprise (the “Water Enterprise”).

The District hereby certifies, covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Section 2. Definitions. In addition to the definitions set forth in the Indenture or the Installment Sale Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms will have the following meanings:

“*Annual Report*” will mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” shall mean each April 1 after the end of the District’s fiscal year, the end of which, as of the date of this Disclosure Certificate, is June 30.

“*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.

“*Dissemination Agent*” will mean Willdan Financial Services, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“*Financial Obligation*” shall mean a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). 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.

“*Listed Events*” will mean any of the events listed in Section 5(a) and (b) of this Disclosure Certificate.

“MSRB” will mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive continuing disclosure filings pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

“Official Statement” will mean the final Official Statement, dated February 28, 2024, prepared in connection with the sale and offering of the Bonds.

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

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

“SEC” shall mean the Securities and Exchange Commission.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent (if other than the District) to, not later than the Annual Report Date, commencing with the April 1, 2025 Annual Report, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to each such date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent will contact the District to determine if the District is in compliance with the previous sentence. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, 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 not available by that date. If the District’s Fiscal Year changes, it will give notice of such change in the same manner as for a Listed Event under Section 5(a). The District shall provide a written certification with

each Annual Report furnished to the Dissemination Agent (if other than the District) to the effect that such Annual Report constitutes the Annual Report required to be furnished hereunder. If the Dissemination Agent is a different entity than the District, the Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(b) If the District is unable to provide (or cause the Dissemination Agent to provide) to the MSRB an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) a notice to the MSRB, in an electronic format as prescribed by the MSRB, in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports, and (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

(d) The District will promptly file its audited financial statements for the fiscal year ended June 30, 2023, and information required under Section 4(b)(3) for the fiscal year ended June 30, 2023, when available, in the same manner as the Annual Report set forth in Section 3(a)

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following information:

(a) The District's audited Financial Statements 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 Annual Report Date, 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 will be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report will contain the following information:

1. Principal amount of Bonds outstanding as of the end of the fiscal year;
2. A description of any Parity Obligations issued during the most recently completed fiscal year; and
3. Financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement: Tables 5 (Number of Connections By Customer Class), Table 6 (Revenues by Customer Class), Table 7 (Ten Largest Customers by Revenue), and Table 14 (Historical Operating Results and Debt Service Coverage).

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be

necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the SEC. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or shall cause the Dissemination Agent to give, 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. Rating changes.
9. Bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the District shall give, or shall cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not more than ten (10) Business Days after occurrence:

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 Bondholders.
3. Bond calls.
4. Release, substitution or sale of property securing repayment of the Bonds.
5. Non-payment related defaults.
6. The consummation of a merger, consolidation or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
7. Appointment of a successor or additional trustee or the change of the name of a trustee.
8. Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in subsection (b), the District shall determine if such event would be material under applicable federal securities laws. If the District determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, (i) the District shall file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event, and (ii) if the Dissemination Agent is other than the District, the District shall promptly notify the Dissemination Agent in writing, and such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event.

(d) If the District determines that a Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the District, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The District hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the District and, if the Dissemination Agent is other than the District, the Dissemination Agent shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate will be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate will 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 will give notice of such termination in the same manner as for a Listed Event under Section 5(a).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Willdan Financial Services.

Section 9. 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 the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interest of Bond owners.

The District shall describe any amendment to this Disclosure Certificate in the next Annual Report filed after such amendment takes effect.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison will include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison will be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

Section 10. Additional Information. Nothing in this Disclosure Certificate will 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 will have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any holder or beneficial owner 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 comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate will not be deemed an Event of Default under the Indenture or any Supplemental Indenture or the Installment Sale Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate will be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent (if other than the District), its officers, directors, employees and agents, harmless against any loss, expense and liabilities that it may incur arising out of or in the exercise or performance of its duties as described hereunder, if any, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's (if other than the District) negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent (if other than the District) shall not be responsible in any manner for the format or content of any notice or Annual Report prepared by the District pursuant to this Disclosure Certificate. The District shall pay the reasonable fees and expenses of the Dissemination Agent (if other than the District) for its duties as described hereunder.

Section 13. Beneficiaries. This Disclosure Certificate will inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and will create no rights in any other person or entity.

Section 14. Future Determination of Obligated Persons. In the event that the Securities Exchange Commission amends, clarifies or supplements the Rule in such a manner that requires any landowner within the District to be an obligated person as defined in the Rule, nothing contained herein will be construed to require the District to meet the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Certificate will be deemed to obligate the District to disclose information concerning any owner of land within the District except as required as part of the information required to be disclosed by the District pursuant to Section 4 and Section 5 hereof.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Dated as of: March 1, 2024

INDIAN WELLS VALLEY WATER DISTRICT

By: _____
General Manager

Accepted and Acknowledged:

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: Indian Wells Valley Water District

Name of Bond Issue: California Municipal Public Financing Authority
Indian Wells Valley Water District
Series 2024 Water Revenue Bonds
(Water Transmission Pipeline Replacement Project)
(the "Bonds").

Date of Issuance: March 12, 2024

NOTICE IS HEREBY GIVEN that the Indian Wells Valley Water District, a county water district duly organized and existing under the laws of the State of California (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of March 1, 2024. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

INDIAN WELLS VALLEY WATER DISTRICT

By _____

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APPENDIX D

GENERAL INFORMATION ABOUT THE CITY OF RIDGECREST, COUNTY OF KERN AND SURROUNDING AREA

The following information, unless otherwise cited, was directly transcribed from material provided by the Indian Wells Valley Water District (the “District”), the City of Ridgecrest (the “City”), the County of Kern (the “County”), the State of California (the “State”) and various other sources. The following information is intended to merely provide the reader with a better understanding of certain socioeconomic and demographic characteristics of the District and surrounding area. The information set forth in this Appendix “D” has not been researched for accuracy or veracity, and therefore it must not be relied upon when making an investment decision. The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. Neither the faith and credit, nor the taxing power of the District, the City, the County, the State of California (the “State”), or any of its political subdivisions is pledge to the payment of the Bonds. See “SECURITY FOR THE BONDS” in the forepart of this Official Statement.

General

The City is located along U.S. Route 395 in the Indian Wells Valley in northeastern Kern County, adjacent to the Naval Air Weapons Station China Lake (“NAWS,” or “China Lake” or the “Navy”). It was incorporated as a city in 1963. The City is surrounded by four mountain ranges: the Sierra Nevada on the west, the Cosos on the north, the Argus Range on the east, and the El Paso Mountains on the south. It is approximately 82 miles (132 km) from the Lancaster/Palmdale area, 110 miles (177 km) from Bakersfield, 120 miles (193 km) from San Bernardino, and approximately 150 miles from Los Angeles, the four nearest major urban centers. Private air travel in and out of the city is provided through the Inyokern Airport. The City is within two hours of the highest and the lowest points in the contiguous U.S.

The County is located approximately 130 miles north of Los Angeles County in southcentral California. The County is the third largest county in California, covering 8,073 square miles. The County has three climatic zones: valley, mountain and high desert. Bordered on the west by San Luis Obispo and Santa Barbara Counties, to the east by San Bernardino County and on the north by Kings, Tulare and Inyo Counties, the County measures 120 miles east to west and 67 miles north to south. The County seat is in Bakersfield, California. Population

The District’s service area is located along the southerly border of China Lake. As the largest single employer in the area, the number of personnel employed by the Navy has a substantial influence on the number of people residing within the District’s service area.

Area Climate

Temperatures in the District’s service area often exceed 100 degrees Fahrenheit (°F) during summer months, with an annual average daily temperature of approximately 80°F. Annual rainfall averages less than 5 inches; most rainfall occurs between November and March, while some thundershowers occur during the summer monsoons.

Population

The following table sets forth population statistics for the City, the County and the State for the last five calendar years.

CITY, COUNTY AND STATE Population Estimates Calendar Years 2019 through 2023

<u>Year</u> <u>(January 1)</u>	<u>City of</u> <u>Ridgecrest</u>	<u>County</u> <u>of Kern</u>	<u>State of</u> <u>California</u>
2019	29,112	907,065	39,605,361
2020	27,850	909,235	39,538,223
2021	28,014	904,179	39,286,510
2022	28,083	908,107	39,078,674
2023	27,885	907,476	38,940,231

Source: Demographic Research Unit, California State Department of Finance.

Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Annual figures are not yet available for calendar year 2023.

Total taxable transactions during calendar year 2022 in the District were reported to be \$368.824 million, a 6.42% increase over the total taxable transactions of \$346.582 reported during calendar year 2021. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the City is also presented in the following table.

CITY OF RIDGECREST Taxable Retail Sales Number of Permits and Valuation of Taxable Transactions (Dollars in Thousands)

<u>Year</u>	<u># of</u> <u>Permits</u> <u>(Retail)</u>	<u>Retail Stores</u> <u>Taxable</u> <u>Transactions</u>	<u># of</u> <u>Permits</u> <u>(Total)</u>	<u>All Outlets</u> <u>Taxable</u> <u>Transactions</u>
2018	433	263,768	702	288,913
2019	440	265,074	721	292,746
2020	476	269,281	789	298,471
2021	400	308,489	674	346,582
2022 ⁽¹⁾	438	321,835	737	368,824

(1) Most recent year for which data is available.

Source: California Department of Tax and Fee Administration

Total taxable transactions during calendar year 2022 in the County were reported to be \$22.920 million, an 18.16% increase over the total taxable transactions of \$19.397 million reported during calendar year 2021. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the County is also presented in the following table.

COUNTY OF KERN
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

<u>Year</u>	<u># of Permits (Retail)</u>	<u>Retail Stores Taxable Transactions</u>	<u># of Permits (Total)</u>	<u>All Outlets Taxable Transactions</u>
2018	12,558	\$9,716,458	19,612	\$15,130,972
2019	13,152	10,091,219	20,757	15,711,099
2020	14,564	10,769,340	23,038	16,145,355
2021	13,760	13,217,000	22,039	19,397,379
2022 ⁽¹⁾	14,225	15,839,252	23,099	22,919,753

(1) Most recent year for which data is available.

Source: California Department of Tax and Fee Administration

Employment and Industry

The labor force employment and unemployment figures over the last five years for which data is available for Bakersfield (Kern County) MSA are as follows.

BAKERSFIELD (KERN COUNTY) MSA
Labor Force, Employment and Unemployment
Annual Averages for Years 2018 through 2022
(Annual Averages)

<u>Year</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2018	385,700	354,600	31,200	8.1%
2019	388,800	358,400	30,400	7.8%
2020	387,100	337,400	49,700	12.8%
2021	385,900	347,600	38,300	9.9%
2022	391,700	364,600	27,200	6.9%

Source: California Employment Development Department.

Largest Employers

The following table lists the largest employers within the County as of January 2024.

COUNTY OF KERN Largest Employers January 2024 (Listed alphabetically)

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Adventist Health Bakersfield	Bakersfield	Hospitals
Bolthouse Farms	Bakersfield	Agricultural Consultants
California Correctional Instn	Tehachapi	State Govt-Correctional Institutions
Chevron Corp	Bakersfield	Management Services
Community Action Partnership	Bakersfield	Community Centers
Dignity Health Mercy Downtown	Bakersfield	Hospitals
Edwards Air Force Base	Edwards	Military Bases
Ensign United States Drilling	Bakersfield	Energy Mgmt. Systems & Products
Foster Care Human Svc	Bakersfield	Foster Care
Frito-Lay Inc	Bakersfield	Potato Chip Factories (mfrs)
Grimmway Farms	Arvin	Fruits & Veg-Growers & Shippers
Kern County Human Svc Dept	Bakersfield	Government Offices-County
Marko Zaninovich Inc	Mcfarland	Fruits & Veg-Growers & Shippers
Memorial Hospital Bakersfield	Bakersfield	Hospitals
Nabors Completion-Production	Bakersfield	Oil Field Service
Nasa/Armstrong Flight Research	Edwards	Alternative Fuels
Naval Air Warfare Ctr	Ridgecrest	Military Bases
Paramount Farms Huller 4	Lost Hills	Farms
Ridgecrest Regional Hospital	Ridgecrest	Hospitals
Sierra Sands Unified Sch Dist	Ridgecrest	School Districts
Sun Pacific	Bakersfield	Fruits & Veg-Growers & Shippers
US Naval Air Weapons Station	Ridgecrest	Federal Gov-National Security
Vasinda Investments Inc	Bakersfield	Home Health Service
Wasco State Prison Fire Dept	Wasco	State Govt-Correctional Institutions
Wonderful Citrus LLC	Delano	Citrus Growers

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2024 1st Edition.

The following table lists the largest employers within the City as of June 30, 2022.

**CITY OF RIDGECREST
Largest Employers
June 30, 2022**

<u>Employer Name</u>	<u>Employees</u>	<u>% of Total City Employment⁽²⁾</u>
Naval Air Weapons Station China Lake ⁽¹⁾	5,669	41.38%
Ridgecrest Regional Hospital	776	5.66%
Searles Valley Minerals	596	4.35%
Sierra Sands Unified School District	650	4.74%
Walmart	308	2.25%
Albertson's Inc	169	1.23%
Cerro Coso Community College	163	1.19%
City of Ridgecrest	124	0.91%
Alta One Credit Union	123	0.90%
Home Depot	<u>121</u>	<u>0.88%</u>
Total	8,699	63.50%

(1) Includes civilians, military, and contractors.

(2) Based on total City employment of 13,700.

Source: City of Ridgecrest Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2022.

Agriculture

The County is part of the San Joaquin Valley, one of the most agriculturally productive areas on a per acre basis in the world. The table below lists the value of various agricultural products from 2018 through 2022. Data is not yet available for 2023.

**COUNTY OF KERN
Gross Value of Agricultural Production
(Dollars in Thousands)**

<u>Agricultural Product</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Fruit and Nut Crops	\$5,147,712	\$5,269,632	\$5,163,324	\$5,889,683	\$4,464,472
Field Crops	331,573	402,756	306,414	329,890	397,032
Vegetable Crops	770,301	758,802	920,715	846,901	1,141,127
Livestock & Poultry	272,181	286,634	262,605	233,757	340,526
Livestock & Poultry Products	687,292	653,505	763,278	788,733	1,092,651
Nursery Crops	122,473	121,540	129,963	122,229	141,298
Industrial & Wood Crops	14,925	13,824	13,840	17,970	34,853
Seed Crops & Other	7,876	6,773	3,453	4,769	8,428
Apiary Products	<u>11,819</u>	<u>107,233</u>	<u>105,817</u>	<u>107,363</u>	<u>103,779</u>
Total	<u>\$7,466,152</u>	<u>\$7,620,699</u>	<u>\$7,669,409</u>	<u>\$8,341,295</u>	<u>7,724,166</u>

Source: Kern County Department of Agriculture.

Transportation Systems

Well-developed surface and air transportation facilities are available to residents and businesses in the City. Main lines of both the Union Pacific and the Burlington Northern Santa Fe railroads traverse the area. Amtrak service is also available.

State Highway 99, is the main north-south artery serving the most populous communities along the east side of the Central Valley. State Highway 58 provides east-west linkage between Interstate 5, 20 miles west, and Interstate 15 at Barstow, to the east. Highway 178, heading northeast, is the major route along the Kern River Valley. Highway 65, to the north, provides access to communities east of Highway 99 and to Sequoia National Park. Interurban motor transportation is made available by Orange Belt Stages, Greyhound, and Trailways. Golden Empire Transit provides local bus transportation.

The Meadows Field Airport is located on the north side of Bakersfield. Regularly scheduled passenger and air cargo service is available, as well as charter service and general aviation services. The Meadows Field Airport includes the William M. Thomas Terminal, a 64,800 square foot, state-of-the-art terminal facility completed in November 2005 that is currently equipped with three jet-boarding bridges, but that may be expanded to accommodate up to nine gates. A second, older terminal has been converted to accommodate international flights to Mexico.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Bonds, The Weist Law Firm, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

[Date of Delivery]

California Municipal Public Financing Authority
c/o Indian Wells Valley Water District
2108 N Street; Suite 5030
Sacramento, CA 95816

OPINION: \$7,345,000 California Municipal Public Financing Authority
 Indian Wells Valley Water District
 Series 2024 Water Revenue Bonds
 (Water Transmission Pipeline Replacement Project)

Ladies and Gentlemen:

We have acted as Bond Counsel to the California Municipal Public Financing Authority (the “Authority”) in connection with the issuance by the Authority of its \$7,345,000 aggregate principal amount of Indian Wells Valley Water District, Series 2024 Water Revenue Bonds, (Water Transmission Pipeline Replacement Project) (the “Bonds”), pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, a Resolution adopted by the Board of Directors of the Authority (the “Authority Resolution”) on February 15, 2024, a Resolution adopted by the Board of Directors of the Indian Wells Valley Water District (the “District”) on January 18, 2024 (the “District Resolution,” and together with the Authority Resolution, the “Resolutions”), and the Indenture, dated as of March 1, 2024 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The Bonds are special limited obligations of the Authority. The Bonds are payable solely from certain installment payments (the “Installment Payments”) to be made by the Indian Wells Valley Water District (the “District”) to the Authority pursuant to an Installment Sale Agreement related to the District’s Water Enterprise (the “Water Enterprise”), dated as of March 1, 2024, by and between the District, as purchaser, and the Authority, as seller (the “Installment Sale Agreement”), and from certain funds and accounts established under the Indenture (collectively, the “Revenues”).

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture and in the Indenture and/or Installment Sale Agreement, as applicable.

In such connection, we have reviewed the Indenture, the Installment Sale Agreement, the Tax Certificate of the District and the Authority, dated the date hereof (the “Tax Certificate”), opinions of general counsel to the District, certifications of the District, the Authority, and others, and such other documents, opinions, and matters to the extent we deemed necessary to render the opinions set forth herein. As to

questions of fact material to our opinion, we have relied upon representations of the District and the Authority contained in the Resolutions, the Indenture, the Installment Sale Agreement, the Tax certificate and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

The opinions expressed herein are expressed only on and as of the date hereof and are based on an analysis of existing laws, regulations, rulings, and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Changes to existing law may occur hereafter and could have retroactive effect. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, all parties thereto. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted, or certified in the documents, and of the legal conclusions contained in the opinions referred to in the paragraph directly above.

Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Indenture, the Installment Sale Agreement, and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions, or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Resolutions, the Indenture, the Installment Sale Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against special districts, joint powers authorities, and nonprofit public benefit corporations in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, severability, or waiver provisions contained in the documents mentioned in the previous sentence.

Furthermore, the viability and enforceability of the Installment Sale Agreement and Indenture is subject to the validity and limitations on the imposition of certain fees and charges by the District related to the Water Enterprise under Articles XIIC and XIID of the California Constitution, which we express no opinion with respect thereto.

We undertake no responsibility for the accuracy, completeness, or fairness of the transactions or other economic terms relating to the Bonds or the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto. We express no opinion regarding the perfection or priority of the lien on the Installment Payments or the Net Revenues.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Authority.

2. The Indenture has been duly executed and delivered by the Authority, and assuming due authorization, execution and delivery by the Trustee, as appropriate, the Bonds and the Indenture are the valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

3. The Installment Sale Agreement has been duly authorized, executed and delivered by the District and Authority, and constitutes the valid and binding limited obligation of the Authority and the District, enforceable against the Authority and the District in accordance with its terms.

4. Under existing statutes, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not a specific item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

5. Interest is exempt from State of California personal income tax.

Except as stated in paragraphs 4 and 5 above, we express no opinion as to federal or State of California tax consequences of the ownership of the Bonds. We also express no opinion regarding any other tax consequences with respect to the acquisition, ownership, or disposition of, or the accrual or receipt of interest on, the Bonds.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution, the Indenture and the Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

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APPENDIX F

INFORMATION REGARDING THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. 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 has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices will be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its

usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, 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, Agent, or Issuer, 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 Issuer or Agent, 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$_____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$_____

Member Surplus Contribution: \$_____

Total Insurance Payment: \$_____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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