This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 18, 2026

NEW ISSUE – FULL BOOK-ENTRY **S&P RATING: "AA"**
See "RATING" herein.

In the opinion of Jones Hall LLP, as Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2026 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. Interest on the 2026 Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, interest on the 2026 Bonds is exempt from California personal income taxes. See "TAX MATTERS."

$13,880,000*
NORTH MARIN WATER DISTRICT FINANCING AUTHORITY
2026 WATER REVENUE BONDS

Dated: Date of Delivery **Due: December 1, as shown on inside cover**

Authority for Issuance. The bonds captioned above (the "2026 Bonds") are being issued by the North Marin Water District Financing Authority (the "Authority") under a resolution adopted by the governing body of the Authority, the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Bond Law"), and an Indenture of Trust dated as of December 1, 2026 (the "Indenture"), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee. See "THE 2026 BONDS – Authority for Issuance."

Use of Proceeds. The 2026 Bonds are being issued to provide funds to (i) assist the North Marin Water District (the "District") with financing certain capital improvements for the District's enterprise system (as further defined herein, the "System"), and (ii) pay the costs of issuing the 2026 Bonds. See "FINANCING PLAN."

Security for the 2026 Bonds. The 2026 Bonds are special obligations of the Authority, payable from the "Revenues" (as described herein) pledged under the Indenture, which consist primarily of installment payments (the "Installment Payments") payable by the District to the Authority under an Installment Sale Agreement, dated as of December 1, 2026 (the "Installment Sale Agreement"), pursuant to which the District is purchasing certain improvements for the System. Repayment of the Installment Payments is secured by a pledge of the "Net Revenues" of the System, as described herein. No debt service reserve fund is being funded for the 2026 Bonds. See "SECURITY FOR THE 2026 BONDS."

Current and Future Parity Obligations. There are currently outstanding obligations payable from the Net Revenues of the System, as described herein. In addition, additional series of bonds or other debt may be issued in the future that are payable from Net Revenues on a parity with the Installment Payments, subject to the conditions contained in the Installment Sale Agreement. See "SECURITY FOR THE 2026 BONDS – Parity Obligations."

Bond Terms; Book-Entry Only. The 2026 Bonds will bear interest at the rates shown on the inside cover, payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2027, and will be issued in fully registered form without coupons in the denomination of $5,000 or any integral multiple of $5,000. The 2026 Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Purchasers of the 2026 Bonds will not receive certificates representing their interests in the 2026 Bonds. Payments of the principal of, premium, if any, and interest on the 2026 Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2026 Bonds. See "THE 2026 BONDS – General Bond Terms."

Redemption. **The 2026 Bonds are subject to redemption prior to maturity. See "THE 2026 BONDS – Redemption."**

THE 2026 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY THE REVENUES, WHICH CONSIST PRIMARILY OF THE INSTALLMENT PAYMENTS. THE INSTALLMENT PAYMENTS ARE PAYABLE FROM THE NET REVENUES OF THE SYSTEM OF THE DISTRICT AND CERTAIN AMOUNTS HELD BY THE TRUSTEE UNDER THE INDENTURE. THE 2026 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE REVENUES AS DESCRIBED HEREIN.

MATURITY SCHEDULE
(see inside cover)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF BONDS. 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 2026 BONDS. INVESTMENT IN THE 2026 BONDS INVOLVES RISKS THAT MAY NOT BE APPROPRIATE FOR SOME INVESTORS. SEE "BOND OWNERS' RISKS."

The 2026 Bonds will be sold and awarded pursuant to a competitive bidding process to be held on December 2, 2026, or such other date notified to potential bidders as set forth in the Official Notice of Sale related to the 2026 Bonds. The 2026 Bonds are offered when, as and if issued and accepted by the Purchaser, subject to approval as to their legality by Jones Hall LLP, San Mateo, California, Bond Counsel. Certain legal matters will also be passed upon for the District by Jones Hall LLP, as Disclosure Counsel. It is anticipated that the 2026 Bonds, in book-entry only form, will be available through the facilities of DTC on or about December 16, 2026* (the "Closing Date").

The date of this Official Statement is: _____, 2026.

* Preliminary; subject to change.

MATURITY SCHEDULE

$_____ Serial Bonds
(Base CUSIP†: _____)

Maturity (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†

$_____ _____% Term Bond Due December 1, 20___; Yield ____%; Price: ____%
CUSIP†: _____

† CUSIP is a Registered Trademark of The American Bankers Association. FactSet Research Systems Inc. operates The CUSIP Service Bureau for the ABA. These data are not intended to create a database and do not serve in any way as a substitute for the CUSIP services. None of the Authority, the District nor the Purchaser takes any responsibility for the accuracy of the CUSIP data.

NORTH MARIN WATER DISTRICT FINANCING AUTHORITY
(Marin County, California)

GOVERNING BOARD OF THE AUTHORITY AND BOARD OF DIRECTORS OF THE DISTRICT

Ken Eichstaedt, *President, Division 1*
Stephen Petterle, Vice President, *Division 4*
Jack Baker, *Director, Division 2*
Michael Joly, *Director, Division 3*
Rick Fraites, *Director, Division 5**

AUTHORITY/DISTRICT OFFICIALS

Anthony Williams, *General Manager*
Eric Miller*, Assistant General Manager*
Julie Blue, *Director of Administrative Services*
Craig Judson of Bold, Polisner, Maddow, Nelson and Judson, *General Counsel*

SPECIAL SERVICES

Municipal Advisor
NHA Advisors, LLC
San Rafael, California

Bond Counsel and Disclosure Counsel
Jones Hall LLP
San Mateo, California

Trustee
U.S. Bank Trust Company, National Association
Los Angeles, California

*Rick Fraites will not be seeking reelection and will be replaced on December 15, 2026 following the expiration of his term

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 2026 Bonds referred to herein 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 bond owner and the Authority or the Purchaser.

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2026 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2026 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the District or the System since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2026 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2026 Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

Involvement of Purchaser. The following statement has been included in this Official Statement on behalf of the Purchaser of the 2026 Bonds: The Purchaser has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Purchaser does not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. The Purchaser may overallot or take other steps that stabilize or maintain the market prices of the 2026 Bonds at levels above that which might otherwise prevail in the open market. If commenced, the Purchaser may discontinue such market stabilization at any time. The Purchaser may offer and sell the 2026 Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Purchaser.

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the 2026 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. 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," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Internet Site. The District maintains an internet site; however, none of the information contained on that internet site is incorporated by reference in this Official Statement.

NORTH MARIN WATER DISTRICT SERVICE AREA



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OFFICIAL STATEMENT

$13,880,000*
NORTH MARIN WATER DISTRICT FINANCING AUTHORITY
2026 WATER REVENUE BONDS

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. Capitalized terms used but not defined in this Official Statement have the meanings given in the Indenture (as defined below). See "APPENDIX A – Summary of Certain Provisions of the Principal Legal Documents."

The District. The North Marin Water District (the "**District**") is a California special district formed in April 1948 pursuant to provisions of the County Water District Law (California Water Code, Division 12, Section 30000 et seq.). The District provides water service to the greater Novato area and to areas of West Marin (Point Reyes Station, Olema, Bear Valley, Inverness Park and Paradise Ranch Estates) within Marin County (the "**County**") and a portion of southern Sonoma County through an enterprise system (the "**System**"). The System includes (i) the Novato Water System, (ii) Novato Recycled Water System, (iii) West Marin Water System and (iv) Oceana Marin Sewer System, as such terms are defined and described in further detail herein. See "THE DISTRICT".

Through the Novato Water System and Novato Recycled Water System, the District provides water service to approximately 21,000 potable water service connections and 104 recycled water connections, through the West Marin Water System the District provides water service to the Point Reyes service area of West Marin County through approximately 802 service connections, and through the Oceana Marin Sewer System the District provides sewer service to approximately 241 service connections. See "THE SYSTEM" for additional details.

The Novato Water System and Novato Recycled Water System provide water service to approximately 64,000 residents in the greater Novato area. The West Marin Water system provides water services to approximately 1,800 residents in the Point Reyes service area of West Marin County. For additional background, demographic and economic information regarding the County and the City of Novato located therein, see APPENDIX D.

The Authority. The North Marin Water District Financing Authority (the "**Authority**") is a joint exercise of powers authority established pursuant to a Joint Exercise of Powers Agreement, dated as of November 1, 2026, by and between the District and the California Statewide Communities Development Authority for the purpose, among others, of having the Authority issue its bonds to finance the acquisition, construction and improvement of certain public capital improvements for the District.

Authority for Issuance. The bonds captioned above (the "**2026 Bonds**") are being issued by the Authority under a resolution adopted by the governing body of the Authority, the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of

California (the "**Bond Law**"), and an Indenture of Trust dated as of December 1, 2026 (the "**Indenture**"), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee. See "THE 2026 BONDS – Authority for Issuance."

Purpose of the 2026 Bonds. The 2026 Bonds are being issued to provide funds to (i) assist the District with financing certain capital improvements for the System, and (ii) pay the costs of issuing the 2026 Bonds. See "FINANCING PLAN."

Security for the 2026 Bonds. The 2026 Bonds are special obligations of the Authority, payable from the "Revenues" (as described herein) pledged under the Indenture, which consist primarily of installment payments (the "**Installment Payments**") payable by the District to the Authority under an Installment Sale Agreement, dated as of December 1, 2026 (the "**Installment Sale Agreement**"), pursuant to which the District is purchasing certain improvements to the System. Repayment of the Installment Payments is secured primarily by a pledge of the Net Revenues of the System, which means the "**Gross Revenues**" received from the System, less the amount of "**Maintenance and Operation Costs**" of the System (as those terms are defined in the Indenture). No debt service reserve fund is being funded for the 2026 Bonds. See "SECURITY FOR THE 2026 BONDS."

Current and Future Parity Obligations. The District currently has several long-term debt obligations payable from Net Revenues on parity with the Installment Payments, and may incur additional parity obligations in the future (collectively, the "**Parity Obligations**"), subject to the conditions set forth in the Installment Sale Agreement. See "SECURITY FOR THE 2026 BONDS – Parity Obligations."

The existing Parity Obligations consist of the following:

(1) the Funding Agreement between California Department of Water Resources and North Marin Water District (Contract No. SRF01CX124), dated April 13, 2004 (the "**2004 DWRB Agreement**");

(2) the State Water Resources Control Board Agreement, executed July 2006 (Agreement #05-808-550-0) (the "**2006 SWRCB Agreement**");

(3) State Water Resources Control Board Agreements (Project Finance Agreement 11-816-550 (2011), and related agreement numbers 11-811-550-2, 11-820-550-2, 11-814-550, 11-841-550-1, 11-842-550-1, 11-843-550), as amended (the "**RW SWRCB Agreements**");

(4) the Installment Sale Agreement between California Department of Water Resources and North Marin Water District, dated April 12, 2016, as amended (the "**2016 SWRCB Agreement**");

(5) the Loan Agreement between the District and JPMorgan Chase Bank, N.A., dated March 22, 2018 (the "**2018 JPM Agreement**"); and

(6) the Loan Agreement between the District and Webster Bank, dated May 31, 2022 (the "**2022 Webster Bank Agreement**").

See "THE SYSTEM – Outstanding Indebtedness" for additional details.

Rate Covenants. Under the Installment Sale Agreement, the District is obligated to fix, prescribe, revise, and collect rates and charges for the System during each Fiscal Year that are sufficient to yield Net Revenues (which consists of both rates and charges and property taxes, as

described herein) at least equal to 120% of the amount of the Installment Payments and Debt Service on the Parity Obligations in such Fiscal Year.

Under the Installment Sale Agreement, the District must also fix, prescribe, revise and collect rates and charges (taking into account property taxes received by the District) for the System during each Fiscal Year which are at least sufficient, after making allowances for contingencies and error in the estimates, to produce Gross Revenues which will be sufficient to pay the following amounts: (i) all Maintenance and Operation Costs of the System estimated by the District to become due and payable in such Fiscal Year; (ii) the Installment Payments and Debt Service on the Parity Obligations; (iii) all other payments required for compliance with the Installment Sale Agreement, the Indenture and the Parity Obligations Documents; and (iv) all payments required to meet any other obligations of the District that are charges, liens, encumbrances upon or payable from the Gross Revenues or the Net Revenues of the System.

Risks of Investment. The 2026 Bonds are repayable from the Revenues, which are primarily secured by the Installment Payments payable by the District from the Net Revenues of the System. For a discussion of some of the risks associated with the purchase of the 2026 Bonds, see "BOND OWNERS' RISKS."

THE 2026 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY THE REVENUES, WHICH CONSIST PRIMARILY OF THE INSTALLMENT PAYMENTS. THE INSTALLMENT PAYMENTS ARE PAYABLE FROM THE NET REVENUES OF THE SYSTEM OF THE DISTRICT AND CERTAIN AMOUNTS HELD BY THE TRUSTEE UNDER THE INDENTURE. THE 2026 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, OR LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE REVENUES AS DESCRIBED HEREIN.

FINANCING PLAN

The 2026 Bonds are being issued to provide funds to (i) finance certain improvements to the System (as described herein, the "**Project**"), and (ii) pay the costs of issuing the 2026 Bonds.

The Project

The Project is expected to consist of several key CIP Projects primarily for the Novato and West Marin Water Enterprises, including potable water pipeline improvements or replacements (pipeline relocations, upsizing and replacement in-kind), pump station replacements or rehabilitations, and hydro-pneumatic system upgrades. For additional information on the Project, see "THE SYSTEM – Capital Improvement Program."

Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2026 Bonds are as follows:

Sources:	
Principal Amount of 2026 Bonds	$
Plus/Less [Net] Original Issue Premium/Discount	
Total Sources	$
Uses:	
Project Fund	
Costs of Issuance[(1)]	
Total Uses	$

(1) Costs of Issuance include legal fees, Municipal Advisor's fee, printing costs, rating agency fees, Purchaser's discount and other expenses related to the issuance of the 2026 Bonds.

THE 2026 BONDS

This section provides summaries of the 2026 Bonds and certain provisions of the Indenture. See APPENDIX A for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Authority for Issuance

The 2026 Bonds are being issued by the Authority under a resolution adopted by the governing body of the Authority on November 17, 2026, the Bond Law, and the Indenture. The District, pursuant to a resolution adopted by the Board of Directors of the District on November 17, 2026, has also approved of the issuance of the 2026 Bonds by the Authority, entrance into the Installment Sale Agreement, and the distribution of the Official Statement.

General Bond Terms

Bond Terms. The 2026 Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of $5,000 or any integral multiple of $5,000, so long as no 2026 Bond has more than one maturity date. The 2026 Bonds will mature in the amounts and on the dates, and bear interest at the rates per annum, set forth on the inside cover page of this Official Statement.

***Payments*.** Interest on the 2026 Bonds will be payable on June 1 and December 1 of each year to maturity (each an "**Interest Payment Date**"), commencing June 1, 2027.

Interest on the 2026 Bonds will be payable on each Interest Payment Date to the person whose name appears on the Bond Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed by first class mail to the Owner or, at the option of any Owner of at least $1,000,000 aggregate principal amount of the 2026 Bonds with respect to which written instructions have been filed with the Trustee prior to the applicable Record Date, by wire transfer, at the address of such Owner as it appears on the Bond Registration Books.

If there exists a default in payment of interest due on such Interest Payment Date, such interest will be payable on a payment date established by the Trustee to the persons in whose names the 2026 Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the registered Owners of the 2026 Bonds not less than 10 days preceding such special record date.

Principal of and premium (if any) on any 2026 Bond will be paid upon presentation and surrender thereof at the Principal Corporate Trust Office of the Trustee. Both the principal of and interest and premium (if any) on the 2026 Bonds will be payable in lawful money of the United States of America.

However, as long as Cede & Co. is the registered owner of the 2026 Bonds, as described below, payments of the principal of, premium, if any, and interest on the 2026 Bonds will be made directly to DTC, or its nominee, Cede & Co.

Calculation of Interest. The 2026 Bonds will be dated the Closing Date and bear interest based on a 360-day year comprised of twelve 30-day months from the Interest Payment Date next preceding the date of authentication thereof, unless said date of authentication is an Interest Payment Date, in which event such interest is payable from such date of authentication, and unless said date of authentication is prior to the first Interest Payment Date, in which event such interest is payable from the Closing Date; provided, however, that if, as of the date of

authentication of any 2026 Bond, interest thereon is in default, such 2026 Bond will bear interest from the date to which interest has previously been paid or made available for payment thereon in full.

Record Date. The Indenture defines the "**Record Date**" for the 2026 Bonds as the 15th calendar day of the month preceding each Interest Payment Date.

Book-Entry Only System. The 2026 Bonds will be registered in the name of Cede & Co., as nominee of the Depository Trust Company ("**DTC**"), New York, New York, as the initial securities depository for the 2026 Bonds. Ownership interests in the 2026 Bonds may be purchased in book-entry form only. Purchasers of the 2026 Bonds will not receive physical bonds representing their ownership interests in the 2026 Bonds purchased.

Principal and interest payments with respect to the 2026 Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the 2026 Bonds. See "APPENDIX F – DTC and the Book-Entry Only System."

So long as the 2026 Bonds are registered in the name of Cede & Co., as nominee of DTC, references in this Official Statement to the "owners" mean Cede & Co., and not the purchasers or Beneficial Owners of the 2026 Bonds. See "APPENDIX F – DTC and the Book-Entry Only System."

Redemption*

Optional Redemption. The 2026 Bonds maturing on or before December 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates. The 2026 Bonds maturing on or after December 1, 20__, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after December 1, 20__, from any available source of funds, at a redemption price equal to the principal amount of the 2026 Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Redemption from Proceeds of Insurance and Condemnation. The 2026 Bonds are subject to mandatory redemption, on any date, in whole, or in part on a pro rata basis among maturities, from the net proceeds of insurance, sale or condemnation credited towards the prepayment of the Installment Payments by the District under the Installment Sale Agreement, at a redemption price equal to the principal amount represented thereby to be prepaid, without premium, together with accrued interest represented thereby to the redemption date.

Mandatory Sinking Fund Redemption. The 2026 Bonds maturing on December 1, 20__ and December 1, 20__ (the "**2026 Term Bonds**") are also subject to redemption, by lot, on December 1 in each of the years as set forth in the following tables, from deposits made for such purpose pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof may be purchased, in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; provided, however, that if some but not all of the 2026 Term Bonds have been redeemed pursuant to paragraphs described above, the total amount of all future payments with respect to such 2026 Term Bonds shall be reduced by the aggregate principal amount of such 2026 Term Bonds so redeemed, to be allocated among such

* Preliminary; subject to change.

payments in integral multiples of $5,000 as determined by the Authority (written notice of which determination shall be given by the Authority to the Trustee).

2026 Term Bonds Maturing December 1, 20__

Sinking Fund Redemption Date (December 1)	Principal Amount To Be Redeemed

2026 Term Bonds Maturing December 1, 20__

Sinking Fund Redemption Date (December 1)	Principal Amount To Be Redeemed

In lieu of mandatory sinking fund redemption of the 2026 Term Bonds, amounts on deposit in the Bond Fund (to the extent not required to be deposited by the Trustee in the Interest Account or the Principal Account pursuant to the Indenture during the current Bond Year) may also be used and withdrawn by the Authority, upon the Written Request of the Authority delivered to the Trustee, at any time for the purchase of such 2026 Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine. The par amount of any of such Term Bonds so purchased by the Authority in any twelve-month period ending on April 1 in any year shall be credited towards and shall reduce the par amount of such Term Bonds required to be redeemed pursuant to this provision on the next succeeding December 1.

Notice of Redemption. The Trustee shall mail notice of redemption of the 2026 Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any 2026 Bonds designated for redemption at their addresses appearing on the Bond Registration Books and to one or more Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the 2026 Bonds (or all 2026 Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all 2026 Bonds within a maturity are called for redemption) 2026 Bond numbers of the 2026 Bonds to be redeemed and the maturity or maturities of the 2026 Bonds to be redeemed, and in the case of 2026 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said 2026 Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered.

Each notice relating to a redemption pursuant to the optional redemption or special mandatory redemption provisions described above shall further state that such redemption may be rescinded by the Authority on or prior to the date set for redemption. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of 2026 Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

Notwithstanding the foregoing, while the 2026 Bonds are subject to DTC's book-entry system, the Trustee will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the District and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the 2026 Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any 2026 Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Indenture.

Rescission of Redemption and Cancellation of Redemption Notice. The Authority shall have the right to rescind any redemption pursuant to the optional redemption or special mandatory redemption provisions described above by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall 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 2026 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Selection of 2026 Bonds for Redemption. With respect to the 2026 Bonds, whenever less than all of the 2026 Bonds of a maturity are to be selected for redemption, the Trustee shall determine, by lot, the numbers of the 2026 Bonds of such maturity to be redeemed, and shall notify the District thereof.

Partial Redemption of 2026 Bonds. Whenever provision is made in the Indenture for the redemption of less than all of the 2026 Bonds of a single maturity of the same issue, the Trustee shall select the 2026 Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each 2026 Bond as consisting of separate $5,000 portions and each such portion shall be subject to redemption as if such portion were a separate 2026 Bond.

Registration, Transfer and Exchange

Bond Registration Books. The Trustee will keep or cause to be kept at its trust office sufficient Bond Registration Books for the registration and transfer of the 2026 Bonds, which will at all times during regular business hours, and upon reasonable notice, be open to inspection by the Authority; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as provided in the Indenture.

Transfer. Any 2026 Bond may, in accordance with its terms, be transferred, upon the Bond Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such 2026 Bond to the Trustee at its Principal Corporate Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any 2026 Bonds under the Indenture. Whenever any 2026 Bond or 2026 Bonds shall be surrendered for transfer, the Authority shall execute and

the Trustee shall authenticate and deliver to the transferee a new 2026 Bond or 2026 Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority shall pay the cost of printing 2026 Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of 2026 Bonds.

Exchange. The 2026 Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of 2026 Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any 2026 Bonds. The Authority shall pay the cost of printing 2026 Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of 2026 Bonds.

Limitations. The Trustee may refuse to transfer or exchange, under the provisions of the Indenture, any 2026 Bonds selected by the Trustee for redemption under the Indenture, or any 2026 Bonds during the period established by the Trustee for the selection of 2026 Bonds for redemption.

DEBT SERVICE SCHEDULE

Debt Service on 2026 Bonds. Annual debt service on the 2026 Bonds is presented below, assuming no early redemptions of the 2026 Bonds.

Period Ending December 1	Principal	Interest	Annual Debt Service
Total:			

Source: Municipal Advisor.

Debt Service on 2026 Bonds and Parity Obligations. Annual debt service on the 2026 Bonds and other outstanding Parity Obligations is presented on a fiscal year basis below, assuming no early redemptions.

Period Ending June 30	Existing Parity Obligations	2026 Bonds Debt Service*	Total Parity Debt Service*
2027	$3,934,831		
2028	3,657,991		
2029	3,659,383		
2030	3,138,270		
2031	2,616,886		
2032	2,617,471		
2033	2,447,024		
2034	1,723,902		
2035	1,623,670		
2036	1,623,669		
2037	1,623,670		
2038	1,623,670		
2039	1,623,669		
2040	1,623,670		
2041	1,623,669		
2042	1,623,669		
2043	275,773		
2044	275,773		
2045	275,773		
2046	275,773		
2047	275,773		
2048	275,773		
Totals:	**$38,439,752**		

* Preliminary; subject to change.
Source: The District and Municipal Advisor.

SECURITY FOR THE 2026 BONDS

This section provides summaries of the security for the 2026 Bonds, and certain provisions of the Indenture and the Installment Sale Agreement. Unless the context otherwise requires, "Bonds" refers to the 2026 Bonds and any Additional Bonds that may be outstanding under the Indenture. See APPENDIX A for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

General; Limited Obligation

The 2026 Bonds are special limited obligations of the Authority and will be payable from and secured by a charge and lien on the Revenues, consisting primarily of the Installment Payments to be made by the District under the Installment Sale Agreement, and all amounts held in certain funds and accounts established and held by the Trustee under the Indenture.

Installment Payments; Pledge of Net Revenues

All of the Net Revenues are irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments. Such pledge, charge and assignment constitute a lien on the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms of the Installment Sale Agreement, which lien is on a parity with the pledge and lien which secures the Parity Obligations. For a description of existing and potential future Parity Obligations see "– Parity Obligations" below. As used in the Installment Sale Agreement and in the Indenture, the following terms have the following respective meanings:

Net Revenues. The Indenture defines "**Net Revenues**" as, for any period, all of the Gross Revenues during such period less all of the Maintenance and Operation Costs during such period.

Gross Revenues. The Indenture defines "**Gross Revenues**" as, for any period, all gross income and revenue received or receivable by the District from the ownership or operation of the System, determined in accordance with generally accepted accounting principles, including all rates, fees and charges (including connection fees and charges) as received by the District for the services of the System, property taxes and all other income and revenue howsoever derived by the District from the ownership or operation of the System or arising from the System, including all income from the deposit or investment of any money in any rate stabilization fund of the District or held on the District's behalf, and any refundable deposits made to establish credit, and advances or contributions in aid of construction.

Maintenance and Operation Costs. The Indenture defines "**Maintenance and Operation Costs**" as the reasonable and necessary costs and expenses paid or incurred by the District for maintaining and operating the System, determined in accordance with generally accepted accounting principles, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the System in good repair and working order, and including all reasonable and necessary administrative costs of the District that are charged directly or apportioned to the operation of the System, such as salaries and wages of employees, overhead, taxes (if any), the cost of permits, licenses and charges to operate the System and insurance premiums; but excluding, in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

Receipt and Use of Gross Revenues under Installment Sale Agreement

Flow of Funds. The District will hold and maintain the Net Revenues for the purposes and uses set forth in the Installment Sale Agreement. The District shall deposit all of the Gross Revenues in its revenue funds immediately upon receipt. The District shall apply amounts so

deposited as set forth in the Installment Sale Agreement and any resolution, trust indenture or installment sale agreement adopted, entered into or executed and delivered by the District under which Parity Obligations may be issued (collectively, "**Parity Obligations Documents**"). Gross Revenues on deposit shall be applied by the District to pay when due the following amounts in the following order of priority:

(i) all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs) as such Maintenance and Operation Costs become due and payable;

(ii) to the Trustee (or other recipient set forth in a Parity Obligations Document) the amount needed to pay the Installment Payments and principal of, and interest on, any Parity Obligation;

(iii) to the Trustee (or other recipient set forth in a Parity Obligations Document) the amount of any deficiency in any reserve fund established for any Parity Obligation (or to pay any reserve insurer any amounts owed in connection with any draw on any reserve fund insurance policy), the notice of which deficiency has been given to the District in accordance with the Indenture and the related Parity Obligations Documents, on a pro rata basis; and

(iv) as long as all of the foregoing payments, allocations and transfers are made at the times and in the manner set forth above, any moneys remaining may at any time be treated as surplus and applied for any lawful purpose.

No Preference or Priority. Payment of the Installment Payments and the principal of and interest on any Parity Obligation shall be made without preference or priority among the Installment Payments and such Parity Obligation. If the amount of Net Revenues is at any time insufficient (or forecast to be insufficient) to enable the District to pay when due the Installment Payments and the principal of and interest on any Parity Obligation (or payments made in accordance with any reserve account or reserve fund, including to pay any reserve insurer any amounts owed in connection with any draw on any reserve fund insurance policy), such payments shall be made on a pro rata basis.

Receipt and Use of Revenues under Indenture

Assignment to Trustee. Under the Indenture, the Authority irrevocably transfers, assigns and sets over to the Trustee, without recourse to the Authority, all of its rights in the Installment Sale Agreement (excepting only the Authority's rights relating to indemnification and related matters), including but not limited to all of the Authority's rights to receive and collect all of the Installment Payments. The Trustee is entitled to collect and receive all of the Installment Payments, and any Installment Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and shall, subject to the provisions of the Indenture, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the District under the Installment Sale Agreement.

Deposit and Use of Revenues in Bond Fund. All Revenues (consisting, primarily, of the Installment Payments) shall be promptly deposited by the Trustee upon receipt in a special fund designated as the "Bond Fund" which the Trustee shall 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 shall be promptly deposited

in such fund. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the 2026 Bonds or provision therefore under the Indenture, and (ii) any applicable fees and expenses of the Trustee, shall be withdrawn by the Trustee and remitted to the District.

On or before each Interest Payment Date, the Trustee shall 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:

Interest Account. The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2026 Bonds as it comes due and payable (including accrued interest on any 2026 Bonds purchased or redeemed prior to maturity).

Principal Account. 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 2026 Bonds coming due and payable on each December 1, including the aggregate principal amount of the Term Bonds (if any) which are subject to mandatory sinking fund redemption on such December 1 pursuant to the Indenture. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the 2026 Bonds on their respective maturity dates, including the aggregate principal amount of the Term Bonds (if any) which are subject to mandatory sinking fund redemption on such December 1 pursuant to the Indenture.

Reserve Fund(s). The Trustee shall deposit into any reserve fund(s) established for Parity Obligations, amount(s) which are needed to replenish the amounts therein to the applicable reserve requirement therefor or pay amounts due to any insurer with respect to any reserve fund insurance policy deposited therein (if applicable).

Deposit and Use of Revenues in Redemption Fund. The Trustee shall establish and maintain the Redemption Fund, into which the Trustee shall deposit a portion of the Revenues received representing optional prepayments of the Installment Payments, in accordance with a Written Request of the Authority. Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and premium (if any) of the 2026 Bonds to be redeemed under the optional redemption or special mandatory redemption provisions of the Indenture; *provided, however*, that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed under a Written Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the 2026 Bonds.

No Reserve Fund

No debt service reserve fund is being funded for the 2026 Bonds.

Rate Stabilization Fund

The District may establish a rate stabilization fund (the "**Rate Stabilization Fund**"). From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of

legally available funds, including but not limited to Net Revenues that are released from the pledge and lien, which secures the Installment Payments and any Parity Obligation, as the District may determine.

The District may, but is not required to, apply as Gross Revenues any amounts on deposit in a Rate Stabilization Fund which are transferred to a District revenue fund within 210 days following the end of any Fiscal Year. Amounts so transferred shall constitute Gross Revenues for the applicable Fiscal Year (except to the extent of amounts transferred into the Rate Stabilization Fund from Gross Revenues received by the District in such Fiscal Year, so as to avoid double-counting). Amounts on deposit in a Rate Stabilization Fund shall not be pledged to or otherwise secure the Installment Payments or any Parity Obligations. The District has the right at any time to withdraw any or all amounts on deposit in a Rate Stabilization Fund and apply such amounts for any lawful purposes of the District.

While the District does not currently have any amounts set aside in the Rate Stabilization Fund, it does maintain other reserves related to the System. See "THE SYSTEM– Funds and Reserves."

Rate Covenants

Sum Sufficient Based on Gross Revenues. Under the Installment Sale Agreement, the District will fix, prescribe, revise and collect charges for the System during each Fiscal Year that are at least sufficient, after making allowances for contingencies and error in the estimates, to produce Gross Revenues which will be sufficient to pay the following amounts:

(a) all Maintenance and Operation Costs of the System estimated by the District to become due and payable in such Fiscal Year;

(b) the Installment Payments and Debt Service on any Parity Obligation;

(c) all other payments required for compliance with the Installment Sale Agreement, the Indenture and the Parity Obligations Documents; and

(d) all payments required to meet any other obligations of the District that are charges, liens, encumbrances upon or payable from the Gross Revenues or the Net Revenues of the System.

Debt Service Coverage Based on Net Revenues (120%). In addition, under the Installment Sale Agreement, the District will fix, prescribe, revise and collect charges for the System during each Fiscal Year which are sufficient to yield Net Revenues at least equal to 120% of the Installment Payments and Debt Service on the other Parity Obligations in such Fiscal Year. For purposes of this paragraph, the amount of Net Revenues for a Fiscal Year will be computed on the basis that any transfers into the District's revenue funds in such Fiscal Year from the Rate Stabilization Fund are included in the calculation of Net Revenues (except to the extent of amounts transferred into the Rate Stabilization Fund from Gross Revenues received by the District in such Fiscal Year), as provided in the Installment Sale Agreement.

Parity Obligations

Existing Parity Obligations. The parity debt requirement in the RW SWRCB Agreements and the 2016 SWRCB Agreement requires (1) 120% coverage of all senior debt and 110% coverage of all debt, and (2) that one of the following conditions is met: (a) proposed parity debt is rated "A" or higher by 2 rating agencies, or (b) the District is disadvantaged and it would be economically burdensome to obtain ratings for the parity debt or (c) the District is

disadvantaged and requiring additional debt to be subordinate would unduly restrict the District from obtaining future system debt necessary for water quality improvements. The parity debt requirement in the 2018 JPM Agreement requires that Net Revenues for prior fiscal year (or more recent 12-month period) must be at least 100% of Average Annual Debt Service (each as defined therein). The parity debt requirement in the 2022 Webster Bank Agreement requires 115% coverage of Average Annual Debt Service (as defined therein). The other existing Parity Obligations do not have specific parity debt requirements.

The Parity Obligations are payable on different payment dates from the Installment Payments. To preserve the parity nature of the Installment Payments with the Parity Obligations, the District covenants in the Installment Sale Agreement that if the amount of Net Revenues on deposit is at any time insufficient (or forecast to be insufficient) to enable the District to pay when due the Installment Payments and the principal of and interest on any Parity Obligation (or payments made in accordance with any reserve account or reserve fund, including to pay any reserve insurer any amounts owed in connection with any draw on any reserve fund insurance policy), such payments shall be made on a pro rata basis.

Additional Parity Obligations. Under the Installment Sale Agreement, the District may issue or incur other loans, advances or indebtedness payable from the Net Revenues on a parity basis with the Installment Payments in the future, subject to the following specific conditions (in addition to the conditions in the current Parity Obligations so long as those obligations are outstanding) that are made conditions precedent to the issuance and delivery of such Parity Obligation:

(a) The District is in compliance with all covenants set forth in the Installment Sale Agreement and in the Indenture.

(b) The Net Revenues calculated on generally accepted accounting principles, as shown by the books of the District for the latest Fiscal Year or any more recent 12-month period selected by the District ending not more than 60 days prior to the adoption of the applicable Parity Obligations Document pursuant to which such Parity Obligation is issued, as shown by the books of the District, plus, at the option of the District, any or all of the items hereinafter in this paragraph designated (i) and (ii), shall at least equal 120% of Maximum Annual Debt Service, with Maximum Annual Debt Service calculated on all bonds and other obligations to be outstanding immediately subsequent to the issuance of such Parity Obligation which have a lien on said Net Revenues. The items any or all of which may be added to such Net Revenues for the purpose of issuing or incurring Parity Obligation hereunder are the following:

(i) An allowance for Net Revenues from any additions to or improvements or extensions with respect to the System to be made with the proceeds of such Parity Obligation, 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 such Fiscal Year or such 12-month period, were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period in which each addition, improvement or extension is respectively to be in operation, all as shown in the written report of an Independent Consultant engaged by the District; and

(ii) An allowance for revenues projected to arise from any increase in the rates and charges which has been approved by the District Board prior to the incurring of such additional indebtedness but which, during all or any part of such Fiscal Year or such 12-month period, was not in effect, in an amount equal to the

amount by which the Net Revenues would have been increased if such increase in rates and charges had been in effect during the whole of such Fiscal Year or such 12-month period, all as shown in the written report of an Independent Consultant engaged by the District. For the avoidance of doubt, a charge shall be considered to have been approved by the District Board and may be considered in the calculation of the allowance described in the previous sentence if the water rate and charge is part of a multi-year rate increase that has been approved by the District Board, even if the specific rate and charge will not take effect until a subsequent Fiscal Year.

(c) Notwithstanding the foregoing, any Parity Obligation proposed to be issued for the purpose of refunding any Parity Obligation may be issued without compliance with subsection (b), so long as such refunding results in lower Debt Service in each Fiscal Year after such refunding and the final maturity (or termination) date of the refunding Parity Obligation is no later than the final maturity (or termination) date of the refunded Parity Obligation. For clarity, Parity Obligations may or may not be secured by a debt service reserve fund.

As used above, "**Maximum Annual Debt Service**" means, as of the date of calculation, the maximum amount of Debt Service for the current or any future Fiscal Year. The definition of "**Debt Service**" is set forth in APPENDIX A.

No Senior Debt

The District covenants in the Installment Sale Agreement to not issue or incur any additional bonds or other obligations during the term thereof having any priority in payment of principal or interest out of the Net Revenues over the Installment Payments. However, this covenant does not limit or affect the ability of the District to issue, enter into or incur additional Parity Obligations as described above, or obligations which are either unsecured or which are secured on a basis which is junior and subordinate to the pledge of and lien upon the Net Revenues established under the Installment Sale Agreement.

Casualty Insurance and Eminent Domain Proceeds

Covenant to Maintain Insurance. The District covenants that it will at all times maintain such insurance on the facilities of the System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties.

Insurance Proceeds. All amounts collected from insurance against accident to or destruction of any portion of facilities of the System shall be used to repair or rebuild such damaged or destroyed portion, and to the extent not so applied, shall be applied to redeem Bonds or any Parity Obligation in accordance with the Indenture and applicable Parity Obligations Documents.

Eminent Domain Proceeds. If all or any part of the facilities of the System are taken by eminent domain proceedings, the Net Proceeds realized by the District therefrom will be deposited by the District in a special fund in trust and applied by the District to the cost of acquiring or constructing or financing Improvements to the System, or to redeem Bonds or any Parity Obligation in accordance with the Indenture and applicable Parity Obligations Documents.

THE AUTHORITY

The Authority was created by the District and the California Statewide Communities Development Authority pursuant to a Joint Exercise of Powers Agreement, dated as of November 1, 2026, for the purpose, among others, of having the Authority issue its bonds to finance the acquisition, construction and improvement of public capital improvements in the District. The members of the Board of Directors of the District serve as the governing board of the Authority, and certain District staff serve as the officers of the Authority. The Joint Exercise of Powers Agreement was entered into under Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California. The Authority is a separate entity constituting a public instrumentality of the State of California.

THE DISTRICT

Overview

The District is located in the County of Marin (the "**County**") in the State of California (the "**State**"). The District was formed in April 1948 pursuant to provisions of the County Water District Law.

The District provides water service to the greater Novato area (the "**Novato Water System**"), recycled water service to customers in Novato (the "**Novato Recycled Water System**") and water service to areas of West Marin (Point Reyes Station, Olema, Bear Valley, Inverness Park and Paradise Ranch Estates) (the "**West Marin Water System**"). The District provides sewer service to the Oceana Marin subdivision adjacent to the Dillon Beach Village community (the "**Oceana Marin Sewer System**"). For information regarding the operations and finances of each component system, see "THE SYSTEM".

For background, demographic and economic information regarding the County and the City of Novato located therein, see APPENDIX D.

Governance and Employees

The District is governed by an elected five member Board of Directors, and administered by the General Manager and other key District staff.

Board of Directors. Board members are elected for four-year terms from one of five geographical areas within the District's service area. The current Board members are as follows.

Member Name	Role	District Division
Ken Eichstaedt	President	Division 1
Stephen Petterle	Vice President	Division 4
Jack Baker	Director	Division 2
Michael Joly	Director	Division 3
Rick Fraites	Director	Division 5

Key District Staff. Key District staff include the General Manager, the Assistant General Manager and the Director of Administrative Services, all of which are appointed by the Board of Directors. Brief biographies follow.

Anthony Williams, *General Manager*. Mr. Williams was appointed General Manager of the District in May 2022. Prior to that time, he served as Assistant General Manager to the District, and before that as the Assistant Director of the County of Marin

Department of Public Works. He has more than 26 years of experience in both the public and private sectors. Mr. Williams is a licensed civil engineer in California.

Eric Miller, Assistant General Manager/Director of Engineering. Mr. Miller was appointed Assistant General Manager of the District in June 2022. Prior to joining the District, he served as a manager of engineering for the County of Marin. Mr. Miller has more than 10 years of experience with California public agencies. Mr. Miller is a licensed civil engineer in California.

Julie Blue, Director of Administrative Services. Ms. Blue was appointed as the District's Auditor-Controller in 2018. Prior to joining the District, Ms. Blue served as Accounting Manager for Ross Valley Sanitary District. Ms. Blue is a licensed California Certified Public Accountant and holds a Bachelor of Science degree in Business Administration with an emphasis in Accounting from San Diego State University.

Employees. The District has 61 budgeted full-time equivalent employees (FTEs) serving the following functions: administration and finance, engineering, utilities construction and repairs, operations and maintenance, water quality, and water conservation. The District believes its relations with its employees are good.

CalPERS Pension Plan

Plan Description and Benefits. All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan ("**PERF C**") administered by the California Public Employees' Retirement System ("**CalPERS**"). The PERF C consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans respectively. Benefit provisions under the Plan are established by State Statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. 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.

Net Pension Liability. As of June 30, 2025, the District's proportionate share of net pension liability in its CalPERS retirement plans was $18,203,208.

Additional Information. For additional information about the District's defined benefit pension plan, including information concerning contributions and net pension liability, see Note 12 in APPENDIX B – "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2025 – Defined benefit Pension Plan."

Other Post-Employment Benefits (OPEB)

Plan Description and Benefits. The District's defined benefit OPEB plan ("**Plan**") provides OPEB for all permanent fulltime employees. 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 contributes up to $319.22 to Public Employees' Medical & Hospital Care Act ("**PEMHCA**"), on behalf of each retiree eligible for PEMHCA. The District makes supplemental contributions towards certain retirees' PEMHCA premiums if the retiree has attained age 55 and has completed at least 12 years of service with the District at the time of retirement. For employees hired on or after October 1, 2018, the retiree must be at least age 55 at the date of retirement with a minimum of 20 years of full-time equivalent service.

Net OPEB Liability. For Fiscal Year 2024-25, the District had a net OPEB liability of $4,327,665.

Additional Information. For additional information about the District's OPEB, including information concerning contributions and net OPEB liability, see Note 11 in APPENDIX B – "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2025 – Other Post-employment Benefits (OPEB) Plan."

Insurance Coverage

The District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. To manage risks of loss from torts, theft, property damage, errors and omissions, employee injuries, and natural disasters, the District maintains commercial insurance coverage across multiple categories as of June 30, 2025, including general liability ($10 million aggregate, $100,000 deductible), excess liability ($9 million per occurrence/aggregate), property insurance (up to $100,000,000, $50,000 deductible), automobile insurance ($1,000,000 combined single limit, $100,000 deductible), crime coverage (up to $1 million for employee theft, with other sub-limits and a $100,000 deductible), public officials and management liability ($10 million, $100,000 deductible), statutory workers' compensation with $1 million employers liability, environmental coverage ($4 million aggregate, $25,000 deductible), railroad protective liability ($10 million aggregate), and cyber coverage ($1 million aggregate, $10,000 deductible); settled claims have not exceeded coverage limits in any of the last three fiscal years, and there have been no reductions in coverage during fiscal years 2025 and 2024. For additional information on coverages and deductibles, see Note 16 in APPENDIX B – "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2025 – Risk Management."

THE SYSTEM

General

North Marin Water District (previously defined as the "**District**") is an independent special district formed by voter approval in April 1948 pursuant to the County Water District Law (California Water Code, Division 12, Section 30000 et seq.), governed by a five-member Board of Directors elected by division to overlapping four-year terms. The District's service area covers approximately 100 square miles in the County, and includes the following component enterprise systems (collectively referred to herein as the "**System**"):

- water service to the greater Novato area (the "**Novato Water System**"),
- recycled water service to customers in Novato (the "**Novato Recycled Water System**"),
- water service to customers in the Point Reyes and surrounding areas of West Marin County (the "**West Marin Water System**"), and
- sewer service to residents in the Oceana Marin service area of West Marin County (the "**Oceana Marin Sewer System**").

Day-to-day operations of the District, including the System, are led by the District's General Manager, with five departments and 61 budgeted full-time employees as of the Fiscal Year 2026-27 Adopted Budget.

The Novato Water System is the primary service division within the District and represents approximately 89% of revenues within the System as of June 30, 2026.

The following map depicts, geographically, the component systems described below and the District's service areas.

Boundary Map
North Marin Water District



Novato Water System

The Novato Water System serves the greater City of Novato area, adjacent annexed areas and a portion of Sonoma County along the highway 101 corridor, delivering drinking water to an estimated population of 61,691, through approximately 21,000 potable water connections.

Water Supply. During an average year, approximately 80% of the Novato Water System's supply is purchased from the Sonoma County Water Agency ("**Sonoma Water**") via the Russian River water transmission system, with the remaining approximately 20% made up of treated local surface water from the District's Stafford Lake Reservoir ("**Stafford Lake**"), supplemented in most years by a small amount of recycled water use.

Sonoma Water Purchases. The District receives imported Russian River water through the North Marin Aqueduct from Sonoma Water. Sonoma Water's Russian River supply originates from the Eel River and Russian River watersheds, impounded by Lake Mendocino (via the Potter Valley Project) and Lake Sonoma, which together can store up to 367,500 acre-feet ("**AF**"). Sonoma Water operates under four water rights permits issued by the State Water Resources Control Board (Permits 12947A, 12949, 12950, and 16596), authorizing storage of up to 122,500 AFY in Lake Mendocino and up to 245,000 AFY in Lake Sonoma, and diversion/rediversion of up to 180 cubic feet per second (cfs) of Russian River water, subject to a limit of 75,000 AFY. The District received 6,323 AF (2,060 MG) of Russian River water in Fiscal Year 2024-25 and 5,134 AF (1,673 MG) in Fiscal Year 2023-24. The alluvial aquifer under and next to the Russian River from which Sonoma Water extracts water acts as a filter, producing water that meets and exceeds public drinking water system standards. The filtration process, referred to as natural filtration, consists of physical, biological, and chemical mechanisms that work together to purify water as it travels through the alluvial aquifer. The natural filtration process allows Sonoma Water to divert and transmit water without subjecting it to the treatment processes that would be required for diversions of surface water.

Stafford Lake. Stafford Lake, the District's supplementary local surface water source, lies approximately four miles west of downtown Novato and collects runoff from 8.3 square miles of watershed land adjacent to the upper reaches of Novato Creek. The lake has a surface area of 230 acres and holds 4,450 AF (1,450 MG) of water by virtue of the Stafford Dam, originally built in 1951 and modified and raised nine feet in 1985. The District can "backfeed" Stafford Lake with purchased "surplus" winter water from Sonoma Water (a provision in the Restructured Agreement for Water Supply) if local dry conditions warrant. This operation has been conducted ten times in previous droughts or dry conditions beginning in 1976 with an average backfeed volume of 519 AF.

Sonoma Water Rights. Sonoma Water holds four water rights permits for water supply issued by the State Water Resources Control Board. Under these permits, Sonoma Water is authorized to store up to 122,500 acre-feet per year ("**AFY**") of water in Lake Mendocino and up to 245,000 AFY of water in Lake Sonoma, and to divert or redivert up to 180 cubic feet per second ("**cfs**") of water from the Russian River with a limit of 75,000 AFY.

The permits also establish minimum instream flow requirements for fish and wildlife protection and recreation. These minimum instream flow requirements vary based on the hydrologic classifications of *Normal, Dry and Critical* water supply conditions as defined in Sonoma Water's water rights permits and by Decision 1610, adopted by the State Water

Resources Control Board in 1986 ("**Decision 1610**"). Due to hydrologic changes in the Russian River watershed and Sonoma Water's water supply operational requirements under a Biological Opinion (April 2025), Sonoma Water regularly petitions the State Water Resources Control Board to modify these minimum instream flow requirements and the index that establishes the hydrologic classifications. Under current protocols, Sonoma Water relies on a 180-day temporary urgency change procedure to modify these changes to its water rights. Sonoma Water will continue to regularly file requests for temporary urgency changes until a longer term solution is approved. Sonoma Water meets the various instream flow requirements by making storage releases at Coyote Valley Dam (Lake Mendocino) and Warm Springs Dam (Lake Sonoma).

Sonoma Water's water rights are subject to four primary limitations:

(1) riparian rights,

(2) the rights of pre-1949 appropriators to the natural flow of the Russian River (as augmented by diversions from the Eel River by PG&E's Potter Valley Project),

(3) all current or future appropriative rights of users located upstream of Lake Mendocino, and

(4) exports of water by Sonoma Water outside of the Russian River Valley ("**RRV**") are limited by fulfillment of the rights to reservations of Lake Mendocino water in the amounts of 8,000 AFY for use in portions of Mendocino County (which is a co-equal right with Sonoma Water for uses in the RRV) and 10,000 AFY for use in the Russian River basin in Sonoma County (which is a junior right to Sonoma Water for uses in the RRV).

The following table shows the historical water supply for the Novato Water System, broken down by source, for the last five fiscal years.

Table 1
Historical Water Supply by Source (Novato Water System) (Acre-feet)
Last Five Fiscal Years

	2020-21	2021-22	2022-23	2023-24	2024-25
Received from Sonoma Water	7,304	5,787	4,033	5,134	6,323
Produced by Stafford Lake	648	516	1,953	1,255	948
Total	**7,952**	**6,303**	**5,986**	**6,389**	**7,271**
Sonoma Water Share	**91.9%**	**91.8%**	**67.4%**	**80.4%**	**87.0%**

Source: North Marin Water District, Audited Financial Statements for the Fiscal Year Ended June 30, 2021 through Fiscal Year Ended June 30, 2025.

North Marin Aqueduct. The North Marin Aqueduct is a steel transmission main (30, 36, and 42 inches in diameter) owned and operated by the District running from Sonoma Water's Petaluma Aqueduct near Kastania Tank in south Petaluma to the northern end of the District's distribution system in Novato, entering near the San Marin Control Station (at approximately the intersection of San Marin Drive and Redwood Boulevard).

MMWD Emergency Interties. South of the San Marin Control Station, the North Marin Aqueduct continues and provides additional points of connection, including to Marin Municipal Water District's ("**MMWD**") Novato Bypass pipeline. There are six interties between the District's distribution system and the MMWD Novato Bypass pipeline that can transfer water between the two systems.

Stafford Dam and Water Treatment Plant. Water is drawn from Stafford Lake by an intake tower and fed by gravity or pumping to the adjacent Stafford Treatment Plant ("**STP**"), from which treated water is pumped to the Zone 1 system by a High Service pump station (two 125-hp pumps and one 75-hp pump). The STP is designed to meet current and future water quality standards, improve system reliability, and enhance the aesthetic quality of the District's water supply for the Novato service area. The original treatment plant was built in 1954. In August 2006, the plant was upgraded with granular activated carbon filters to address taste and odor issues, and its clarifier was converted to a solids thickener.

The STP has a production capacity of 5.4 million-gallon-per-day ("**MGD**") and operates seasonally to reduce peak summer demands on the Sonoma Water Russian River transmission system. From Fiscal Year 2006-7 through Fiscal Year 2025-26, Stafford Lake has supplied an average of 547 MG (1,678 acre-feet) of water per year, accounting for approximately twenty-one percent (21%) of Novato's annual water demand for the District's Novato service area. The STP has a nominal production capacity of 6 MGD, with quantities treated each year depending on demand in the District's Novato service area and the amount of source water available in Stafford Lake.

Distribution System. The Novato Water System has four primary pressure zones based on ground surface elevation (Zones 1 through 4), including the transmission aqueduct zone, together with a number of smaller isolated zones served by individual pump stations (17 pressure zones in total when these isolated sub-zones are included, per the District's fire-flow capacity analysis). The transmission system consists primarily of 16- to 30-inch diameter pipelines, including a 30-inch main connecting the North Marin Aqueduct to Zone 1 and an 18-inch pipeline delivering water from the Stafford Treatment Plant to Zone 1; most of the distribution system is comprised of 6- to 12-inch diameter pipelines constructed primarily of PVC, asbestos cement, and cast iron. Approximately 46% of total system demand is in Zone 1 and 45% in Zone 2, with the remaining zones accounting for approximately 9% of demand. A total of 30 gravity storage tanks, with a combined capacity of approximately 37.3 MG (ranging in individual size from 5,500 gallons to 5 MG), provide storage across the system's pressure zones. A total of 26 pump stations (individual pumps ranging from 1 to 100 horsepower) deliver water from lower to higher pressure zones, including two main pump stations (San Marin and Lynwood) that lift water from Zone 1 to Zone 2.

The Novato Water System also includes seven hydropneumatic systems (Hayden, Diablo Hills, Eagle Drive, Bahia, Rockrose, Indian Hills, and Garner) serving smaller pressure zones that cannot be met from the primary zones; the District's policy is not to permit additional hydropneumatic systems given their relatively high maintenance and operational complexity.

Novato Recycled Water System

The Novato Recycled Water System serves the greater City of Novato area, delivering recycled water to an estimated 104 recycled water connections. The Novato Recycled Water System delivers tertiary-treated recycled water, supplied under interagency agreements with Novato Sanitary District ("**NSD**") and Las Gallinas Valley Sanitary District ("**LGVSD**"), to commercial, governmental, and institutional customers for irrigation, dust control, construction activities, and commercial car washing within portions of the Novato service area. The Novato Recycled Water System has 3 sub-service areas: recycled water is provided to the District's North and Central recycled water service areas from NSD, and recycled water is provided to the District's South recycled water service area from LGVSD.

Interagency Agreements with NSD and LGVSD. Recycled water supply is purchased from NSD under the Fourth Revised Inter-Agency Agreement for Recycled Water, effective October 14, 2025 (replacing the Third Revised agreement dated May 10, 2011), and from LGVSD

under the Second Revised Inter-Agency Agreement for Recycled Water, executed in 2022 (replacing the First Revised agreement dated April 19, 2011) (the "**Interagency Agreements**"). The NSD agreement has an initial 15-year term and the LGVSD agreement an initial 30-year term, each followed by automatic one-year renewals unless terminated in accordance with its terms. The agreements anticipate maximum annual delivery quantities of 724 acre-feet (approximately 236 million gallons) from NSD and 204 acre-feet (approximately 66 million gallons) from LGVSD. Under both agreements, the District reimburses the producer's actual operation and maintenance costs, while capital repair, replacement and expansion of the treatment facilities are funded from separate capital replacement and expansion funds that the District maintains from net recycled water revenues.

NSD and LGVSD Production of Recycled Water. Recycled water is produced at NSD's Davidson Street Recycled Water Facility ("**RWF**") (tertiary treatment, filtration, and disinfection; up to 2.5 MGD, serving the District's North and Central recycled water service areas) and at LGVSD's RWF (membrane ultrafiltration and chlorine disinfection; over 5 MGD capacity, serving the District's South recycled water service area in conformance with Title 22). Recycled water is typically produced between May and November, with potable water used as "make-up" supply when recycled water production is unavailable.

Storage and Distribution. Once produced, the District is responsible for the storage and distribution of recycled water. As of September 2025, the Novato Recycled Water System had approximately 16.7 miles of pipeline and three recycled water storage tanks with a combined capacity of approximately 1.5 MG, including the Plum Street, Norman, and Reservoir Hill tanks. The storage tanks hold recycled water produced by NSD and LGVSD until needed for use by the Novato Recycled Water System's customers. The recycled water is distributed from the storage tanks to the Novato Recycled Water System's customers through the recycled water pipelines (purple pipe).

West Marin Water System

The West Marin Water System is a separate potable water system, with a separate source of supply and no physical interconnection to the Novato Water System or Novato Recycled Water System, serving an estimated population of approximately 1,800 residents across approximately 24 square miles (encompassing Point Reyes Station, Olema, Bear Valley, Inverness Park, and Paradise Ranch Estates) with approximately 811 connections (802 active) .

Groundwater Wells. The West Marin Water System's supply is derived from two groundwater sources: wells located on the former Coast Guard housing facility property in Point Reyes Station (the "**Coast Guard Wells**") and Gallagher Well No. 1 and No. 2, located approximately 1.3 miles northeast of Highway 1 within the Gallagher Ranch. The Coast Guard Wells are subject to periodic salinity intrusion and occasional flooding due to their location in the lower tidal reach of Lagunitas Creek; Gallagher Well No. 1 and Well No. 2 is located upstream of any tidal influence. Because of continued water quality issues at the Coast Guard Wells, the District installed a second well on the Gallagher Ranch (Gallagher Well No. 2), and has budgeted for a third well (Gallagher Well No. 3) to replace the failing Well No. 1 (see "– Capital Improvement Program" below).

Point Reyes Water Treatment Plant. All groundwater pumped from the Coast Guard Wells and Gallagher Well No. 1 and No. 2 is treated at the Point Reyes Water Treatment Plant before entering the potable water distribution system for the West Marin Water System.

Storage and Distribution. From the Point Reyes Water Treatment Plant, treated water is conveyed to the Point Reyes Station tanks and distributed through roughly 26.5 miles (about 139,900 feet) of pipeline serving seven service and pressure zones, with the main zones being

Point Reyes Station, Olema, Bear Valley, Inverness Park, and Paradise Ranch Estates. The transmission system consists of 8-inch and 4-inch mains, including an 8-inch main from the treatment plant to the Point Reyes Station tanks, an 8-inch main along Sir Francis Drake Boulevard to Inverness Park and Bear Valley, and a 4-inch main to Olema. Each pressure zone has gravity storage capacity in one or more storage tanks. There are a total of 13 storage tanks throughout the West Marin Water System, totaling almost 1.1 MG. Point Reyes Station has a storage capacity of 580,000 gallons. Inverness Park has a total storage capacity of 136,500 gallons. Paradise Ranch Estates has a combined storage capacity of 213,000 gallons. Bear Valley has 30,000 gallons and Olema has 150,000 gallons of storage capacity. Tank sizes range from 10,000 gallons to 300,000 gallons.

Oceana Marin Sewer System

The Oceana Marin Sewer System provides sewer service to the Oceana Marin subdivision adjacent to the Dillon Beach Village community, with 241 service connections.

Collection, Treatment and Disposal Facilities. The Oceana Marin Sewer System is a land-disposal wastewater system: sewage is collected by gravity sewers, pumped to a treatment facility consisting of two aerated treatment ponds, and the treated effluent is disposed of through an underground leach field rather than discharged to a surface water body. The Oceana Marin Sewer System includes approximately 4.4 miles of gravity sewer pipe and 0.7 miles of force main pipe, along with 2 lift stations. The system is situated on a hillside above the Pacific Ocean overlooking a public recreational beach in the Dillon Beach area; because any sewage spill could flow directly onto the beach and into the Pacific Ocean, the District has emphasized maintaining sufficient redundancy and reliability in the system's collection, pumping, treatment, and disposal facilities.

The Oceana Marin Sewer System effluent disposal system consists of a pressure distribution/shallow gravel trench system. This type of system is suited for areas with high groundwater, steep slopes and low infiltration rates. Treated effluent is spread out over a wide area to enhance the infiltration and minimize the seepage to the surface. An automatic dosing siphon provides flow to the pressure distribution pipe network.

Regulatory

Water Supply Regulation. All drinking water standards are set by the U.S. Environmental Protection Agency under the Federal Safe Drinking Water Act of 1974. In California, the State Water Resources Control Board, Division of Drinking Water ("**DDW**") can adopt the federal standards or set more stringent standards, codified in Title 22 of the California Code of Regulations, consisting of (i) Primary Maximum Contaminant Levels (health-protective, risk-based standards that public water systems may not exceed) and (ii) Secondary Maximum Contaminant Levels (aesthetic standards for taste, odor, color and mineral content). The District routinely monitors treated water to ensure compliance with these standards, reports testing results to DDW, and summarizes results annually in Water Quality Reports mailed to customers and posted online. The Novato Water System has never had a violation of regulatory limits of any type and is in compliance with all federal and state regulations.

PFAS. The District tested for multiple PFAS compounds in treated water from Stafford Lake and the Sonoma County Water Agency, as well as Stafford Lake untreated source water as part of several monitoring programs (UCMR 3, UCMR 5, self-initiated screening) with no detections through 2025. In 2026, NMWD began testing for PFAS in its Novato and West Marin local water sources in accordance with the requirements in the State Water Resources Control Board

General Order No. DW 2025-0002-DDW. While no regulated PFAS compounds have been detected in the Stafford Lake supply, there have been trace detections of the PFAS compound PFBA (unregulated) in September and October 2026. In June 2026, initial testing of the West Marin wells indicated two regulated PFAS compounds (PFHxS and PFOS) above the Detection level in one of the Coast Guard Wells but non-detection in all other wells, including the Gallagher wells. Retesting in September 2026 indicated no PFAS compound detection in any of the wells. The District FY2026 through FY2031 CIP doesn't include any capital projects related to PFAS treatment or mitigation. The testing performed to date has found no PFAS compounds above any regulatory limits.

Sustainable Groundwater Management Act (SGMA). The Novato Water System does not pump groundwater and has no plans to use groundwater as a future supply source. The groundwater basin underlying the District's Novato service area, the Novato Valley Basin (DWR Basin No. 2-30), is categorized by DWR's CASGEM program as a "very low priority" basin, meaning it is not currently subject to SGMA's Groundwater Sustainability Plan ("**GSP**") requirements, which apply only to high- and medium-priority basins. However, a small portion of Sonoma Water's supply to the District is sourced from groundwater in the Santa Rosa Plain Subbasin of the Santa Rosa Valley Basin, a medium-priority basin under an approved GSP managed by the Santa Rosa Plain Groundwater Sustainability Agency during drought periods or when Russian River supplies are constrained. There is no SGMA designated groundwater basin within the West Marin Water System.

2025 Urban Water Management Plan and Water Shortage Contingency Plan. The District's 2025 Urban Water Management Plan ("**2025 UWMP**") and accompanying Water Shortage Contingency Plan ("**WSCP**") were adopted by the District's Board of Directors on June 16, 2026 (Resolution No. 26-04), following a duly noticed public hearing, by a unanimous vote of all five directors. The 2025 UWMP and WSCP were prepared in accordance with the Urban Water Management Planning Act (Cal. Water Code §§ 10610-10657) with assistance from the District's consultant, EKI Environment & Water, Inc. Consistent with California Water Code § 10635(a), the 2025 UWMP assesses Novato Water System supply reliability over a 20-year horizon (2030 through 2050) under normal, single-dry-year, and five-consecutive-dry-year conditions. Under normal conditions, projected supply (16,142 to 16,239 AF) is projected to substantially exceed projected use (9,545 to 10,163 AF) in each five-year increment through 2050, for a surplus of approximately 6,100 to 6,600 AF. Under both the single-dry-year and five-consecutive-dry-year scenarios, the 2025 UWMP projects that supply (assumed to consist of local production and Sonoma Water purchases only) will be reduced to exactly match projected use, resulting in no projected shortfall in any year through 2050, though actual available supply may exceed the assumed dry-year volumes. The 2025 UWMP concludes that sufficient water supplies are available to meet projected Novato Water System demands under all hydrologic conditions modeled through 2050. The 2025 UWMP states that, given the District's proactive monitoring and management of water quality in its source supplies, water quality is not expected to impact the reliability of available Novato Water System supplies through 2050.

The WSCP uses the Act's six standard water shortage levels (ranging from up to 10% in Level 1 to greater than 50% in Level 6) and defines shortage response

actions, including supply augmentation and demand reduction measures, for each level, consistent with Water Code Section 10632.

Russian River Water Supply – Endangered Species Act. There continues to be competing interests for Russian River water, principally to protect steelhead and salmon listed as threatened species under the federal Endangered Species Act. The 2008 Biological Opinion ("**BiOp**") for the Russian River watershed, which outlined requirements to preserve, protect, and restore fisheries while maintaining existing water supplies, expired in September 2023. In response, Sonoma Water, the U.S. Army Corps of Engineers, and the Mendocino County Russian River Flood Control District submitted a new biological assessment to the National Marine Fisheries Service ("**NMFS**"). In April 2025, NMFS issued an updated BiOp and Essential Fish Habitat Response. The District continues to support efforts to protect fisheries while ensuring a reliable regional water supply.

Waste Discharge Requirements. Because there is no discharge to receiving waters, the Oceana Marin Sewer System operates under Waste Discharge Requirements ("**WDRs**") issued by the California Regional Water Quality Control Board, North Coast Region ("**RWQCB**"), rather than under an NPDES permit.

The current WDR governing the Oceana Marin Sewer System is set forth in Order No. 92-57 (ID No. 1880173MAR), adopted in 1992 based on the Water Quality Control Plan for the North Coast Region then in effect (adopted April 28, 1988). The Oceana Marin Sewer System disposal system lies within the watershed of the Estero de San Antonio, whose designated beneficial uses (municipal and domestic water supply, water contact recreation, and fish and shellfish habitat) are protective and inform the restrictions in Order No. 92-57, including a requirement that pond effluent be disinfected before entering the leach field.

The Oceana Marin Sewer System updated its Sewer System Management Plan ("**SSMP**") in August 2026 to be in compliance with the recently-adopted State Water Resource Control Board (SWRCB) Order No. 2022-0103-DWQ "Statewide Waste Discharge Requirements General order for Sanitary Sewer Systems".

Customer Base

The Novato Water System serves the greater City of Novato area and adjacent annexed areas. The Novato Recycled Water System serves large landscape irrigation and commercial customers within the Novato service area. The West Marin Water System serves the Point Reyes Station, Olema, Bear Valley, Inverness Park, and Paradise Ranch Estates communities in West Marin County, encompassing approximately 24 square miles, with an estimated population of 1,800. As of Fiscal Year 2024-25, the District provided water service to over 64,000 residents in the greater Novato area through approximately 21,000 potable water connections and 104 recycled water connections, and to approximately 1,800 residents in West Marin through 802 connections.

The following table shows customers by type for the District, broken out by the Novato Water System and all other component water systems combined.

Table 2
Customers by Type – Last Five Fiscal Years

	2021-22	2022-23	2023-24	2024-25	2025-26
Novato Water System – Single-Family Res.	18,552	18,686	18,719	18,731	18,747
Novato Water System – Multi-Family Res.	699	699	699	699	697
Novato Water System – Commercial/Business	1,232	1,228	1,240	1,234	1,237
Novato Water System – Government	217	218	217	218	219
Other[1]	1,121	1,127	1,135	1,147	1,150
Total	**21,821**	**21,958**	**22,010**	**22,029**	**22,050**

(1) Includes the Novato Recycled Water System, the West Marin Water System and Oceana Marin Sewer System.
Source: North Marin Water District, Audited Financial Statements for the Fiscal Year Ended June 30, 2025.

The District's ten largest customers by revenue, on a combined basis across the System, for Fiscal Year 2025-26, are shown below.

Table 3
Ten Largest Customers by Revenue
Fiscal Year 2025-26

No.	Account	Revenues	% of Total
1	Bay Club Stonetree (Recycled Water)	$526,660	1.71%
2	Novato Unified School District	525,269	1.70
3	City of Novato	511,523	1.66
4	Biomarin Pharmaceutical	411,250	1.33
5	Marin Country Club (Recycled Water)	353,500	1.15
6	Ncp Multifamily LLC	251,546	0.82
7	Indian Valley Golf Course (Raw Water)	217,166	0.70
8	Avanath Bay Vista LP	206,195	0.67
9	Commanding Officer	186,142	0.60
10	Marion Park Apts	182,439	0.59
	Total (Top Ten)	**$3,371,691**	**10.9%**
	Total Revenue (all systems)		**$30,915,000**

Source: North Marin Water District.

The following table shows billed water consumption for the District, broken out by the Novato Water System and all other component water systems combined.

Table 4
Billed Water Consumption (Million Gallons)
Fiscal Years 2021-22 through 2025-26

Total Billed Consumption	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Novato Water System	2,052	1,993	2,150	2,299	2,224
Other[1]	282	239	234	285	266
Total[2]:	**2,334**	**2,232**	**2,384**	**2,584**	**2,490**

(1) Includes the Novato Recycled Water System and the West Marin Water System.
(2) Totals may not add due to rounding.
Source: North Marin Water District, Adopted Budget Fiscal Year 2026-27.

Rates and Revenues

Rate Setting Process. The District is governed by a five-member Board of Directors, elected by division to overlapping four-year terms, which generally meets on the first and third Tuesday of each month. Water rate changes must comply with California Constitution Article XIII D, Section 6(b) ("**Proposition 218**"), which requires a detailed notice describing proposed charges to be mailed to each affected property owner or customer at least 45 days prior to a public hearing on the adoption of the charges. The District's consolidated Adopted Budget for Fiscal Year 2026-27 was adopted by the Board on June 16, 2026.

Water Systems. Each of the Novato Water System, Novato Recycled Water System, West Marin Water System is billed under its own two-part rate structure comprised of a fixed bi-monthly Service Charge (based on meter size) and a consumption-based Quantity Charge. Novato and West Marin potable water customers also pay an additional surcharge based on the elevation of the property and the corresponding need to pump water to higher elevations, called the "Elevation Zone Charge" in Novato and the "Hydraulic Zone Charge" in West Marin. The Novato Water System also serves a small raw water customer class (two customers) at a separate uniform rate. Recycled Water customers pay a uniform rate per thousand gallons. Both the 2024 Novato Rate Study and the 2025 West Marin Water Rate Study (each as defined below) were prepared by Hildebrand Consulting, LLC using the "commodity-demand" cost-of-service methodology promulgated in AWWA Manual M1, and were developed in compliance with Proposition 218.

Novato Water System

2024 Novato Rate Study. In 2024, the District retained Hildebrand Consulting, LLC to prepare the 2024 Novato and Recycled Water Rate Study, dated April 7, 2024 (the "**2024 Novato Rate Study**"). The 2024 Novato Rate Study's objectives were to (i) develop a multi-year financial management plan integrating operating and capital funding needs; (ii) identify rate adjustments to ensure adequate revenues; (iii) determine the cost of providing water service; (iv) update the District's rate structure for equity and legal compliance; and (v) introduce a pass-through provision to account for changing wholesale (Sonoma Water) costs. The current Residential rate structure uses three inclining-block tiers, with Tier 1 (0-262 gallons per day per dwelling unit) designed to recover the cost of imported Sonoma Water (the District's lowest-cost source, representing about 80% of typical usage), and Tiers 2 and 3 designed to recover the cost of treating local surface water at the Stafford Water Treatment Plant. The 2024 Novato Rate Study recommended replacing the prior seasonal Commercial rate with a simple, year-round uniform rate.

The pass-through provision allows the District to adjust the Residential Tier 1 and Commercial uniform rates each July 1 beginning in 2025 to reflect actual changes in Sonoma Water's wholesale rates, in addition to the District's own approved rate increase. The adjustment is a weighted blend of the District's rate increase and Sonoma Water's rate increase, using the share of each rate attributable to Sonoma Water costs (60.7% for Tier 1 and 45.6% for the uniform Commercial rate).

Current and Projected Rates – Novato Potable Water. The rate schedule recommended by the 2024 Novato Rate Study included increases of 8.5% effective July 1, 2024; 6.0% effective each of July 1, 2025 and July 1, 2026; and 4.0% effective each of July 1, 2027 and July 1, 2028. The recommended rate schedule for Fiscal Years 2024-25 through 2026-27 was adopted by the Board on June 18, 2024. The following table sets forth the Novato Water System's current Service Charges and Quantity Charges, reflecting the adopted rate increases through Fiscal Year 2026-27.

The percentage increases shown above apply to the District's own costs. The Tier 1 and Commercial uniform quantity charges effective as of the next approved rate increase will also

include the Sonoma Water pass-through, which will be determined once Sonoma Water adopts its rates for that year.

The District anticipates holding a public hearing and approving an additional one-year rate increase of 4% plus the pass-through in June 2027, to be effective as of July 1, 2027.

Table 5
Novato Water System – Adopted Service and Quantity Charges

	Zone	7/1/2026
Bi-Monthly Service Charges by Meter Size		
5/8"	—	$65.60
1"	—	$118.79
1 1/2"	—	$207.45
2"	—	$313.83
3"	—	$597.52
4"	—	$916.67
6"	—	$1,803.19
8"	—	$2,335.10
Quantity Charges ($/TGAL)		
Residential Tier 1[(1)]	A/B/C	$8.04
Residential Tier 2[(2)] – Zone A	A	$10.29
Residential Tier 3 – Zone A	A	$15.22
Commercial – Uniform – Zone A	A	$8.60
Raw Water	—	$3.96
Temporary Meter	—	$11.32

(1) Allocation is 262 gpd/dwelling unit.
(2) Allocation is 458 gpd/dwelling unit.
Source: North Marin Water District, 2024 Novato Rate Study.

Comparison to Surrounding Communities. Set forth in the following table is the average annual water charges for customers of the Novato Water System as of the effective date indicated, in comparison to surrounding communities.

Table 6
Novato Water System
Comparative Monthly Charges
(Single-Family Residential –6,500 Gallons/Month)

Water Provider	Effective	Fixed	Volume	Total
Marin Municipal Water District	July 1, 2024	$55.71	$84.99	$140.69
San Francisco Public Utilities Commission	July 1, 2024	22.19	99.91	122.10
City of Cloverdale	July 1, 2024	40.78	69.17	109.95
Mid-Peninsula Water District	July 1, 2023	28.00	80.82	108.82
Contra Costa Water District		39.93	53.62	93.55
City of Healdsburg	July 1, 2024	30.90	60.83	91.73
City of Vallejo	July 1, 2023	37.33	44.73	82.06
East Bay Municipal Utility District	July 1, 2023	32.70	46.71	79.41
Alameda County Water District	March 1, 2024	31.89	43.19	75.08
North Marin Water District	**July 1, 2024**	**29.20**	**45.57**	**74.76**
City of Sonoma	January 1, 2021	26.35	43.22	69.57
Valley of the Moon Water District	July 1, 2023	27.02	40.75	67.77
City of Fairfield	July 1, 2022	43.80	22.51	66.31
City of Rohnert Park	January 1, 2024	32.67	30.92	63.59
City of Cotati	June 15, 2024	28.37	31.59	59.96
City of Santa Rosa	July 1, 2023	14.95	43.10	58.05
Town of Windsor	July 1, 2024	13.95	23.08	37.03

Novato Recycled Water System

The 2024 Novato Rate Study also addressed the Recycled Water Enterprise, proposing a 5-year schedule of rate increases that mirrors the Novato Water System's schedule (8.5%, 6.0%, 6.0%, 4.0%, 4.0%). The recommended rate schedule for Fiscal Years 2024-25 through 2026-27 was adopted on June 18, 2024. The following table sets forth the Novato Recycled Water System's current Service Charges and Quantity Charges, reflecting the adopted rate increases through Fiscal Year 2026-27.

The District anticipates holding a public hearing and approving an additional one-year rate increase of 4% in June 2027, to be effective as of July 1, 2027.

Table 7
Novato Recycled Water System – Adopted Bi-Monthly Service Charge and Quantity Charge

	7/1/2026
Recycled Water – Uniform ($/TGAL)	$7.59
Bi-Monthly Service Charge – 5/8"	$95.59
Bi-Monthly Service Charge – 1"	$212.33
Bi-Monthly Service Charge – 1.5"	$406.88
Bi-Monthly Service Charge – 2"	$640.34
Bi-Monthly Service Charge – 3"	$1,262.91
Bi-Monthly Service Charge – 4"	$1,963.29
Bi-Monthly Service Charge – 6"	$3,908.80

Source: North Marin Water District, 2024 Novato Rate Study.

Under the Interagency Agreements, the sanitary districts are reimbursed for their actual operation and maintenance costs, and capital repair, replacement and expansion of the treatment facilities are funded separately. Following each fiscal year, the District deposits its net recycled water revenue (retail recycled water revenue less the District's direct and indirect operating expenses) into two capital replacement and expansion funds it maintains, one for the producer's treatment facility and one for the District's distribution facilities, allocated based on relative depreciation expense. Expenditures from either fund require the joint approval of the District and the applicable sanitary district. Under the Interagency Agreement with NSD, funds on deposit in the funds may also be used towards debt service payments.

West Marin Water System

2025 West Marin Water Rate Study. In 2025, the District retained Hildebrand Consulting, LLC to prepare the 2025 West Marin Water Rate Study, dated April 15, 2025 (the "**2025 West Marin Water Rate Study**"). Its recommendations included a recommended change from a three-tier to a two-tier Residential rate structure, and from a seasonal to a uniform Commercial rate. The 2025 West Marin Water Rate Study identified a revenue shortfall driven primarily by planned capital reinvestment.

Current and Projected Rates – West Marin. Effective July 1, 2026, West Marin Water System rates increased 19%, the second step of the five-year schedule of increases (19%/19%/19%/19%/15%, effective each July 1 from 2025 through 2029) recommended by the 2025 West Marin Water Rate Study. The recommended rate schedule for Fiscal Years 2025-26 through 2029-30 was adopted on June 17, 2025.

Table 8
West Marin Water System – Adopted Service and Quantity Charges

	7/1/2026	7/1/2027	7/1/2028	7/1/2029
Bi-Monthly Service Charges				
5/8"	$70.92	$84.39	$100.42	$115.48
1" Fire[(1)]	$70.92	$84.39	$100.42	$115.48
1"	$172.01	$204.69	$243.58	$280.12
1 1/2"	$340.48	$405.17	$482.15	$554.47
2"	$542.65	$645.75	$768.44	$883.71
3"	$1,081.77	$1,287.31	$1,531.90	$1,761.69
4"	$1,688.28	$2,009.05	$2,390.77	$2,749.39
Quantity Charges ($/TGAL)				
Residential Tier 1[(2)]	$16.30	$19.40	$23.09	$26.55
Residential Tier 2	$21.14	$25.16	$29.94	$34.43
Commercial – Uniform	$17.25	$20.53	$24.43	$28.09
Hydraulic Zone Charge – Zone 3	$1.18	$1.40	$1.67	$1.92
Hydraulic Zone Charge – Zone 2	$3.37	$4.01	$4.77	$5.49
Hydraulic Zone Charge – Zone 4	$10.72	$12.76	$15.18	$17.46
Temporary Meter	$24.50	$29.16	$34.70	$39.91

(1) Only for 1" residential meters upsized from 5/8" due to fire code requirements.
(2) Allocation is 250 gallons per day per dwelling unit.
Source: 2025 West Marin Water Rate Study.

Oceana Marin Sewer System

Current and Projected Rates – Oceana Sewer. The Oceana Marin Sewer System rates are comprised solely of a fixed charge. A 9.7% rate increase (to $1,724/year) in the Oceana Marin (OM) Sewer Service Charge was effective as of July 1, 2026. The increase was approved by the Board of Directors at a public hearing on June 16, 2026. The budget projects a new connection every other year, with one new connection budgeted in Fiscal Year 2026-27. The District's current 5-year financial plan includes annual rate increases of 9.7% through Fiscal Year 2030-31 and assumes borrowing to complete the Capital Improvement Program.

Other Revenues and Receivables

MMWD Interconnection. In 2014, the District entered into an agreement with MMWD to fund a portion of the cost to replace 24,000 feet of the District's aqueduct. The charges were finalized, the repayment schedule was updated, and the accrual was recorded in Fiscal Year 2018-19. MMWD uses the District's aqueduct to take water delivery from Sonoma Water, utilizing on average 51% of the water flowing through the aqueduct annually, and will benefit from continued use of the aqueduct through 2040 in exchange for its funding contribution (an initial payment of $480,000 and a financed amount of $3,142,883, repayable to the District at 2.71% interest through July 2032). Principal and interest payments of $205,320 are due annually from MMWD to the District on July 1.

Marin Country Club Reimbursement. In 2015, the District entered into a contractual agreement with the Marin Country Club ("**Country Club**"), whereby the Country Club agreed to reimburse the District for construction costs incurred for a new recycled water facility in-lieu of connection fees. The Country Club is the primary customer of the Central Service Area pipeline.

The terms of this reimbursement agreement align with the terms of the District's related RW SWRCB Agreement.

Community Land Trust of West Marin (CLAM). In 2025, the District sold a residential property to Community Land Trust of West Marin ("**CLAM**") for $800,000. CLAM made a downpayment of $160,000. The remaining $640,000, 4.0% loan will be paid monthly at $6,480 for 3 years, followed by a final payment of $474,050 in January 2028.

Marin County Service Line Reimbursement. The District anticipates spending approximately $2.5 million to replace the Stafford Lake Park Service Line in Fiscal Year 2027-28. See "– Capital Improvement Program" below. Pursuant to the terms of an agreement between the District and Marin County in 1976, Marin County is responsible for the replacement of that line, and the District expects it will enter into a reimbursement agreement with Marin County to reimburse the District's expenditures on the project.

Capital Improvement Program

The District's Fiscal Year 2026-27 Capital Improvement Program ("**CIP**") budget includes projects recommended for the Novato Water System, Novato Recycled Water System, West Marin Water System and Oceana Marin Sewer System. Over the current fiscal year and the next five years, Novato Water's CIP expenditure plan averages $3,588,000 annually in internally funded ("pay-go") projects, and the West Marin Water System's CIP averages $552,000 annually in internally funded projects, with most West Marin projects funded by grants and loans; Recycled Water's net internally funded CIP spending over this period is minimal.

Table 9
Capital Improvement Program – Total Projected Capital Spending
Fiscal Years 2026-27 through 2030-31

	Fiscal Year 2026-27	Fiscal Year 2027-28	Fiscal Year 2028-29	Fiscal Year 2029-30	Fiscal Year 2030-31
Novato Water	$6,930,000	$12,740,000	$9,315,000	$5,425,000	$3,550,000
Novato Recycled Water	$100,000	$500,000	$100,000	$100,000	$100,000
West Marin Water	$1,235,000	$1,480,000	$1,350,000	$1,625,000	$2,850,000
Oceana Sewer	$65,000	$50,000	$25,000	$75,000	$140,000
Total	**$8,330,000**	**$14,770,000**	**$10,790,000**	**$7,225,000**	**$6,640,000**

Source: North Marin Water District, Adopted Budget Fiscal Year 2026-27.

Novato Water System – Major Projects

- Novato Boulevard Widening, Diablo to Grant (pipeline relocation/upsizing);
- Lynwood Pump Station Replacement;
- Hydropneumatic system upgrades (Bahia and Hayden pressure zones);
- Multiple pipeline replacement projects (including the Stafford Lake Park Service Line) identified in the District's 2025 Water System Master Plan Update; and
- Stafford Water Treatment Plant PLC replacement and related improvements.

Novato Recycled Water System – Major Projects

- Replacement of approximately 1,320 linear feet of cast iron pipe on Atherton Avenue (design budgeted in Fiscal Year 2026-27 at $75,000; construction estimated at $475,000 in Fiscal Year 2027-28), funded by the Capital Replacement and Expansion Fund.

West Marin Water System – Major Projects

- Lagunitas Creek Bridge Pipe Replacement (required by Caltrans);
- Olema Creek Bridge Pipe Replacement (required by the County of Marin);
- Gallagher Well No. 3 (replaces the failing Gallagher Well No. 1);
- Point Reyes Water Treatment Plant rehabilitation (interim improvements and future major modifications); and
- tank replacements at Olema, Paradise Ranch Estates, and Point Reyes Station.

Oceana Marin Sewer System – Major Projects

- Sewer Force Main Improvements (Design Only)
- Tahiti Pump Replacement
- Pump Station Electric Service Improvements

Outstanding Indebtedness

The District's outstanding long-term debt applicable to the System, as of June 30, 2026, is summarized below:

Debt related to projects for Novato Water System:

- Funding Agreement between California Department of Water Resources and North Marin Water District (Contract No. SRF01CX124), dated April 13, 2004 (the "**2004 DWRB Agreement**"), outstanding in the amount of $3,487,002. The proceeds of the 2004 DWRB Agreement were used in connection with the reconstruction of the Stafford Water Treatment Plant for the Novato Water System;

- Loan Agreement between the District and JPMorgan Chase Bank, N.A., dated March 22, 2018 (the "**2018 JPM Agreement**"), outstanding in the amount of $2,380,000. The proceeds of the 2018 JPM Agreement were used in connection with a project to install an automated meter information system for the Novato Water System; and

Debt related to projects for Novato Recycled Water System:

- State Water Resources Control Board Agreement, executed July 2006 (Agreement #05-808-550-0) (the "**2006 SWRCB Agreement**"), outstanding in the amount of $266,958. The proceeds of the 2006 SWRCB Agreement were used in connection with constructing the Deer Island Recycled Water Facility for the Novato Recycled Water System;

- State Water Resources Control Board Agreements (Agreement Numbers: 11-816-550, 11-811-550-2, 11-820-550-2, 11-814-550, 11-841-550-1, 11-842-550-1, 11-843-550), as amended (the "**RW SWRCB Agreements**"), collectively outstanding in the amount of $3,863,655. The proceeds of the RW SWRCB Agreements were used in connection with expansion projects for the Novato Recycled Water System;

- State Water Resources Control Board Installment Sale Agreement, dated April 12, 2016 (Agreement #D15-01034) (the "**2016 SWRCB Agreement**"), outstanding in the amount of $5,421,800. The proceeds of the 2016 SWRCB Agreement were used in connection with expansion projects for the Central Zone of the Novato Recycled Water System;

Debt related to projects for District headquarters:

- Loan Agreement between the District and Webster Bank, dated May 31, 2022 (the "**2022 Webster Bank Agreement**"), outstanding in the amount of $16,789,561. The proceeds of the 2022 Webster Bank Agreement were used in connection with the District's headquarters building upgrade and expansion project, and other capital projects.

Subordinated (unsecured debt):

- Construction Loan Agreement between the District and the Bank of Marin, executed October 2011 ("**Bank of Marin Unsecured Loan"**), outstanding in the amount of $2,691,506. The proceeds of the Bank of Marin Unsecured Loan were used in connection with the North Marin Aqueduct Energy Efficiency Project and West Marin water improvements. The Bank of Marin Unsecured Loan is not secured by a pledge of revenues of the System and is subordinate to the 2026 Bonds and the existing Parity Obligations, so is not included in the Debt Service Coverage Ratio in Table 11 below.

Funds and Reserves

The District maintains formal reserve policies (last revised May 1, 2018) establishing separate reserve targets for each enterprise, summarized below. The District anticipates that it will replenish its reserve balances following the issuance of the 2026 Bonds, as shown in the Projected Balance as of the Closing Date column below:

Table 10
Reserve Targets and Fund Balances

	Reserve	Target / Minimum	Balance as of June 30, 2026	Projected Balance as of Closing Date
Novato Water	Operating Reserve (minimum – 4 months of budgeted O&M)	$6,900,000	$4,602,512	$7,011,000
Novato Water	OPEB Liability Reserve (2023 actuarial accrued liability)	$4,300,000	4,327,665	4,327,665
Novato Water	Liability Contingency Reserve	$2,000,000	350,000	350,000
Novato Water	**Total Minimum Reserves**	**$13,200,000**	**$9,280,177**	**$11,688,665**
Novato Water	Maintenance Accrual Fund Reserve (target, not minimum)(1)	$4,000,000	$0	$0
Novato Recycled Water	Operating Reserve (minimum – 4 months of budgeted O&M)	$227,000	$225,000	$229,000
Novato Recycled Water	Capital Replacement & Expansion Fund (NMWD's minimum share)(2)	$500,000	$2,497,456	$2,497,456
West Marin Water	Operating Reserve (minimum – 4 months of budgeted O&M)	$307,000	$0	$307,000
West Marin Water	Liability Contingency Reserve (minimum – proportionate share)	$99,000	$0	$99,000
West Marin Water	**Total Minimum Reserves**	**$406,000**	**$0**	**$406,000**
West Marin Water	Maintenance Accrual Fund Reserve (target, not minimum)	$1,860,000	$0	$93,000
Oceana Sewer	**Total Minimum Reserves**	**$143,000**	**$143,000**	**$143,000**

(1) Written policy target is $2.5 million; the District has increased the operating target to $4.0 million given its planned increase in pay-go capital spending.
(2) Required by Interagency Agreements with NSD and LGVSD; separate funds are maintained for each of the three agencies (NMWD, NSD, LGVSD), allocated proportionately by each agency's depreciation expense. As of June 30, 2026, the cash balance for NSD plus LGVSD was $3,275,495.
Source: 2024 Novato Rate Study; 2025 West Marin Water Rate Study.

For each enterprise, the Operating Reserve (and, for the Novato Water System, the OPEB Liability and Liability Contingency Reserves; for the West Marin Water System, the Liability Contingency Reserve) are intended to be fully funded at all times to protect against unexpected expenses or events. The Maintenance Accrual Fund Reserve (Novato Water System and West Marin Water System) and Capital Replacement & Expansion Fund (Novato Recycled Water) are instead treated as flexible targets designed to smooth peaks and valleys in pay-go capital spending.

Pro Forma Debt Service Coverage

The following table provides a pro forma statement of debt service coverage developed by the District, based on the definitions of Gross Revenues and Operations and Maintenance Costs set forth in the legal documents governing the 2026 Bonds (which excludes depreciation and other non-cash items). *The following contains estimated amounts for projected figures, which may vary considerably from actual results. Projected figures are generally based on the District's most recent budgetary forecasts.*

Table 11
Pro Forma Historical and Projected Debt Service Coverage
Fiscal Years 2021-22 through 2025-26 and Projected 2026-27 through 2030-31[1]

	Actual				Preliminary	Budget	Forecast			
	2021-22	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**2030-31**
Gross Revenues										
Water Consumption Sales[2]	$16,405,015	$16,537,824	$18,516,024	$21,012,003	$21,392,935	$22,861,000	$23,650,000	$24,468,000	$25,143,000	$25,664,000
Bi-Monthly Meter Service Charge[2]	6,517,572	7,017,426	7,713,543	8,932,174	9,521,759	10,163,000	10,638,000	11,137,000	11,568,000	12,030,000
Connection Fees[3]	961,980	437,680	1,114,170	215,510	97,260	807,000	5,000,000	5,052,000	500,000	552,000
Sewer Service Charge	290,460	304,560	324,264	347,256	378,066	417,000	458,000	504,000	553,000	609,000
Other Charges and Services	374,734	384,901	409,296	371,539	479,638	500,000	493,000	497,000	501,000	506,000
Investment Earnings	(415,864)	1,358,483	1,880,499	1,298,588	900,011	576,000	503,000	457,000	466,000	474,000
Fair Market Value Adjustment Reversal	623,484	(213,960)	(361,065)	(47,387)	-	-	-	-	-	-
Other Revenues[4]	255,120	224,747	433,418	312,536	629,078	327,000	337,000	821,000	357,000	378,000
Total Gross Revenues	**$25,012,501**	**$26,051,661**	**$30,030,149**	**$32,442,219**	**$33,398,747**	**$35,651,000**	**$41,079,000**	**$42,936,000**	**$39,088,000**	**$40,213,000**
Operating Expenditures[5]										
Source Supply	6,450,873	5,001,982	6,727,290	9,083,224	8,405,987	8,374,000	8,393,000	8,412,000	8,431,000	8,451,000
Pumping	522,717	493,027	673,751	893,129	916,087	977,000	1,006,000	1,036,000	1,066,000	1,098,000
Water Facilities Operations	1,385,267	678,573	1,339,286	1,780,879	1,574,024	1,820,000	1,875,000	1,932,000	1,990,000	2,050,000
Water Treatment	2,588,135	2,353,464	2,680,626	2,954,272	3,253,808	3,871,000	3,499,000	3,998,000	3,616,000	4,130,000
Transmission & Distribution	4,556,025	2,913,847	4,309,545	4,643,209	4,355,551	5,206,000	5,363,000	5,524,000	5,690,000	5,860,000
Sewage Collection & Treatment	219,023	220,375	277,564	275,886	316,422	328,000	339,000	350,000	361,000	372,000
Customer Service	501,005	386,333	533,526	593,847	627,006	759,000	781,000	804,000	829,000	853,000
General & Administrative[6]	4,877,009	3,499,861	5,326,073	6,417,239	5,910,885	4,408,000	4,438,000	4,571,000	4,708,000	4,894,000
Water Conservation	563,288	320,597	473,303	512,022	511,933	561,000	578,000	595,000	613,000	631,000
Adjustments:										
Less: Capital Expenses	-	-	-	-	-	-	-	-	-	-
Non-Cash GASB Pension Reversal	(2,682,884)	3,500,173	(624,653)	(921,972)	-	-	-	-	-	-
Non-Cash GASB OPEB Reversal	(2,769)	(24,891)	(106,908)	29,500	-	-	-	-	-	-
Total Operating Expenditures	**18,977,689**	**19,343,341**	**21,609,403**	**26,261,235**	**25,871,703**	**26,304,000**	**26,272,000**	**27,222,000**	**27,304,000**	**28,339,000**
Net Revenues	**$6,034,812**	**$6,708,320**	**$8,420,746**	**$6,180,984**	**$7,527,044**	**$9,347,000**	**$14,807,000**	**$15,714,000**	**$11,784,000**	**$11,874,000**

(Table 11 continued on next page)

Debt Service[7]										
2004 DWRB Agreement	1,044,474	1,044,474	1,044,474	1,044,474	1,044,474	1,044,474	1,044,474	1,044,474	522,237	-
2006 SWRCB Agreement	273,367	273,367	273,367	273,367	273,367	273,367	-	-	-	-
2011 RW SWRCB Agreement (Recycled Water - North)	281,892	281,892	281,892	281,892	281,892	281,892	281,892	281,893	281,893	281,893
2011 RW SWRCB Agreement (Recycled Water - South)	332,407	332,407	332,407	332,407	332,407	332,407	332,406	332,406	332,407	332,406
2016 SWRCB Agreement (Recycled Water - Central)	275,773	275,773	275,773	275,773	275,773	275,773	275,773	275,773	275,773	275,773
2018 JPM Agreement	378,027	375,630	378,098	380,297	377,227	379,022	375,549	376,941	378,064	378,918
2022 Webster Bank Agreement	-	1,347,897	1,347,896	1,347,897	1,347,896	1,347,896	1,347,897	1,347,897	1,347,897	1,347,897
2026 Bonds*						1,360,000	1,360,000	1,360,000	1,360,000	1,360,000
Total Debt Service	**$2,585,940**	**$3,931,439**	**$3,933,907**	**$3,936,107**	**$3,933,036**	**$5,294,831**	**$5,017,991**	**$5,019,383**	**$4,498,270**	**$3,976,886**
Debt Service Coverage (1.2x Minimum)	**2.33x**	**1.71x**	**2.14x**	**1.57x**	**1.91x**	**1.77x**	**2.95x**	**3.13x**	**2.62x**	**2.99x**

* Preliminary, subject to change.

(1) For purposes of these projections related to the Novato Water System, neither Gross Revenues nor Source Supply expenditures reflect increases in costs from Sonoma Water wholesale rates, because the District has the ability to account for those increases with its pass-through rate provisions, which went into effect in Fiscal Year 2025-26. See " – Rates and Revenues – Novato Water System."

(2) Assumes rate increases of 6% in Fiscal Year 2026-27, 4% in Fiscal Years 2027-28 and 2028-29, and 3% in Fiscal Years 2029-30 and 2030-31.

(3) The substantial projected increases in Fiscal Years 2027-28 and 2028-29 are due to the 773, 775 and 777 San Marin Drive land redevelopment project, which is expected to connect to the Novato Water System during those Fiscal Years.

(4) Includes property tax, rental, Regulation 15 forfeiture, and other non-operating revenues.

(5) Operating Expenditures (other than Source Supply expenditures, discussed in Footnote 1 above) are assumed to increase by 3% annually.

(6) Elevated in Fiscal Year 2023-24 through 2025-26 due to temporary increases in rent, furniture purchases, and other one-time purchases related to completion of new District headquarters building. In addition, a portion of the non-cash GASB adjustments impacted these costs.

(7) Excludes 2011 Loan from the Bank of Marin because it is not secured by a pledge of Net Revenues. The annual debt service is $552,800 annually and matures in Fiscal Year 2031-32.

Source: District.

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the 2026 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any 2026 Bonds and the order presented does not necessarily reflect the relative importance of the various risks. Potential investors in the 2026 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the 2026 Bonds. There can be no assurance that other considerations will not materialize in the future.

System Demand

There can be no assurance that the demand for water services will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges of the District to comply with the covenants to fix rates and charges. Increases in rate and charges for non-wholesale customers requires compliance with Proposition 218.

System Supply; Droughts

California is subject to droughts from time to time. 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. More recently, drought conditions and mandatory water restrictions have existed at various times, including during the 2014-2017 and 2021-2023 drought periods.

A substantial majority of the Novato Water System's supply is imported Russian River water purchased from Sonoma Water pursuant to a Restructured Agreement for Water Supply. Sonoma Water's ability to deliver this water is constrained by, among other things, minimum Russian River instream flow requirements for fisheries protection, Lake Mendocino and Lake Sonoma storage levels, and the terms of Sonoma Water's own water rights permits. In particular, those permits require Sonoma Water to impose a mandatory 30% reduction in Russian River deliveries to its entire service area, including the District, if Lake Sonoma storage falls below 100,000 acre-feet before July 15 of any year. In the event of such a shortage, Sonoma Water allocates the reduced supply among its customers, including the District, pursuant to a Water Shortage Allocation Methodology adopted by its Board of Directors (most recently updated in 2021).

The District has previously been required to curtail water use in response to statewide and regional drought conditions. The District's 2025 Urban Water Management Plan projects that Novato Water System supplies will be sufficient to meet projected demand through 2050 under normal, single-dry-year, and five-consecutive-dry-year hydrologic conditions. This projection assumes, however, that available supply will be curtailed as necessary to exactly match demand in dry years, and there can be no assurance that actual future hydrologic, regulatory, or contractual conditions will match the assumptions underlying this projection.

The West Marin Water System's supply is derived entirely from local groundwater wells and does not depend on Sonoma Water or any other imported supply, and is accordingly not subject to the risks described above; the Coast Guard Wells have, however, periodically experienced salinity intrusion unrelated to drought conditions (see "THE SYSTEM" above).

No assurance can be given that drought conditions, mandatory conservation requirements, or reductions in Sonoma Water deliveries to the District will not occur in the future. Any of the foregoing could require the District to impose mandatory conservation measures,

increase its reliance on more costly supply sources, or otherwise adversely affect the District's water supply and related revenues. See also "— Seismic and other Natural Disasters" and "— Potential Impact of Climate Change" below.

Revenues; Rate Covenant

The Revenues securing the 2026 Bonds consist primarily of Installment Payments payable by the District, which, in turn, are secured by the Net Revenues of the System. Net Revenues are dependent upon the demand for water usage, which can be affected by population factors and climatic conditions such as droughts. There can be no assurance that demand for water usage will be consistent with the levels contemplated in this Official Statement. A decrease in the demand for water could require an increase in rates or charges in order to comply with the rate covenants contained in the Installment Sale Agreement. The District's ability to meet its rate covenants is dependent upon its capacity to increase rates without driving down demand to a level insufficient to meet debt service on the Installment Payments and Parity Obligations.

Operations and Maintenance Costs; Third-Party Sources of Water Supply

There can be no assurance that expenses of the System will be consistent with the levels contemplated in this Official Statement. In particular, the District currently obtains a substantial portion of the water for the System from the Sonoma Water, and therefore the District may have less control over the expenses attributable to its water supply than if the District directly controlled its water. In addition, Recycled Water services are made available to customers by virtue of the Interagency Agreements with Novato Sanitary District and Las Gallinas Valley Sanitary District, whereby the sanitary districts provide tertiary treated wastewater and NMWD conveys the recycled water to end users. In the event the District's infrastructure, including the plants, are not maintained and operated properly or are subject to natural disasters or other issues, District operations and revenues attributable to water sales could be impacted.

In addition to its purchased water expenses, changes in technology, changes in quality standards, and increases in the cost of operation or other expenses could require substantial increases in rates or charges in order to comply with the rate covenants in the Installment Sale Agreement. Until such rates can be implemented, Net Revenues may be reduced, increasing the possibility of nonpayment of the Installment Payments and, in turn, the 2026 Bonds.

Limitations on Remedies Available to Bond Owners

The ability of the District to comply with its covenants under the Installment Sale Agreement and to generate Net Revenues sufficient to pay principal of and interest on the Installment Payments and Parity Obligation 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. Furthermore, any remedies available to the owners of the 2026 Bonds upon the occurrence of an event of default under the Indenture 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 Bondholder remedies contained in the Indenture, the rights and obligations of the Authority under the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies

in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2026 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Seismic and other Natural Disasters

General. Natural disasters, such as seismic events, flooding, landslides or wildfires, could affect economic activity in the District, and could have a negative impact on District finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial interference to and costs for the District and the System.

Seismic. The District is located in a seismically active area of California. If there were to be an occurrence of severe seismic activity in the area of the District, such an occurrence may adversely affect economic activity in the District, and could have a negative impact on District finances. The District could be at risk from strong ground motion and secondary effects related to a seismic event, including ground failure (such as landslide, liquefaction, lateral spreading, lurching and differential settlement) and seismically induced flooding (such as flooding from a dam failure). Such seismic activity could affect the District's infrastructure and its ability to deliver water, as well as customers' demand and ability to make payments.

Wildfires. The District also has exposure to wildfire risk. Southern and western portions of the City of Novato are within a CAL FIRE-designated High Fire Severity Zone, and the District's own 2025 facility risk assessment rates its Stafford Lake Water Treatment Plant, together with several of its water storage tanks and its San Marin Pump Station, as having "high" wildfire vulnerability; the District's overall annualized wildfire threat likelihood is separately rated "medium" in that same assessment. The District's Stafford Lake Dam is regulated by the State's Division of Safety of Dams, and the District updated its Emergency Action Plan for the dam in 2021 in coordination with the Division of Safety of Dams and the California Office of Emergency Services. The District participates in, and the risks facing its water system are assessed under, the Marin County Operational Area Multi-Jurisdictional Hazard Mitigation Plan (2023); a significant portion of the District's imported water supply also depends on Sonoma Water's infrastructure, which is separately assessed under Sonoma Water's own Local Hazard Mitigation Plan (2024) as facing material wildfire-related vulnerabilities. No assurance can be given regarding any impact a wildfire would have on District facilities, revenues, and expenses.

Many areas of Northern California, including the North Bay region in which the District is located, have suffered from major wildfires in recent years. In addition to their direct impact on health, safety, and property, wildfire smoke has periodically impacted air quality and quality of life throughout the Bay Area, and may have short-term and future impacts on commercial activity within the District. These fires have been driven in large measure by drought conditions and low humidity, and have also led PG&E to conduct Public Safety Power Shutoff events in fire-prone areas, which can affect the District's pumping and treatment operations; the District is evaluating distributed energy resources (solar generation paired with battery storage) to improve operational resilience during such events. Experts expect that California will continue to be subject to wildfire conditions year over year as a result of changing weather patterns due to climate change.

Droughts. California is subject to droughts from time-to-time. See "– System Supply; Droughts," above.

Climate Change. District finances may be negatively impacted by climate change. See "– Potential Impact of Climate Change," below.

Potential Impact of Climate Change

The issue of climate change has become an important factor in water resources planning in the State. There is evidence that increasing concentrations of greenhouse gases have caused and will continue to cause a rise in temperatures around the world, which will result in a wide range of changes in climate patterns. Moreover, there is evidence that a warming trend occurred during the latter part of the 20th century and will likely continue through the 21st century. These changes will have a direct effect on water resources in the State, and numerous studies on climate and water in the State have been conducted to determine the potential impacts.

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution. For example, the Fourth National Climate Assessment, published by the U.S. Global Change Research Program, in November 2018 (NCA4) finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the 2026 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2026 Bonds were issued, as a result of future acts or omissions of the Authority or District in violation of its covenants in the Installment Sale Agreement and Indenture. Should such an event of taxability occur, the 2026 Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Proposition 218

General. On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, limited local governments' authority to impose or increase property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

Specifically, under Article XIIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the "property-related service" and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

In addition, Article XIIIC states that "the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives."

Judicial Interpretation of Proposition 218. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General's opinion initially indicated that fees and charges for water and wastewater services, which are based on the amount of services consumed, would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIIID. However, numerous subsequent court cases have held that certain types of water and wastewater charges could be subject to the requirements of Proposition 218. These cases include, for example, *Capistrano Taxpayers Assoc., Inc. v. City of San Juan Capistrano* (186 Cal. Rptr. 3d 362 (Cal. App. 4th Distr. 2015)), *Bighorn-Desert View Water Agency v. Verjil* (46 Cal. Rptr. 3d 73 (Cal. 2006)), and *Howard Jarvis Taxpayers Assoc. v. City of Fresno* (26 Cal. Rptr. 3d 153 (Cal. App. 5th Distr. 2005)).

Under the *Bighorn* case, for example, the court held that under Article XIIIC, local voters could adopt an initiative measure that could reduce or repeal a local agency's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the Installment Payments securing the 2026 Bonds.

Under the *City of San Juan Capistrano* case, the court held that tiered or inclined rates that go up progressively in relation to usage must correspond to the actual cost of providing water service at each tier (level of usage), and accordingly the pricing for any tier cannot exceed the cost of service to that tier.

District's Current Practice Regarding Rates and Charges. The District's practice in implementing increases in water rates and charges has been to comply with the requirements of Article XIIID, including the practice of providing property owners with a 45-day mailed notice and public hearing before the District Board of Directors approves rate increases.

Conclusion. It is not possible to predict how courts will further interpret Article XIIIC and Article XIIID in future judicial decisions, and what, if any, further implementing legislation will be enacted. As noted above, under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the District's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the Installment Payments securing the 2026 Bonds. ***There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIIC and Article XIIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for water, or to call into question previously adopted water rate increases.***

Environmental Regulation

The supply of water by the District through the System is regulated, to a large extent, by the federal government and the State. Water treatment standards set forth in federal and State law control the operations of the System (and the wholesale water providers that supply water to the System) and mandate its use of technology. If the federal government, acting through the Environmental Protection Agency, or the State, acting through the State Water Resources Control

Board, Division of Drinking Water, or additional federal or State legislation, should impose stricter standards upon the System, the District's expenses related to the System could increase accordingly and rates and charges would have to be increased to offset those expenses. See "– Operations and Maintenance Costs; Third-Party Sources of Water Supply" above.

It is not possible to predict the direction which federal or State regulation will take with respect to water standards, although it is likely that both will impose more stringent standards with attendant higher costs.

Pandemic Diseases

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. Pandemic diseases arising in the future could have significant adverse health and financial impacts throughout the world, leading to loss of jobs and personal financial hardships, and/or actions by federal, State and local governmental authorities to contain or mitigate the effects of an outbreak.

Government assistance programs may include deferral of due dates of property taxes and water rate charges, which were both programs implemented during the recent COVID-19 pandemic, and with or without a deferral some ratepayers within the District may be unable to make their property tax payments or pay their water bills. No assurance can be given that the property tax payment dates or water bill payment dates will not be deferred in the future, which may cause a delay in the receipt of revenues to the District.

Cybersecurity

The District, like most other public entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the District is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. The District has proactive cybersecurity protocols, including: key staff receive daily emails from Cybersecurity and Infrastructure Security Agency (CISA); NMWD's Risk and Resilience Assessment and Emergency Response Plan include sections on cybersecurity awareness, mitigation and recovery; Board Policy Number 40 was updated in 2024 to include cybersecurity protocols and required training; and NMWD participates in the CISA Cyber Hygiene Assessment Program. The District maintains insurance coverage for loss resulting from cyber security incidents, however no assurance can be given that the District's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the District, or the administration of the 2026 Bonds.

The District is also reliant on other entities and service providers in connection with the operation of the System and the administration of the 2026 Bonds, including without limitation, the District's wholesale water provider, the Trustee and the dissemination agent. No assurance can be given that the District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the 2026 Bond owners.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2026 Bonds or, if a secondary market exists, that any 2026 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is

being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

Future Parity Obligations

As described in "SECURITY FOR THE 2026 BONDS – Parity Obligations" above, the Installment Sale Agreement permits the District to issue Parity Obligations in the future that are secured and payable on parity with the payment of the Installment Payments securing the 2026 Bonds. In the event of a decline in Net Revenues available to pay the Installment Payments securing the 2026 Bonds, the existence of additional Parity Obligations could adversely affect the District's ability to timely pay the Installment Payments securing the 2026 Bonds.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall LLP, as Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2026 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. Interest on the 2026 Bonds may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the 2026 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and District have 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 issuance of the 2026 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a 2026 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 2026 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 are disregarded.

Under the Tax 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 2026 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 2026 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2026 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2026 Bonds who purchase the 2026 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2026 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2026 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2026 Bonds is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2026 Bond (said term being the shorter of the 2026 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 2026 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2026 Bond is amortized each year over the term to maturity of the 2026 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 2026 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 2026 Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2026 Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2026 Bonds 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 Tax Code or court decisions may also affect the market price for, or marketability of, the 2026 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 Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2026 Bonds, or as to the consequences of owning or receiving interest on the 2026 Bonds, as of any future date. Prospective purchasers of the 2026 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2026 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2026 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2026 Bonds, the ownership, sale or disposition of the 2026 Bonds, or the amount, accrual or receipt of interest on the 2026 Bonds.

CERTAIN LEGAL MATTERS

Jones Hall LLP, Bond Counsel, will render an opinion with respect to the validity of the 2026 Bonds, the form of which opinion is set forth in APPENDIX E. Certain legal matters will also be passed upon for the District by Jones Hall LLP, as Disclosure Counsel and by the District Counsel. The fees of Bond Counsel and Disclosure Counsel are contingent on the sale and closing of the 2026 Bonds.

NO LITIGATION

No litigation is pending or threatened concerning the validity of the 2026 Bonds. Neither the Authority nor the District is aware of any litigation pending or threatened questioning the political existence of the Authority or the District or contesting the District's power to fix water rates and charges, or the power of the governing body of the Authority or the Board of Directors of the District or in any way questioning or affecting: (i) the proceedings under which the 2026 Bonds are to be issued; (ii) the validity of any provision of the 2026 Bonds, the Installment Sale Agreement or the Indenture; (iii) the pledge of Net Revenues under the Installment Sale Agreement or the pledge of Revenues under the Indenture; or (iv) the titles to office of the present members of the governing body of the Authority or the Board of Directors of the District.

There is no litigation pending, with service of process having been accomplished, against the District which if determined adversely to the District would, in the opinion of the District, materially impair the ability of the District to pay the Installment Payments securing the 2026 Bonds as they become due.

RATING

S&P Global Ratings, a business unit of S&P Global Ratings ("**S&P**"), has assigned its municipal bond rating of "AA" to the 2026 Bonds.

The rating reflects only the view of S&P, and an explanation of the significance of the rating, and any outlook assigned to or associated with the 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. The Authority has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any rating on the 2026 Bonds may have an adverse effect on the market price or marketability of the 2026 Bonds.

CONTINUING DISCLOSURE

The District will covenant for the benefit of owners of the 2026 Bonds to provide certain financial information and operating data by not later than nine months after the end of the District's fiscal year, or April 1 of each year (based on the District's current fiscal year-end of June 30), commencing April 1, 2027 with the report for the 2025-26 fiscal year (the "**Annual Report**") and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Purchaser in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the District is set forth in "APPENDIX C – Form of Continuing Disclosure Certificate."

The District has not previously entered into continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations. To help the District ensure compliance with its reporting obligations under the Rule, the District anticipates hiring NHA Advisors, LLC as dissemination agent.

UNDERWRITING

The 2026 Bonds were sold at competitive sale held on _____, 2026, and were awarded to _____ (the "**Purchaser**"), whose proposal represented the lowest true interest rate for the 2026 Bonds. The 2026 Bonds are being purchased by the Purchaser at a purchase price of $_____, which represents the aggregate principal amount of the 2026 Bonds ($_____), plus net original issue premium of $_____ less a purchaser's discount of $_____.

The Purchaser will be obligated to take and pay for all of the 2026 Bonds if any are taken. The Purchaser intends to offer the 2026 Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Purchaser.

MUNICIPAL ADVISOR

The Authority has retained NHA Advisors, LLC, San Rafael, California, as municipal advisor (the "**Municipal Advisor**") in connection with the offering of the 2026 Bonds. All financial and other information presented in this Official Statement has been provided by the Authority, the District and others from their records. Unless otherwise footnoted, the Municipal Advisor takes no responsibility for the accuracy or completeness of the data provided by the Authority, the District or others and has not undertaken to make an independent verification and does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor has assisted the Authority and the District with the structure, timing and terms for the sale of the 2026 Bonds. The Municipal Advisor provides municipal advisory services only and does not engage in the underwriting, marketing, or trading of municipal securities or other negotiable instruments. The fee of the Municipal Advisor is contingent upon the successful closing of the 2026 Bonds.

CONTINGENT FEES

In connection with the issuance of the 2026 Bonds, some or all of the fees or other compensation payable to certain professionals involved with the offering are contingent upon the issuance and delivery of the 2026 Bonds. Those entities include:

- NHA Advisors, LLC, as municipal advisor;
- Jones Hall LLP, as bond counsel and disclosure counsel; and
- U.S. Bank Trust Company, National Association, as trustee.

EXECUTION

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

NORTH MARIN WATER DISTRICT FINANCING AUTHORITY

By: _____
Executive Director

NORTH MARIN WATER DISTRICT

By: _____
General Manager

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

The following summary describes certain provisions of the Installment Sale Agreement and the Indenture not described elsewhere in the Official Statement. This summary is qualified in its entirety by reference to the complete terms of the Installment Sale Agreement and Indenture, which are available from the Trustee.

Indenture

Definitions

Unless the context clearly otherwise requires or unless otherwise defined, the capitalized terms set forth in the Indenture shall have the following meanings assigned to them:

"Accreted Value" means, with respect to any capital appreciation obligation, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein. The Accreted Value of any capital appreciation obligation at any date shall be the amounts set forth in the accreted value table for the capital appreciation obligation as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date.

"Additional Bonds" means all bonds ranking on a parity with the 2026 Bonds, issued in accordance with the Indenture.

"Additional Payments" means the amounts payable by the District under the Installment Sale Agreement.

"Authorized Investments" means any of the following, but only to the extent that the same are acquired at Fair Market Value, 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:

(a) Federal Securities;

(b) (i) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farm Credit System Financial Assistance Corporation, Rural Economic Community Development Administration (formerly Farmers Home Administration), General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, Federal Housing Administration and Federal Financing Bank and (ii) direct obligations for any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by Fannie Mae or Federal Home Loan Mortgage Corporation (FHLMC); obligations of the Resolution Funding Corporation (REFCORP); senior debt obligations of the Federal Home Loan Bank System; and senior debt obligations of other Government Sponsored Agencies;

(c) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their affiliates, which have a rating on their short term certificates of

deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P or are collateralized by Federal Securities and maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank;

(d) commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's or "A-1+" by S&P, and which matures not more than 270 calendar days after the date of purchase;

(e) money market 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, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services;

(f) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based upon an irrevocable escrow account or fund, in the highest rating category of Moody's and S&P or any successors thereto; or (ii)(A) subject to the approval of S&P, which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting only of Federal Securities, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the prepayment date or dates specified in the irrevocable instructions referred to above, as appropriate;

(g) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Authorized Investments described in clauses (a) or (b);

(h) 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;

(i) bonds or notes issued by any state or municipality which are rated A or better by S&P;

(j) 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 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 either of such ratings at any time falls below A;

(k) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, provided the Trustee has access to, and control over withdrawals from and deposits to, such trust; and

(l) the Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Authorized Officer" (a) with respect to the Authority, its Executive Director, Treasurer or any other person designated as an Authorized Officer of the Authority by a Written Certificate of the Authority signed by its Executive Director or Treasurer and filed with the District and the Trustee; and (b) with respect to the District, its General Manager, the Assistant General Manager/Director of Engineering or the Director of Administrative Services, or any other person designated as an Authorized Officer of the District by a Written Certificate of the District signed by such official and filed with the Authority and the Trustee.

"Balloon Indebtedness" means, with respect to any Parity Obligations twenty-five percent (25%) or more of the principal or other similar amount of which matures or becomes due on the same date or within a 12-month period (with mandatory sinking fund payments deemed to be payments of matured principal), that portion of the principal or other similar amount of such Parity Obligations which matures or becomes due on such date or within such 12-month period.

"Bond Counsel" means (a) Jones Hall LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"Bond Fund" means the fund by that name established and held by the Trustee under the Indenture.

"Bond Law" means the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code.

"Bond Registration Books" means the records maintained by the Trustee under the Indenture for the registration and transfer of ownership of the Bonds.

"Bond Year" means the twelve-month period beginning on December 2 in each year and ending on December 1 in the following year except that (i) the first Bond Year with respect to the 2026 Bonds shall begin on the Closing Date, and (ii) the last Bond Year with respect to the 2026 Bonds may end on a redemption date prior to maturity of the 2026 Bonds or the final maturity date of the 2026 Bonds.

"Bonds" means the Outstanding 2026 Bonds and any Outstanding Additional Bonds.

"Business Day" means any day other than a Saturday, Sunday or a day on which the Trustee is authorized by law to remain closed.

"Closing Date" means, with respect to the 2026 Bonds, the date of delivery of the Bonds to the Original Purchaser of the 2026 Bonds.

"Continuing Disclosure Certificate" means, with respect to each series of Bonds, that certain Continuing Disclosure Certificate executed by the District and dated the date of original execution and delivery of such Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all expenses incurred in connection with the authorization, issuance, sale and delivery of any Bonds, including but not limited to compensation, fees and expenses of the District, Authority and the Trustee and their respective counsel, compensation to any financial consultants and underwriters, legal fees and expenses, municipal bond insurance or surety bond premiums, filing and recording costs, rating agency fees, 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 under the Indenture.

"Debt Service" means, for any period, as and to the extent the Net Revenues of the System are payable with respect thereto, the sum of (1) the interest payable during such period on the Parity Obligations, (2) the principal or mandatory sinking fund payments to be paid with respect to the Parity Obligations during such period, and (3) any other scheduled payments coming due on the Parity Obligations in such period and not otherwise included in clauses (1) and (2) of this definition, all of which are to be computed on the assumption that no portion of the Parity Obligations shall cease to be outstanding during such period except by reason of the application of scheduled payments; provided that, for purposes of such computation:

(a) unless a different subsection of this definition applies for purposes of determining maturities or amortization, in determining the amount due in any period, payment shall be assumed to be made in accordance with any amortization schedule established for the Parity Obligations, including any mandatory sinking fund payments or any scheduled redemption or payment of Parity Obligations on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date and any contingencies that may result in a request for earlier payment shall be disregarded;

(b) Balloon Indebtedness may, at the option of the District, be treated as if it were to be amortized with substantially level debt service over a term of up to 25 years (which period shall be designated by the District), from the date of calculation, and the interest rate used for such computation shall be assumed by the District to be equal to (i) the interest rate in effect for such Balloon Indebtedness on the date of calculation, if the interest rate determination method in effect for such Balloon Indebtedness on the date of calculation provides for interest rates that are fixed for at least 12 months from the date such interest rates are determined or (ii) if the interest rate determination method in effect for such Balloon Indebtedness on the date of calculation provides for interest rates that are not fixed for at least 12 months from the date such interest rates are determined, the rate of interest used to calculate Debt Service shall be determined as described in clause (c);

(c) if any Parity Obligations bear, or if any Parity Obligations proposed to be issued, incurred or created will bear, interest at a variable interest rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of (i) the then current variable interest rate borne by such Parity Obligations plus

1%; and (ii) the highest variable rate borne over the preceding 24 months by outstanding variable rate debt issued by the District or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

(d) if any Parity Obligations feature an option, on the part of the owners or a requirement under the terms of such Parity Obligations, to tender all or a portion of such Parity Obligations to the District, or other fiduciary or agent, and to purchase such Parity Obligations or portion thereof if properly presented, then for purposes of determining the amounts due in any period with respect to such Parity Obligations, the options or obligations of the owners of such Parity Obligations to tender the same for purchase or payment shall be ignored;

(e) payments on the Parity Obligations shall be excluded to the extent such payments are to be paid from amounts on deposit with a trustee or other fiduciary in escrow specifically therefor, and interest payments shall be excluded to the extent that such interest payments are (1) to be paid from the proceeds of the Parity Obligations, including any investment earnings thereon, held by a trustee or other fiduciary as capitalized interest specifically to pay such interest or (2) paid or expected to be paid from Subsidy Payments;

(f) with respect to Parity Obligations for which a reserve fund is in place, the calculation of Debt Service for such Parity Obligations for any period shall be reduced by the amount of investment earnings on amounts on deposit in such reserve fund used or expected to be used to pay Debt Service on such Parity Obligations during such period, as estimated by the District; and

(g) with respect to Parity Obligations for which a reserve fund is in place, the amount on deposit in such reserve fund on any date of calculation of Debt Service shall be deducted from the amount due on the final maturity or due date of such Parity Obligations if such amount on deposit in such reserve fund would be released at such maturity or due date and, to the extent the amount on deposit in such reserve fund is in excess of the amount due on the final maturity or due date of such Parity Obligations, such excess shall be applied to the full amount due on each preceding payment date for such Parity Obligations, in inverse order, until such amount on deposit in such reserve fund is exhausted.

"Defeasance Obligations" means the Federal Securities listed in clause (a) of the definition thereof.

"Depository" means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository under the Indenture.

"Depository System Participant" means any participant in the Depository's book-entry system.

"DTC" means The Depository Trust Company, and its successors and assigns.

"Event of Default" means any of the events specified as such in the Indenture.

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

"Federal Securities" means, with respect to the Bonds: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; or (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America; specifically:

U.S. Treasury Obligations,
all direct or fully guaranteed obligations,
Farmers Home Administration,
General Services Administration,
Guaranteed Title IX financing,
Government National Mortgage Association (GNMA), and
State and Local Government Series.

"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.

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

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

(b) does not have any substantial identity of interest, direct or indirect, with the District; and

(c) is not and no member of which is connected with the District as an officer or employee of the District, but who may be regularly retained to make annual or other audits of the books of or reports to the District.

"Independent Consultant" means any financial or engineering consultant (including without limitation any Independent Certified Public Accountant) with an established reputation in the field of municipal finance or firm of such consultants appointed and paid by the District, and who, or each of whom-

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

(b) does not have any substantial identity of interest, direct or indirect, with the District; and

(c) is not and no member of which is connected with the District as an officer or employee of the District, but who may be regularly retained to make annual or other audits of the books of or reports to the District.

"Information Services" means in accordance with then-current guidelines of the Securities and Exchange Commission, the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board (at http://emma.msrb.org), or such service or services as the Authority may designate in a certificate delivered to the Trustee.

"Installment Payment Date" means, with respect to any Interest Payment Date, the 5th Business Day immediately preceding such Interest Payment Date.

"Installment Payments" means all payments required to be paid by the District on any date under the Installment Sale Agreement, including any amounts payable upon delinquent installments and including any prepayment thereof under the Installment Sale Agreement, but does not include Additional Payments.

"Interest Account" means the account by that name established and held by the Trustee in the Bond Fund under the Indenture.

"Maximum Annual Debt Service" means, as of the date of calculation, the maximum amount of Debt Service for the current or any future Fiscal Year.

"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 corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority or the District.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under the Indenture.

"Outstanding", when used as of any particular time with reference to Bonds, means, subject to the last paragraph of the Indenture, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, including Bonds (or portions thereof) described in the Indenture; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee under the Indenture.

"Overdue Rate" means the highest rate of interest on any of the Outstanding Bonds.

"Owner", whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Bond Registration Books.

"Parity Obligations" means, collectively, (a) the Funding Agreement between California Department of Water Resources and North Marin Water District (Contract No. SRF01CX124), dated April 13, 2004; (b) the State Water Resources Control Board Agreement, executed July 2006 (Agreement #05-808-550-0); (c) State Water Resources Control Board Agreements (Agreement Numbers: Project Finance Agreement 11-816-550 (2011), and related agreement numbers 11-811-550-2, 11-820-550-2, 11-814-550, 11-841-550-1, 11-842-550-1, 11-843-550), as amended; (d) the Installment Sale Agreement between California Department of Water Resources and North Marin Water District, dated April 12, 2016, as amended, (e) the Loan Agreement between the District and JPMorgan Chase Bank, N.A., dated March 22, 2018, (f) the Loan Agreement between the District and Webster Bank, dated May 31, 2022; and (g) the Installment Sale Agreement and any other bonds, notes, leases, installment sale agreements or other obligations of the District payable from and secured by a pledge of and lien upon some or all of the Net Revenues on a parity with the Installment Payments.

"Parity Obligations Documents" means, collectively, the indenture of trust, trust agreement, installment sale agreement, loan agreement or other document authorizing the issuance of any Parity Obligations or any securities which evidence Parity Obligations.

"Principal Account" means the account by that name established and held by the Trustee in the Bond Fund under the Indenture.

"Principal Corporate Trust Office" means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the District. Except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the corporate trust office of U.S. Bank Trust Company, National Association in St. Paul, Minnesota or such other office or agency of the Trustee at which at any particular time, its corporate trust agency or operations shall be conducted.

"Project Costs" means, with respect to the 2026 Project, all costs of the acquisition, construction and installation 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, construction and installation of the 2026 Project;

(b) obligations incurred for labor and materials in connection with the acquisition, construction and installation of the 2026 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, construction and installation of the 2026 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, construction and installation of the 2026 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, construction and installation of the 2026 Project;

(f) all financing costs incurred in connection with the acquisition, construction and installation of the 2026 Project; and

(g) the interest components of the Installment Payments allocable to the 2026 Project, which come due during the period of acquisition, construction and installation of the 2026 Project.

"Record Date" means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established and held by the Trustee under the Indenture.

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

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority designates in written notice filed with the Trustee.

"Serial Bonds" means all Bonds other than Term Bonds.

"S&P" means S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

"Supplemental Agreement" means any supplement to the Installment Sale Agreement hereafter duly authorized and entered into between the Authority and the District, supplementing, modifying or amending the Installment Sale Agreement; but only if and to the extent that such Supplemental Agreement is specifically authorized thereunder.

"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 Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Indenture) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

"Term" means, when used with respect to the Installment Sale Agreement, the time during which the Installment Sale Agreement is in effect, as provided therein.

"2026 Project" means the facilities, improvements and other property described more fully in an appendix to the Installment Sale Agreement, as that appendix may be amended from time to time in accordance with the Installment Sale Agreement.

"Variable Rate Bonds" means bonds that bear interest at a rate which may change from time to time.

"Written Certificate," "Written Request" and "Written Requisition" of the Authority or the District mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the District by its Authorized Officer. 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.

Project Fund

The District will establish and maintain a separate fund to be known as the "Project Fund" into which it shall deposit a portion of the proceeds of sale of the 2026 Bonds. Except as otherwise provided in the Indenture, moneys in the Project Fund will be used solely for the payment of the Project Costs. The District will disburse moneys in the Project Fund from time to time to pay Project Costs (or to reimburse the District for payment of Project Costs) and maintain accurate records showing all disbursements from the Project Fund, including the name of the person to whom payment is to be made and the amount and purpose of the payment, or an invoice or statement evidencing each payment made.

Upon determination by the District that the 2026 Project has been completed, any moneys remaining in the Project Fund other than amounts estimated by the District to be required to pay future Project Costs shall be applied to and used for the next due debt service on the Bonds.

Additional Bonds

In addition to the 2026 Bonds authorized to be issued under the Indenture, the Authority may, by Supplemental Indenture, issue one or more series of Additional Bonds secured by Revenues on a parity with the 2026 Bonds, and may issue and deliver such Additional Bonds in such principal amount as shall be determined by the Authority, but only upon compliance by the Authority with the provisions of the Indenture, including a Written Certificate of the Authority that the requirements for the issuance of Parity Debt under the Installment Sale Agreement have been satisfied.

Pledge and Use of Revenues; Bond Fund

The provisions related to the pledge and use of Revenues by the Authority and the Bond Fund are set forth in the main body of the Official Statement.

Application of Redemption Fund

The Trustee shall establish and maintain the Redemption Fund, into which the Trustee shall deposit a portion of the Revenues received representing optional prepayments of the Installment Payments, in accordance with a Written Request of the Authority. Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and premium (if any) of the Bonds to be redeemed under the optional or special mandatory redemption provisions of the Indenture; *provided, however*, that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed under a Written Request of the Authority, except that the purchase price

(exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds. The Trustee shall be entitled to conclusively rely on any Written Request of the Authority received under these provisions, and shall be fully protected in relying thereon.

Investments

All moneys in any of the funds or accounts established with the Trustee under the Indenture shall be invested by the Trustee solely in Authorized Investments. Such investments shall be directed by the Authority under a Written Request of the Authority filed with the Trustee at least 2 Business Days in advance of the making of such investments; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the Authority specifying a specific money market fund and, if no such written direction from the Authority is so received, the Trustee shall hold such moneys uninvested. Authorized Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Authorized Investments are registrable, such Authorized Investments must be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture shall be deposited in the Bond Fund. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under the Indenture.

The Trustee may make any investments under the Indenture through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture. The Trustee is hereby authorized, in making or disposing of any investment permitted by the Indenture, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

The moneys on deposit in the funds and accounts established under the Indenture shall not be deemed “surplus” under Section 53601 of the Government Code.

Valuation and Disposition of Investments

(a) Except as otherwise provided in subsection (b), the Authority covenants that all investments of amounts deposited in any fund or account created by or under the Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued at the Fair Market Value thereof as such term is defined in subsection (d) below. The Trustee shall have no duty in connection with the

determination of Fair Market Value other than to follow the investment directions of the Authority in any Written Request of the Authority.

(b) Investments in any funds or accounts (or portions thereof) that are subject to a yield restriction under the Tax Code shall be valued at their present value (within the meaning of Section 148 of the Tax Code). The Authority shall inform the Trustee which funds are subject to a yield restriction.

(c) Except as provided in the preceding subsection (b), for the purpose of determining the amount in any fund or account established under the Indenture, the value of Authorized Investments credited to such fund shall be valued by the Trustee at least annually on or before December 1. The Trustee may sell or present for redemption, any Authorized Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Authorized Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Authorized Investment.

(d) The term "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 Tax 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 Tax 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 Tax Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

(e) To the extent of any valuations made by the Trustee under the Indenture, the Trustee may utilize and rely upon computerized securities pricing services that may be available to it, including those available through its regular accounting system.

Enforcement of Installment Sale Agreement

The Trustee shall promptly collect all amounts (to the extent any such amounts are available for collection) due from the District under the Installment Sale Agreement. Subject to the provisions of the Indenture, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights under the Indenture as assignee of the Authority and for the enforcement of all of the obligations of the District under the Installment Sale Agreement. The Trustee has no duty to monitor the compliance by the Authority with any of the covenants contained in the Indenture.

Events of Default

Events of Default Defined. The following events constitute Events of Default under the Indenture:

(a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Failure to pay any installment of interest on the Bonds when due.

(c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such failure has continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee *provided, however*, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 60 day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within such 60 day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

(d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

(e) The occurrence and continuation of an event of default under and as defined in the Installment Sale Agreement.

Acceleration; Other Remedies. If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and shall, at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, 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 in the Indenture or in the Bonds contained to the contrary notwithstanding.

The foregoing provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, the Authority shall pay to or shall deposit with the Trustee a sum sufficient to pay all principal of the Bonds maturing prior to such declaration and all matured installments of interest (if any) upon all the Bonds, and any and all other defaults 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 Trustee, on behalf of the Owners of all of the Bonds, shall rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

In addition to declaring the principal of all of the Bonds, and the interest accrued thereon, to be immediately due and payable as set forth above, the Trustee shall have the right to pursue any other remedy provided by law or in equity or otherwise after an Event of Default has occurred.

Application of Revenues and Other Funds After Default. If an Event of Default occurs and is 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 in the following order of priority:

(a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal attorneys) incurred in and about the performance of its powers and duties under the Indenture; and

(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:

First: To the payment to the persons entitled thereto 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; and

Second: To the payment to the persons entitled thereto 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.

Trustee to Represent Bond Owners. 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. 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.

Limitation on Bond Owners' Right to Sue. Notwithstanding any other provision hereof, no Owner of any Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the

Installment Sale Agreement or any other applicable law with respect to such Bonds, unless (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have requested the Trustee in writing to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby 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 other 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 the foregoing provision or in any other provision of the Indenture or in the Bonds contained affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon acceleration or call for redemption, as provided in the Indenture, but only out of the Revenues and other assets pledged therefor in the Indenture, 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 by any one or more Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee, and the Bond Owners, 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 Bond Owners 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 any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by the

Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Bond Owners.

Amendments

Amendments With Bond Owner Consent. The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding are filed with the Trustee. No such modification or amendment may (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

Amendments Without Owner Consent. The Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Authority;

(ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement the Indenture in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code; or

(v) to provide for the issuance of Additional Bonds pursuant to the Indenture.

Limitation. The Trustee is not obligated to enter into any Supplemental Indenture authorized by the foregoing which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Notice of Amendments. The Authority shall deliver or cause to be delivered a draft of any Supplemental Indenture to each rating agency which then maintains a rating on the Bonds, at least 10 days prior to the effective date of such Supplemental Indenture.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee, and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture under the foregoing provisions may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Principal Corporate Trust Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same maturity.

Defeasance; Discharge of Indenture

If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums; or

(c) by depositing with a qualified escrow holder, in escrow, Defeasance Obligations in such amount as the Authority (verified by an Independent Certified Public Accountant) shall determine will, together with the interest to accrue thereon and

available moneys then on deposit in the funds and accounts established pursuant to the Indenture and/or the Installment Sale Agreement, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums, if any) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been mailed pursuant to the Indenture or provision satisfactory to the Trustee has been made for the mailing of such notice, then, at the election of the Authority, and notwithstanding that any of such Bonds have not been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to all such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Notice of such election shall be filed with the Trustee. Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to the Authority or the District. Refunding bonds may be issued at any time without regard to whether an Event of Default exists.

Installment Sale Agreement

Acquisition and Construction of the 2026 Project

The Authority agrees with due diligence to supervise and provide for, or cause to be supervised and provided for, the acquisition, construction and installation of the 2026 Project in accordance with the plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the District under all applicable requirements of law. All contracts for, and all work relating to, the acquisition, construction and installation of the 2026 Project are subject to all applicable provisions of law relating to the acquisition and construction of public works by the District. The failure of the Authority or the District to complete the 2026 Project timely does not constitute an Event of Default under the Installment Sale Agreement or grounds for termination, nor does any 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 when due under the Installment Sale Agreement.

The Authority appoints the District as its agent to carry out all phases of the acquisition, construction and installation of the 2026 Project under 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, construction and installation of the 2026 Project, including insuring the 2026 Project against risk during construction. As agent of the Authority under the Installment Sale Agreement, the District shall enter into, administer and enforce all purchase orders or other contracts relating to the 2026 Project. Payment of Project Costs shall be made by the District from amounts held in the Project Fund in accordance with the provisions of the Installment Sale Agreement and the provisions of the Indenture.

The District has the right to specify the exact scope, nature and identification of the 2026 Project and the respective components thereof. Before any payment is made for the 2026 Project or any component thereof from amounts on deposit in the Project Fund, the District must prepare detailed plans and specifications relating thereto. The District may from time to time amend any such plans and specifications, and thereby change or modify the description of the 2026 Project or any component thereof.

Upon the completion of the 2026 Project, but in any event not later than 30 days following such completion, an Authorized Officer of the District shall execute and deliver to the Authority and/or the Trustee, if requested to do so, a Written Certificate of the District which (a) states that the construction of the 2026 Project has been substantially completed, (b) identifies the total Project Costs thereof, and (c) identifies the amounts, if any, to be reserved in the Project Fund for payment of future Project Costs.

The Authority sells, bargains and conveys the 2026 Project to the District, and the District purchases the 2026 Project from the Authority, upon the terms and conditions set forth in the Installment Sale Agreement. Title to the 2026 Project, and each component thereof, shall be deemed conveyed by the Authority to and vested in the District upon the completion of the acquisition, construction and installation thereof. The Authority and the District will execute, deliver and cause to be recorded any and all documents reasonably required by the District to consummate the transfer of title to the 2026 Project.

Payment of Installment Payments

(a) Obligation to Pay. The District agrees to pay to the Authority, as the purchase price of the 2026 Project under the Installment Sale Agreement, an aggregate principal amount equal to the 2026 Bonds, 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 semiannual installment payments in the respective amounts and on the respective Installment Payment Dates specified therein.

The District shall deposit the Installment Payment coming due and payable on any Interest Payment Date with the Trustee, as assignee of the Authority under the Indenture, on the related Installment Payment Date (as set forth in Appendix A to the Installment Sale Agreement) in an amount which, together with amounts then held by the Trustee in the Bond Fund, is equal to the full amount of such Installment Payment. The Installment Payments are secured by and payable solely from the sources specified in the Installment Sale Agreement.

(b) Effect of Prepayment. If the District prepays all remaining Installment Payments in full under the Installment Sale Agreement, or under the relevant provisions of any Supplemental 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; *provided, however,* that the District's obligations to compensate and indemnify the Trustee under the Installment Sale Agreement will survive such prepayment. If the District prepays the Installment Payments in part but not in whole under the Installment Sale Agreement, or under the relevant provisions of any Supplemental Agreement, the principal component of each succeeding Installment Payment will be reduced as provided in such Sections or in such Supplemental Agreement, and the interest component of each remaining Installment Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Bonds thereby redeemed under the applicable provisions of the Indenture.

(c) Rate on Overdue Payments. If the District fails to make any of the payments required in the Installment Sale Agreement, the payment in default will continue as an obligation of the District until 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.

(d) Assignment. The District understands and agrees 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 under the Indenture, for the benefit of the Owners of the Bonds, and the District hereby consents to such assignment. The Authority hereby directs the District, and the District hereby agrees, to pay to the Trustee at its Principal Corporate Trust Office, all payments payable by the District under the Installment Sale Agreement to the Trustee.

Additional Payments

In addition to the Installment Payments, the District shall pay when due the following amounts to the following parties:

(a) to the Authority, all costs and expenses incurred by the Authority to comply with the provisions of the Installment Sale Agreement and the Indenture;

(b) to the Trustee upon request therefor, all of its fees, 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;

(c) to the Authority and the Trustee, all amounts required to indemnify the Authority and the Trustee under the Indenture; and

(d) all costs and expenses of auditors, engineers and accountants for professional services relating to the System or the Bonds.

The Additional Payments shall be payable from, but shall not be secured by a pledge or lien upon, the Net Revenues. The rights of the Trustee and the Authority, and the obligations of the District, shall survive the termination of the Installment Sale Agreement.

Pledge and Application of Net Revenues

The pledge and application of Net Revenues are summarized in the main body of the Official Statement.

Disclaimer of Warranties; Maintenance, Utilities and Taxes

The Trustee makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the 2026 Project or any component thereof, or any other representation or warranty with respect to any of the 2026 Project or any component thereof. In no event is the Authority liable for incidental, indirect, special or consequential damages, in connection with or arising out of the Installment Sale Agreement or the Indenture for the existence, furnishing, functioning or use of the 2026 Project.

Throughout the Term of the Installment Sale Agreement, all improvement, repair and maintenance of the System shall be the responsibility of the District, and the District shall pay for or otherwise arrange for the payment of all utility services supplied to the System, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, Water 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 System resulting from ordinary wear and tear.

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 or the District affecting the System 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.

Release and Indemnification

The District agrees to indemnify the Authority and the Trustee and their respective officers, agents, successors and assigns, against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on or about the System by the District, (b) any breach or default on the part of the District in the performance of any of its obligations under the Installment Sale Agreement or the Indenture, (c) any act or omission of the District or of any of its agents, contractors, servants, employees or licensees with respect to the System, and (d) any act or omission of any lessee of the District with respect to the System. No indemnification is made for willful misconduct or negligence under the Installment Sale Agreement by the Authority, or the Trustee, or their respective officers, agents, employees, successors or assigns. These provisions shall survive the expiration of the Term of the Installment Sale Agreement.

Sale or Eminent Domain of System; Insurance

The provisions regarding sale or eminent domain of the System, and regarding insurance coverage and the Net Proceeds thereof are summarized in the main body of the Official Statement.

Records and Accounts

The District covenants that it shall keep proper books of record and accounts of the System, in which complete and correct entries shall be made of all transactions relating to the System. Said books shall, upon reasonable request, be subject to the inspection of the Owners of not less than 10% of the Outstanding Bonds or their representatives authorized in writing.

The District covenants that it will cause the books and accounts of the System to be audited annually by an Independent Certified Public Accountant and will make available for inspection by the Bond Owners, upon reasonable request, a copy of the report of such Independent Certified Public Accountant.

The District covenants that it will cause to be prepared annually, not more than 180 days after the close of each Fiscal Year, as a part of its regular annual financial report, a summary statement showing the amount of Gross Revenues and the amount of all other funds collected which are required to be pledged or otherwise made available as security for payment of principal of and interest on the Bonds, the disbursements from the Gross Revenues and other funds in reasonable detail. The District shall furnish a copy of the statement to the Trustee, and upon written request, to any Bond Owner.

Rates and Charges

The District's covenants regarding fixing rates and charges are set forth in the main body of the Official Statement.

Senior, Parity and Subordinate Obligations

The provisions regarding senior, parity and subordinate obligations are set forth in the main body of the Official Statement.

Assignment and Amendment

The Authority and the District may at any time amend or modify any of the provisions of the Installment Sale Agreement, but only: (a) with the prior written consents of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of the Trustee or any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the District contained in the Installment Sale Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the District;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained therein, to conform to the original intention of the District and the Authority;

(iii) to modify, amend or supplement the Installment Sale Agreement in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code (provided that this provision shall not apply to bonds the interest on which is intended to be included in gross income for purposes of federal income taxation);

(iv) in any other respect whatsoever as the Authority and the District deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds; and

(v) to provide for the issuance of Parity Debt.

No such modification or amendment may extend or have the effect of extending any Installment Payment Date or reducing any Installment Payment or any premium payable upon the prepayment thereof, without the express consent of the Owners of the affected Bonds, or modify any of the rights or obligations of the Trustee without its written assent thereto.

Events of Default

Definition of Events of Default. The following events constitute Events of Default under the Installment Sale Agreement:

(a) Failure by the District to pay any Installment Payment when 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 30 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 60 days after written notice specifying such failure and requesting that it be remedied has been given

to the District by the Authority or the Trustee; *provided, however,* that if the District notifies the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 60-day period, such failure will not constitute an event of default under the Installment Sale Agreement if the District commences to cure such failure within such 60 day period and thereafter diligently and in good faith cures the 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 of any event defined to be an event of default under any Parity Obligation Documents.

Remedies on Default. If an Event of Default occurs and is continuing, the Trustee as assignee of the Authority has the right, at its option and without any further demand or notice, 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), the Trustee shall rescind and annul such declaration and its consequences if, before any judgment or decree for the payment of the moneys due has been obtained or entered, (i) 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 (ii) the District pays the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and (iii) 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. No such rescission and annulment will extend to or shall affect any subsequent default, or impair or exhaust any right or power consequent thereon.

(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.

(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 may confer.

No Remedy Exclusive. No remedy in the Installment Sale Agreement conferred upon or reserved to the Authority is intended to be exclusive. Every such remedy is cumulative and 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 impairs any such right or power or operates as 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 Installment Sale Agreement, it is not necessary to give any notice, other than such notice as may be required in the Installment Sale Agreement or by law.

Miscellaneous. If either party to the Installment Sale Agreement defaults under any of the provisions and the nondefaulting party, the Trustee or the Owner of any Bonds employs attorneys or incurs other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party therein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party, the Trustee or such Owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred. These provisions survive the expiration of the Term of the Installment Sale Agreement.

If any agreement contained in the Installment Sale Agreement is breached by either party and thereafter waived by the other party, such waiver is limited to the particular breach so waived and does not waive any other breach under the Installment Sale Agreement.

Such rights and remedies as are given to the Authority under the Installment Sale Agreement have been assigned by the Authority to the Trustee under the Indenture, to which assignment the District hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture.

Defeasance and Prepayment of the Installment Payments

Defeasance; 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, or

(b) invested in whole or in part in non-callable Defeasance Obligations in such amount as will, in the opinion of an Independent Certified Public Accountant (which opinion is addressed and delivered to the Trustee), 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

including when due on any optional prepayment date, as the District instructs at the time of said deposit.

If the District makes a security deposit 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, will thereupon cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from the security deposit. The security deposit will be deemed to be and will constitute a special fund for the payment of the Installment Payments in accordance with the provisions thereof.

Optional Prepayment. The District may exercise such option by payment of a prepayment price equal to the sum of (a) the aggregate principal components of the Installment Payments relating to the 2026 Bonds to be prepaid, (b) the interest component of the Installment Payment relating to the 2026 Bonds required to be paid on or accrued to such date, and (c) the premium (if any) then required to be paid upon the corresponding redemption of the 2026 Bonds under the Indenture. The Trustee shall deposit the prepayment price in the Redemption Fund to be applied to the redemption of 2026 Bonds under the Indenture. If the District prepays the Installment Payments in part but not in whole, the principal components will be prepaid among such maturities and in such integral multiples of $5,000 as the District designates in written notice to the Trustee.

Mandatory Prepayment From Proceeds of Insurance or Condemnation. The District shall prepay the Installment Payments on any date, in whole, or in part among maturities on a pro rata basis in any integral multiple of $5,000, from and to the extent of any proceeds of insurance or condemnation awards with respect to the System theretofore paid to the Trustee for such purpose under the Installment Sale Agreement. The District and the Authority hereby agree that such proceeds, to the extent remaining after payment of any delinquent Installment Payments, will be deposited in the Redemption Fund and credited towards the District's obligations under the Installment Sale Agreement.

Credit for Amounts on Deposit. If the District prepays the Installment Payments in full under the Installment Sale Agreement, such that the Indenture is discharged by its terms as a result of the prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable thereunder, 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.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2025

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Annual Comprehensive Financial Report

Novato, California
For the fiscal years ended
June 30, 2025 and 2024

NORTH MARIN WATER DISTRICT

NORTH MARIN
WATER DISTRICT

Name	Title	Elected/ Appointed	Current Term
Michael Joly	President	Elected	12/24 – 12/28
Ken Eichstaedt	Vice-President	Elected	12/24 – 12/26
Jack Baker	Director	Elected	12/24 – 12/28
Rick Fraites	Director	Elected	12/22 – 12/26
Stephen Petterle	Director	Elected	12/24 – 12/28

Anthony Williams, General Manager
North Marin Water District
999 Rush Creek Place
Novato, California 94945
(415) 897- 4133 – www.nmwd.com

North Marin Water District

Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2025 and 2024

NORTH MARIN WATER DISTRICT
999 Rush Creek Place
Novato, California 94945

Prepared by:
Finance Department
Julie Blue, Auditor-Controller
Nancy Williamson, Accounting Supervisor
Ling Reilly, Senior Accountant

North Marin Water District
Annual Comprehensive Financial Report
For the Fiscal Years Ended June 30, 2025 and 2024

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Introductory Section

NORTH MARIN WATER DISTRICT

999 Rush Creek Place
P.O. Box 146
Novato, CA 94948-0146

PHONE
415-897-4133

EMAIL
info@nmwd.com

WEB
www.nmwd.com

December 16, 2025

To: Members of the Board of Directors and Customers of the North Marin Water District

The Annual Comprehensive Financial Report (ACFR) for the North Marin Water District (District) for the fiscal years ended June 30, 2025 and 2024 is hereby submitted. This report has been prepared in accordance with guidelines established by the Governmental Accounting Standards Board (GASB). District staff prepared the data incorporated in this financial report and are responsible for its accuracy, completeness, and fairness of presentation, including all disclosures. We believe the information presented is accurate in all material respects and is designed to provide a clear understanding of the District's financial position and activities, consistent with GASB standards.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A). This transmittal letter is intended to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found on page 12 of this report.

District Structure and Leadership

The District is an independent special district, operating under the authority of Division 12 of the California Water Code. Since 1948, the District has provided water service to its customers. The District is governed by a five-member Board of Directors, each elected from one of five geographical areas from within the District's service area. The General Manager oversees day-to-day operations in accordance with policies and procedures established by the Board of Directors. As of June 30, 2025, the District employed 57 regular employees, with additional temporary and seasonal employees hired as needed. The District had 58 budgeted full-time positions, including 26 office and 32 field positions. The Board of Directors generally meets on the first and third Tuesday of each month. Meetings are publicly noticed, and customers are encouraged to attend.

District Services

The District provides water service to the greater Novato area and to areas of West Marin (Point Reyes Station, Olema, Bear Valley, Inverness Park and Paradise Ranch Estates). The District provides sewer service to the Oceana Marin subdivision adjacent to the Dillon Beach Village community.

DIRECTORS: JACK BAKER · KEN EICHSTAEDT · RICK FRAITES · MICHAEL JOLY · STEPHEN PETTERLE
OFFICERS: ANTHONY WILLIAMS, General Manager · EILEEN MULLINER, District Secretary · JULIE BLUE, Auditor-Controller · ERIC MILLER, Asst. GM/Chief Engineer

District Services, continued

The District provides water service to over 61,000 residents in the greater Novato area through 20,882 potable water service connections and 104 recycled water connections. The District also provides water service to approximately 1,800 residents in the Point Reyes service area of West Marin County through 802 service connections and sewer service to approximately 500 residents in the Oceana Marin service area of West Marin County through 241 service connections.

Residential customers comprise approximately 90% of the District's customer base and consume approximately 80% of the water produced annually. On average, the District purchases approximately 80% of its Novato water supply from the Sonoma County Water Agency (SCWA) with the balance made up from the District's Stafford Lake Reservoir and recycled water. The District purchased approximately 2.1 billion gallons of water in fiscal year 2025 and 1.7 billion gallons of water in fiscal year 2024 from SCWA.

Economic Condition, Outlook, and Major Initiatives

The District carries out its Mission with a highly motivated and competent staff empowered to conduct the District's business who strive to meet or exceed customer needs and expectations. Each day, District employees carry out the mission of providing potable and recycled water and sewer services that are reliable, high-quality, environmentally responsible, and reasonably priced.

The Russian River water delivery system operated by SCWA provides approximately 80% of Novato's water supply. Novato rainfall in fiscal year 2025 totaled 25.5" which was about 97% of the historical average annual rainfall.

North Marin's Stafford Lake water treatment plant produced 309 million gallons of water to supplement Russian River supplies with local water supply during the fiscal year. Recycled water treatment facilities at Novato Sanitary District, Las Gallinas Valley Sanitary District and North Marin's Deer Island treatment facilities combined to provide 265 million gallons of highly treated recycled wastewater to large landscape irrigation customers and commercial car washes in Novato.

An 8.5% rate increase for customers in the Novato service area was authorized by the Board of Directors effective July 1, 2024. The typical Novato detached single-family home uses 78,000 gallons of water a year and costs the customer about $897 per year. These rates are slightly below the median when compared to 16 other Bay Area water suppliers.

Major Initiatives

The activities of the Board and staff are driven by our mission to provide water and sewer services that are reliable, of high-quality, environmentally responsible, and reasonably priced. The District's major strategic priorities and initiatives include the following:

1. Increase local control and the long-term reliability of the water supply;
2. Increase communication with customers and ensure quality service;
3. Provide proactive and cost-effective asset management and operations;
4. Retain a high quality, motivated, and efficient workforce with excellent programs and investments in equipment, technology and training;
5. Ensure long-term financial stability, security, and ratepayer value; and
6. Increase preparedness for emergencies as well as long-term challenges such as drought and climate change.

Accomplishments

The District completed the following projects and accomplishments in fiscal year 2024-25 based on the initiatives listed above:

- Completed the West Marin Water Rate Study and secured Board approval for a five-year schedule of rate increases through the Proposition 218 process. These increases will fund the District's Capital Improvement Plan, supporting essential infrastructure upgrades, system reliability, and long-term financial sustainability;
- Completed the Administration and Laboratory Upgrade Project. Administrative and lab staff returned to the District Headquarters during the fiscal year, and the upgraded laboratory was successfully certified;
- Completed construction of the Crest Pump Station on Bahia Drive, replacing the aging facility at School Road and Sunset Trail to improve service in Northeast Novato;
- Rebuilt the retaining wall at the Cherry Hill Pump Station on Robinhood Drive in Novato;
- Improved access to an underground pressure tank near Hayden Avenue in Novato, enabling faster maintenance and outage response;
- Received $1.19 million in grant funding reimbursement for the Oceana Marin Treatment Pond Rehabilitation Project.

District Water Supply

Stafford Lake – Local Source Provides approximately 20% of the District's Supply

Stafford Lake lies four miles west of downtown Novato and collects the runoff from 8.3 square miles of watershed land adjacent to the upper reaches of Novato Creek. The lake has a surface area of 230 acres and holds 4,450 AF (acre-feet) (1,450 MG) of water by virtue of the Stafford Dam which was originally built in 1951 and subsequently raised 9 feet in 1984. Water from Stafford Lake is fed into the 6 million gallons per day (MGD) treatment plant (STP) located just below the dam. In fiscal year 2025 and 2024, 948 AF (309 MG) and 1,255 AF (409 MG) respectively, was produced by the Stafford Lake Water Treatment Plant.

Russian River – Provides approximately 80% of the District's Annual Supply

Russian River water originates from both the Eel River and the Russian River watersheds northeast of the City of Ukiah (Lake Mendocino) and west of Healdsburg (Lake Sonoma). Lake Mendocino's Coyote Dam impounds the Eel River diversions through the Potter Valley Project (PVP) and direct winter runoff from the local watershed. Lake Sonoma's Warm Springs Dam impounds winter runoff from the Dry Creek and Warm Springs watersheds. Lakes Mendocino and Sonoma combined can store 367,500 acre-feet (AF) to meet the regions' water supply needs, which totaled 45,184 acre-feet in fiscal year 2025. Releases from the lakes flow to a point about 10 miles upstream of Guerneville where SCWA's six deep Ranney Collector wells collect river water that has been filtered through 60 to 90 feet of natural sand and gravel to perforated pipes located at the bottom of each well. The thick layer of sand and gravel through which the water must pass before reaching the intake pipes provides a highly efficient, natural filtration process which, with chlorination treatment, produces clear, potable, bacteria-free water. This water is then fed directly into the Agency's aqueduct system.

District Water Supply, continued

During the fiscal years 2025 and 2024, the District received 6,323 AF (2,060 MG) and 5,134 AF (1,673 MG), respectively, of Russian River water. The District has an agreement in place with the Agency to provide sufficient supply to meet the District's current and future water supply needs. There continues to be competing interests for Russian River water, principally to protect steelhead and salmon listed as threatened species under the Endangered Species Act.

The 2008 Biological Opinion (BiOp) for the Russian River watershed, which outlined requirements to preserve, protect, and restore fisheries while maintaining existing water supplies, expired in September 2023. In response, Sonoma Water, the U.S. Army Corps of Engineers, and the Mendocino County Russian River Flood Control District submitted a new biological assessment to the National Marine Fisheries Service (NMFS). In April 2025, NMFS issued the updated BiOp and Essential Fish Habitat Response. The District continues to support efforts to protect fisheries and ensure a reliable water supply for the region.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefit likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District Board of Directors adopts an operating and capital budget annually, prior to the start of each fiscal year. This budget serves as the foundation for financial reporting, operational oversight, and accountability across the District's enterprise functions and capital projects. Budgeting and financial reporting follow the accrual basis of accounting, consistent with the District's financial statements.

Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, District ordinance and resolutions, prudent money management, and the "prudent person" standard. The objective of the Investment Policy is safety, liquidity, and yield. District funds are invested in the State Treasurer's Local Agency Investment Fund, US Treasury notes, time certificates of deposit and the US Bank Global Money Market Fund.

Water Rates and District Revenues

Revenue from user charges generated from District customers supports District operations. Accordingly, water and sewer rates are reviewed annually. Water and sewer rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are comprised of a commodity (water use) charge and a bi-monthly service charge (fixed charge); while, sewer rates are comprised exclusively of a fixed charge.

Audit and Financial Reporting

State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent Certified Public Accountant. The accounting firm of C.J. Brown & Company, CPAs has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Awards and Acknowledgements

For the sixteenth consecutive year, the District was awarded the Government Finance Officers Association of the United States and Canada's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its 2024 and 2023 Annual Comprehensive Financial Report. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this Annual Comprehensive Financial Report meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for 2025.

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors for their continued support in planning and implementation of the North Marin Water District's fiscal policies.

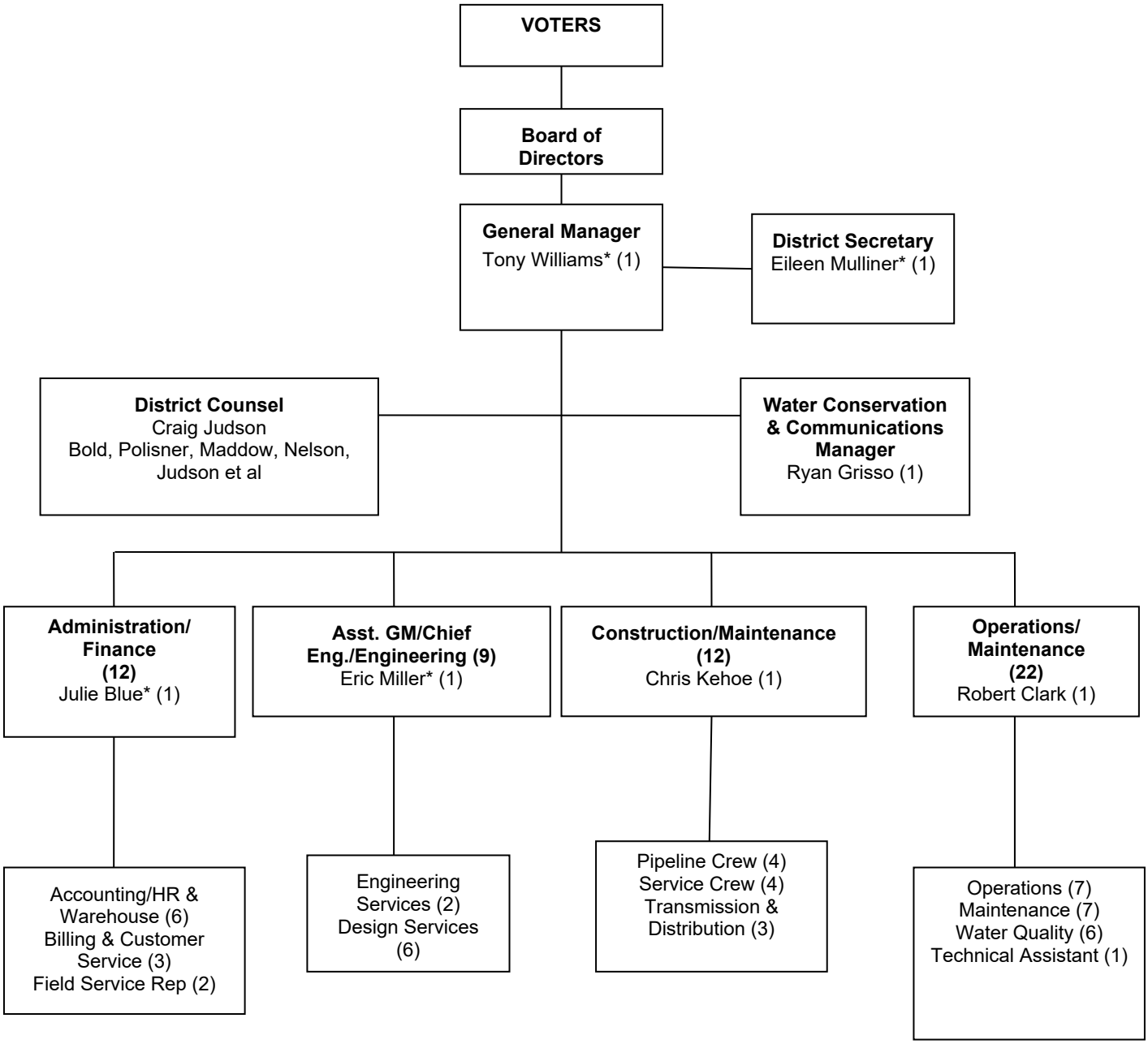
Respectfully submitted,

Anthony Williams, General Manager

Julie Blue, Auditor-Controller

North Marin Water District
Organizational Chart
As of June 30, 2025

Budgeted Full Time Employees (FTE): 58



*Also serves as District officer


North Marin Water District Boundary Map
Marin County
North Marin Water District Service Boundary
No services provided/available
Sonoma-Marin County Line
Oceana Marin
Petaluma
Sonoma
Stafford Lake
Novato
Paradise Ranch Estates
Inverness Park
Pt. Reyes Station
Olema
San Pablo Bay
1
101
116
12
121
37
131
NORTH MARIN WATER DISTRICT

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

North Marin Water District
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO

Financial Section

C.J. Brown & Company CPAs
An Accountancy Corporation

Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

Independent Auditor's Report

Board of Directors
North Marin Water District
Novato, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the North Marin Water District (District), which comprises the statements of net position as of June 30, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Marin Water District as of June 30, 2025 and 2024, 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.

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 part of our audit of the June 30,2025, financial statements, we audited the adjustments described in Note 14.

As discussed in Note 1.C to the financial statements, on June 30, 2025, the District adopted new accounting guidance *Governmental Accounting Standards Board Statement No. 101 – Compensated Absences*. As a result the District has recorded prior period adjustments to restate net position as of July 1, 2022 and July 1, 2023, respectively. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 18 and the required supplementary information on pages 64 through 66 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section on pages 1 through 8, the supplementary information of combining schedules on pages 67 through 70, and the statistical section on pages 71 through 85 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information of combining schedules is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2025, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 86 and 87.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
December 16, 2025

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2025 and 2024

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the North Marin Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2025 and 2024. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2025, the District's net position increased 1.9% or $2,481,838 to $132,347,707 due to capital contributions of $2,534,408, offset by a net loss from ongoing operations of $52,570, which included offsets of $3,207,433 in current year GASB 68 pension adjustments. In fiscal year 2024, the District's net position increased 3.0% or $3,760,131 to $129,865,869 due to net revenue from ongoing operations of $1,620,457, which includes offsets of $620,382 and $107,271 in current year GASB 68 pension and GASB 75 other post-employment benefit adjustments, respectively, and capital contributions of $2,139,674.
- In fiscal year 2025, the District's total revenues increased 10.3% or $3,001,464 to $32,281,448. In fiscal year 2024, the District's total revenues increased 13.4% or $3,452,043 to $29,279,984.
- In fiscal year 2025, the District's operating revenues increased 13.7% or $3,699,845 to $30,662,972. In fiscal year 2024, the District's operating revenues increased 11.2% or $2,718,416 to $26,963,127.
- In fiscal year 2025, the District's non-operating revenues decreased by 30.1% or $698,381 to $1,618,476. In fiscal year 2024, the District's non-operating revenues increased by 46.3% or $733,627 to $2,316,857.
- In fiscal year 2025, the District's total expenses including depreciation and amortization increased 16.9% or $4,674,491 to $32,334,018. In fiscal year 2024, the District's total expenses including depreciation and amortization increased 27.2% or $5,919,452 to $27,659,527.
- In fiscal year 2025, the District's operating expenses, before depreciation and amortization, increased 21.5% or $4,812,743 to $27,153,707. In fiscal year 2024, the District's operating expenses, before depreciation and amortization, increased 39.8% or $6,357,665 to $22,340,964.
- In fiscal year 2025, the District's non-operating expenses decreased by 6.7% or $78,593 to $1,100,688. In fiscal year 2024, the District's non-operating expenses decreased by 4.3% or $53,589 to $1,179,281.
- In fiscal year 2025, the District's capital contributions increased by 18.4% or $394,734 to $2,534,408. In fiscal year 2024, the District's capital contributions increased by 21.5% or $378,379 to $2,139,674.

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 of the District's investments in resources (assets), deferred outflows resources, 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 the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures 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. This statement can also be used to evaluate profitability and creditworthiness. 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.

Required Financial Statements, continued

The Statement of Cash Flows reports cash receipts, cash payments, and the 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.

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 helps the reader answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows 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 – the difference between assets and deferred outflows of resources and 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, new or changed government legislation or accounting standards, as well 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 24 through 63.

Statements of Net Position

Below is a summary of the statements of net position, and presents a comparison between June 30, 2025, 2024, and 2023.

Condensed Statements of Net Position

	2025	As Restated 2024	Change	As Restated 2023	Change
Assets:					
Current assets	$ 26,615,332	35,736,171	(9,120,839)	39,992,888	(4,256,717)
Non-current assets	6,582,169	4,728,756	1,853,413	6,896,968	(2,168,212)
Capital assets, net	161,220,388	155,093,702	6,126,686	147,063,309	8,030,393
Total assets	194,417,889	195,558,629	(1,140,740)	193,953,165	1,605,464
Deferred outflows of resources	5,547,450	7,014,861	(1,467,411)	6,917,788	97,073
Liabilities:					
Current liabilities	8,517,846	9,404,723	(886,877)	9,370,592	34,131
Non-current liabilities	57,891,789	62,186,447	(4,294,658)	63,356,094	(1,169,647)
Total liabilities	66,409,635	71,591,170	(5,181,535)	72,726,686	(1,135,516)
Deferred inflows of resources	1,207,997	1,116,451	91,546	2,038,529	(922,078)
Net position:					
Net investment in capital assets	122,635,433	116,599,712	6,035,721	112,410,898	4,188,814
Restricted	7,862,799	8,146,966	(284,167)	7,432,578	714,388
Unrestricted	1,849,475	5,119,191	(3,269,716)	6,262,262	(1,143,071)
Total net position	$ 132,347,707	129,865,869	2,481,838	126,105,738	3,760,131

Statements of Net Position, continued

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 the District exceeded liabilities and deferred inflows by $132,347,707 and $129,865,869 as of June 30, 2025 and 2024, respectively.

By far the largest portion of the District's net position (93% and 90% as of June 30, 2025 and 2024, 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 2025 and 2024, the District showed a positive balance in its unrestricted net position of $1,849,475 and $5,119,191, respectively. See note 13 for further information.

Statements of Revenues, Expenses, and Changes in Net Position

Below is a summary of the statements of revenues, expenses, and changes in net position, and presents a comparison between the years ended June 30, 2025 and 2024.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2025	As Restated 2024	Change	As Restated 2023	Change
Revenue:					
Operating revenue	$ 30,662,972	26,963,127	3,699,845	24,244,711	2,718,416
Non-operating revenue	1,618,476	2,316,857	(698,381)	1,583,230	733,627
Total revenue	32,281,448	29,279,984	3,001,464	25,827,941	3,452,043
Expense:					
Operating expense	27,153,707	22,340,964	4,812,743	15,983,299	6,357,665
Depreciation and amortization	4,079,623	4,139,282	(59,659)	4,523,906	(384,624)
Non-operating expense	1,100,688	1,179,281	(78,593)	1,232,870	(53,589)
Total expense	32,334,018	27,659,527	4,674,491	21,740,075	5,919,452
Net income (loss) before capital contributions	(52,570)	1,620,457	(1,673,027)	4,087,866	(2,467,409)
Capital contributions	2,534,408	2,139,674	394,734	1,761,295	378,379
Changes in net position	2,481,838	3,760,131	(1,278,293)	5,849,161	(2,089,030)
Net position, beginning of year as restated	129,865,869	126,105,738	3,760,131	120,256,577	5,849,161
Net position, end of year as restated	$ 132,347,707	129,865,869	2,481,838	126,105,738	3,760,131

The statement of revenues, expenses, and changes of net position shows how the District's net position changed during the fiscal year. In the case of the District, net position increased 1.9% or $2,481,838 to $132,347,707 due to capital contributions of $2,534,408, offset by a net loss from ongoing operations of $52,570, which included offsets of $3,207,433 in current year GASB 68 pension adjustments. In fiscal year 2024, the District's net position increased 3.0% or $3,760,131 to $129,865,869 due to net revenue from ongoing operations of $1,620,457, which includes offsets of $620,382 and $107,271 in current year GASB 68 pension and GABS 75 other post-employment benefit adjustments, respectively, and capital contributions of $2,139,674.

Statements of Revenues, Expenses, and Changes in Net Position, continued

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

In 2025, the District's operating revenues increased 13.7% or $3,699,845 to $30,662,972 due primarily to increases in water consumption sales of $2,495,979 and bi-monthly meter service charges of $1,218,631, related to increases in rates and water sales volume as compared to the prior year. In 2024, the District's operating revenues increased 11.2% or $2,718,416 to $26,963,127 due principally to increases in water consumption sales of $1,978,200 and bi-monthly meter service charges of $696,117, related to increases in rates and water sales volume as compared to the prior year.

In 2025, the District's non-operating revenues decreased by 30.1% or $698,381 to $1,618,476 due largely to decreases in net investment earnings of $573,720 and Regulation 15 forfeitures of $122,500 sourcing from new development deposits forfeited to the District to be used for water conservation programs. In 2024, the District's non-operating revenues increased by 46.3% or $733,627 to $2,316,857 due mainly because of increases in net investment earnings of $528,035 and Regulation 15 forfeitures of $180,890 sourcing from new development deposits forfeited to the District to be used for water conservation programs.

In 2025, the District's capital contributions increased by 18.4% or $394,734 to $2,534,408 due to increases in state and local capital grants of $763,037, developer contributions of $530,357, offset by a decrease in connection fees of $898,660. In 2024, the District's capital contributions increased by 21.5% or $378,379 to $2,139,674 due to increases in connection fees of $676,490 and state and local capital grants of $96,718, offset by a decrease from developer contributions of $394,829.

In 2025, the District's operating expenses increased 21.5% or $4,812,743 to $27,153,707 due primarily to increases in source of supply of $2,355,934 due principally to a; 11.74% increase in rates from Sonoma County Water Agency, and a 7% increase in consumption; general and administrative of $1,091,166 largely due to increases of $625,130 in non-capitalizable office equipment costs, $325,075 in GASB 68 related pension adjustments, and $208,149 in consulting costs; water facilities operations of $441,593 largely due to increases of $335,761 in labor costs, $90,223 in maintenance costs, and $35,486 in GASB 68 related pension adjustments; transmission and distribution of $333,664 due chiefly as a result of increases of $239,836 in labor costs, $87,168 in maintenance costs, and $89,435 in GASB 68 related pension adjustments; water treatment of $273,646 mainly due to increases of $218,567 in laboratory labor and services, $94,725 in water quality programs, $77,980 in GASB 68 related pension amounts, and $44,536 in purification expenses, offset by decreases of $91,110 in maintenance expenses, and $52,515 in electricity costs; pumping of $219,378 primarily due to increases of $149,854 in electricity costs due to an increase in utility rates and $65,303 in maintenance expenses.

In 2024, the District's operating expenses increased 39.8% or $6,357,665 to $22,340,964 due primarily to increases in transmission and distribution of $1,359,447 due principally to an increase of $1,335,921 in GASB 68 related pension; general and administrative of $1,809,683 mainly due to increases of $1,165,444 in GASB 68 related pension; source of supply of $1,725,308 due largely to a; 12.5% increase in rates from Sonoma County Water Agency, and an 8% increase in consumption; water facilities operations of $626,578 primarily due to increases of $484,355 in GASB 68 related pension, $87,479 in labor costs, and $60,939 in maintenance costs; pumping of $180,724 mainly because of increases in utility rates; water conservation of $146,169 largely due to increases of $28,800 marketing and outreach and $28,353 in GASB 68 related pension; water treatment of $305,374 mainly due to increases of $865,705 in GASB 68 related pension amounts, offset by decreases in purification chemicals of $474,930 and maintenance of $78,239; customer service of $147,193, principally due to $113,894 in GASB 68 related pension and $37,090 in billing and credit processing fees.

In 2025, the District's non-operating expenses decreased by 6.7% or $78,593 to $1,100,688 due primarily to a decrease in interest expense on long-term debt of $89,148 offset by an increase of $10,555 in other non-operating expenses. In 2024, the District's non-operating expenses decreased by 4.3% or $53,589 to $1,179,281 due principally to a decrease in interest expense on long-term debt of $42,831.

Statements of Revenues, Expenses, and Changes in Net Position, continued

In 2025 the District's depreciation and amortization decreased by 1.4% or $59,659 to $4,079,623 due primarily to the maturation of existing capital assets and right-to-use equipment leases. In 2024, the District's depreciation and amortization decreased by 8.5% or $384,624 to $4,139,282 due principally to the maturation of existing capital assets and right-to-use equipment leases.

Total District Revenues

Below is a detailed schedule of the District's total revenues segregated between operating revenues and non-operating revenues.

		2025	As Restated 2024	Change	As Restated 2023	Change
Operating revenues:						
Water consumption sales	$	21,012,003	18,516,024	2,495,979	16,537,824	1,978,200
Monthly meter service charge		8,932,174	7,713,543	1,218,631	7,017,426	696,117
Sewer service charge		347,256	324,264	22,992	304,560	19,704
Other charges and services		371,539	409,296	(37,757)	384,901	24,395
Total operating revenues		30,662,972	26,963,127	3,699,845	24,244,711	2,718,416
Non-operating revenues:						
Property tax revenue		149,358	145,929	3,429	143,332	2,597
Investment earnings, net		1,211,162	1,784,882	(573,720)	1,256,847	528,035
Interest earnings from note receivable – BPGL		10,030	10,416	(386)	9,009	1,407
Interest earnings from loan receivable – MMWD		66,518	73,271	(6,753)	79,845	(6,574)
Interest earnings from leases		10,878	11,930	(1,052)	12,782	(852)
Rental revenue		78,008	78,577	(569)	69,876	8,701
Gain on sale of capital assets		7,352	2,940	4,412	-	2,940
Regulation 15 forfeiture		58,390	180,890	(122,500)	-	180,890
Other non-operating revenues		26,780	28,022	(1,242)	11,539	16,483
Total non-operating revenues		1,618,476	2,316,857	(698,381)	1,583,230	733,627
Total revenues	$	32,281,448	29,279,984	3,001,464	25,827,941	3,452,043

In 2025, total revenues increased $3,001,464. In 2024, total revenues increased $3,452,043.

Total District Expenses

Below is a detailed schedule of the District's total expenses segregated between operating expenses and non-operating expenses.

		2025	As Restated 2024	Change	As Restated 2023	Change
Operating expenses including depreciation expense:						
Source of supply	$	9,083,224	6,727,290	2,355,934	5,001,982	1,725,308
Pumping		893,129	673,751	219,378	493,027	180,724
Water facilities operations		1,780,879	1,339,286	441,593	712,708	626,578
Water treatment		2,954,272	2,680,626	273,646	2,375,252	305,374
Transmission and distribution		4,643,209	4,309,545	333,664	2,950,098	1,359,447
Sewage collection and treatment		275,886	277,564	(1,678)	220,375	57,189
Customer service		593,847	533,526	60,321	386,333	147,193
General and administrative		6,417,239	5,326,073	1,091,166	3,516,390	1,809,683
Water conservation		512,022	473,303	38,719	327,134	146,169
Depreciation and amortization		4,079,623	4,139,282	(59,659)	4,523,906	(384,624)
Total operating expenses including depreciation expense		31,233,330	26,480,246	4,753,084	20,507,205	5,973,041
Non-operating expenses:						
Interest expense – long-term debt		1,087,840	1,176,988	(89,148)	1,219,819	(42,831)
Loss on disposition of capital assets		-	-	-	10,885	(10,885)
Other non-operating expenses		12,848	2,293	10,555	2,166	127
Total non-operating expenses		1,100,688	1,179,281	(78,593)	1,232,870	(53,589)
Total expenses	$	32,334,018	27,659,527	4,674,491	21,740,075	5,919,452

In 2025, total expenses increased $4,674,491. In 2024, total expenses increased $5,919,452.

Capital Asset Administration

Changes in capital asset amounts for 2025 were as follows:

		Balance 2024	Additions	Transfers/ Deletions	Balance 2025
Capital assets:					
Non-depreciable assets	$	28,829,031	9,994,197	(25,088,353)	13,734,875
Depreciable and amortizable assets		206,171,379	25,400,839	(1,558,441)	230,013,777
Accumulated depreciation and amortization		(79,906,708)	(4,079,623)	1,458,067	(82,528,264)
Total capital assets, net	$	155,093,702	31,315,413	(25,188,727)	161,220,388

Capital Asset Administration, continued

Changes in capital asset amounts for 2024 were as follows:

		Balance 2023	Additions	Transfers/ Deletions	Balance 2024
Capital assets:					
Non-depreciable assets	$	18,381,029	12,042,022	(1,594,020)	28,829,031
Depreciable and amortizable assets		205,067,640	1,721,673	(617,934)	206,171,379
Accumulated depreciation and amortization		(76,385,360)	(4,139,282)	617,934	(79,906,708)
Total capital assets, net	$	147,063,309	9,624,413	(1,594,020)	155,093,702

At the end of fiscal years 2025 and 2024, the District's investment in capital assets (net of accumulated depreciation) totaled $161,220,388 and $155,093,702, respectively. This investment in capital assets (net of accumulated depreciation) includes land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, vehicles, and construction-in-progress. See note 8 for further information.

Debt Administration

Changes in long-term debt amounts for 2025 were as follows:

		Balance 2024	Additions	Principal Payments	Balance 2025
Long-term debt:					
Leases payable	$	400,096	86,250	(144,073)	342,273
Loans payable		41,341,630	-	(3,417,395)	37,924,235
Total long-term debt	$	41,741,726	86,250	(3,561,468)	38,266,508

Changes in long-term debt amounts for 2024 were as follows:

		Balance 2023	Additions	Principal Payments	Balance 2024
Long-term debt:					
Leases payable	$	464,421	146,993	(211,318)	400,096
Loans payable		44,668,971	-	(3,327,341)	41,341,630
Total long-term debt	$	45,133,392	146,993	(3,538,659)	41,741,726

See note 10 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.

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 Auditor-Controller at 999 Rush Creek Place, Novato, California 94945, Telephone: (415) 897-4133.

Basic Financial Statements

North Marin Water District
Statements of Net Position
June 30, 2025 and 2024

	2025	As Restated 2024
Current assets:		
Cash and cash equivalents (note 2)	$ 11,994,506	4,796,991
Restricted – cash and cash equivalents (note 2)	4,755,409	8,593,084
Restricted – investments (note 2)	1,725,194	14,169,770
Accrued interest receivable	210,536	226,668
Accounts receivable – water and sewer sales and services	5,885,443	5,573,111
Accounts receivable – governmental agencies	147,860	617,700
Accounts receivable – other	258,354	11,647
Leases receivable (note 3)	34,419	32,218
Note receivable (note 4)	39,181	38,791
Loan receivable (note 4)	165,734	161,355
Materials and supplies inventory	943,437	1,007,639
Prepaid expenses and deposits	455,259	507,197
Total current assets	26,615,332	35,736,171
Non-current assets:		
Restricted – investments (note 2)	3,206,164	1,709,884
Leases receivable (note 3)	288,479	326,431
Note receivable (note 4)	944,411	983,592
Loan receivable (note 4)	1,293,115	1,458,849
Notes receivable – employee housing assistance loans, net (note 5)	850,000	250,000
Capital assets, not being depreciated (note 8)	13,734,875	28,829,031
Depreciable capital assets, net (note 8)	147,485,513	126,264,671
Total non-current assets	167,802,557	159,822,458
Total assets	194,417,889	195,558,629
Deferred outflows of resources:		
Deferred other post-employment benefits outflows (note 11)	219,707	236,289
Deferred pension outflows (note 12)	5,327,743	6,778,572
Total deferred outflows of resources	$ 5,547,450	7,014,861

Continued on next page

See accompanying notes to the basic financial statements.

North Marin Water District
Statements of Net Position, continued
June 30, 2025 and 2024

	2025	As Restated 2024
Current liabilities:		
Accounts payable and accrued expenses	$ 2,576,819	3,062,711
Accrued wages and related payables	360,469	335,477
Accrued claims payable	-	29,437
Customer advances and deposits	1,482,901	1,932,799
Accrued interest payable – long-term debt	314,374	335,004
Long-term liabilities – due within one year:		
Compensated absences (note 9)	374,927	377,266
Leases payable (note 10)	125,611	134,871
Loans payable (note 10)	3,023,753	2,948,111
Other post-employment benefits liability (note 11)	258,992	249,047
Total current liabilities	8,517,846	9,404,723
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 9)	502,764	599,347
Leases payable (note 10)	216,662	265,225
Loans payable (note 10)	34,900,482	38,393,519
Other post-employment benefits liability (note 11)	4,068,673	4,620,571
Net pension liability (note 12)	18,203,208	18,307,785
Total non-current liabilities	57,891,789	62,186,447
Total liabilities	66,409,635	71,591,170
Deferred inflows of resources:		
Deferred lease inflows (note 3)	286,100	325,129
Deferred other post-employment benefits inflows (note 11)	558,953	63,082
Deferred pension inflows (note 12)	362,944	728,240
Total deferred inflows of resources	1,207,997	1,116,451
Net position: (note 13)		
Net investment in capital assets	122,635,433	116,599,712
Restricted:		
SRF loan fund – Stafford Treatment Plant	1,070,027	1,067,432
SRF reserve fund – Recycled Water System	1,105,072	1,105,072
Interagency capital replacement and expansion fund	5,687,700	5,974,462
Unrestricted	1,849,475	5,119,191
Total net position	$ 132,347,707	129,865,869

See accompanying notes to the basic financial statements.

North Marin Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2025 and 2024

	2025	As Restated 2024
Operating revenues:		
Water consumption sales	$ 21,012,003	18,516,024
Bi-monthly meter service charge	8,932,174	7,713,543
Sewer service charges	347,256	324,264
Other charges and services	371,539	409,296
Total operating revenues	30,662,972	26,963,127
Operating expenses:		
Source of supply	9,083,224	6,727,290
Pumping	893,129	673,751
Water facilities operations	1,780,879	1,339,286
Water treatment	2,954,272	2,680,626
Transmission and distribution	4,643,209	4,309,545
Sewage collection and treatment	275,886	277,564
Customer service	593,847	533,526
General and administrative	6,417,239	5,326,073
Water conservation	512,022	473,303
Total operating expenses	27,153,707	22,340,964
Operating income before depreciation	3,509,265	4,622,163
Depreciation and amortization expense – capital recovery	(4,079,623)	(4,139,282)
Operating (loss) income	(570,358)	482,881
Non-operating revenues(expenses):		
Property tax revenue	149,358	145,929
Investment (market value unrealized loss) earnings, net	1,211,162	1,784,882
Interest earnings from note receivable – BPGL	10,030	10,416
Interest earnings from loan receivable – MMWD	66,518	73,271
Interest earnings from leases receivable	10,878	11,930
Rental revenue	78,008	78,577
Interest expense – long-term debt	(1,087,840)	(1,176,988)
Gain (loss) on sale of capital assets	7,352	2,940
Regulation 15 forfeiture	58,390	180,890
Other non-operating revenues	26,780	28,022
Other non-operating expenses	(12,848)	(2,293)
Total non-operating revenue(expenses), net	517,788	1,137,576
Net (loss) income before capital contributions	(52,570)	1,620,457
Capital contributions:		
Developers and others	1,081,570	551,213
Connection fees	215,510	1,114,170
Capital grants – state and local	1,237,328	474,291
Total capital contributions	2,534,408	2,139,674
Change in net position	2,481,838	3,760,131
Net position, beginning of year, as restated	129,865,869	126,105,738
Net position, end of year, as restated	$ 132,347,707	129,865,869

See accompanying notes to the basic financial statements.

North Marin Water District
Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

	2025	As Restated 2024
Cash flows from operating activities:		
Cash receipts from customers and others	$ 29,739,205	25,763,762
Cash paid to employees for salaries and wages	(7,232,689)	(7,324,836)
Cash paid to vendors and suppliers for materials and services	(19,494,558)	(13,869,374)
Net cash provided by operating activities	3,011,958	4,569,552
Cash flows from non-capital financing activities:		
Property tax revenue	149,358	145,929
Net cash provided by non-capital financing activities	149,358	145,929
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(10,206,309)	(12,169,675)
Proceeds from the sale of capital assets	7,352	2,940
Proceeds from capital contributions and connection fees	3,004,248	1,810,378
Proceeds from right-to-use leases	86,250	146,993
Principal paid on long-term debt	(3,561,468)	(3,538,659)
Interest paid on long-term debt	(1,108,470)	(1,197,062)
Net cash used in capital and related financing activities	(11,778,397)	(14,945,085)
Cash flows from investing activities:		
Proceeds from sale of investments	25,142,296	11,424,397
Purchases of investments	(14,194,000)	(12,209,000)
Principal received on notes receivable	38,791	38,405
Principal received on loans receivable	197,106	186,249
Investment earnings, net of fair value	1,392,728	1,945,532
Net cash provided by investing activities	11,976,921	1,385,583
Net increase (decrease) in cash and cash equivalents	3,359,840	(8,844,021)
Cash and cash equivalents, beginning of year	13,390,075	22,234,096
Cash and cash equivalents, end of year	$ 16,749,915	13,390,075
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	$ 11,994,506	4,796,991
Restricted assets – cash and cash equivalents	4,755,409	8,593,084
Total cash and cash equivalents	$ 16,749,915	13,390,075

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See accompanying notes to the basic financial statements.

North Marin Water District
Statements of Cash Flows, continued
For the Years Ended June 30, 2025 and 2024

	2025	As Restated 2024
Reconciliation of operating income to net cash provided by operating activities:		
Operating (loss) income	$ (570,358)	482,881
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense – capital recovery	4,079,623	4,139,282
Regulation 15 forfeiture	58,390	180,890
Other non-operating revenue	26,780	28,022
Other non-operating expenses	(12,848)	(2,293)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase)Decrease in assets:		
Accounts receivable – water and sewer sales and services	(312,332)	(1,395,365)
Accounts receivable – other	(246,707)	27,766
Materials and supplies inventory	64,202	(67,467)
Prepaid expenses and other deposits	51,938	(81,237)
(Increase)Decrease in deferred outflows of resources:		
Other post-employment benefits related	16,582	(213,750)
Pension related	1,450,829	116,677
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	(485,892)	403,132
Accrued wages and related payables	24,992	26,379
Accrued claims payable	(29,437)	9,312
Customer advances and deposits	(449,898)	(40,678)
Compensated absences	(98,922)	166,058
Other post-employment benefit liability	(541,953)	582,396
Net pension liability	(104,577)	1,129,625
Increase(Decrease) in deferred inflows of resources:		
Lease related	(39,029)	(34,783)
Other post-employment benefits related	495,871	(261,375)
Pension related	(365,296)	(625,920)
Total adjustments	3,582,316	4,086,671
Net cash provided by operating activities	$ 3,011,958	4,569,552
Non-cash investing, capital, and financing transactions:		
Change in fair value of investments	$ (47,387)	(361,065)

See accompanying notes to the basic financial statements.

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The North Marin Water District (District) is an independent special district formed in April 1948, which operates under the authority of Division 12 of the California Water Code. The District's service area includes the City of Novato, adjacent areas, plus annexed areas in West Marin County. The District is governed by a five-member Board of Directors who serve overlapping four-year terms.

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.

The District's operations are accounted for by the following service areas, some of which were originally established as Improvement Districts. Although the Improvement Districts are legally separate organizations, they are reported herein as if they were part of the primary government because the primary government controls the Improvement Districts, and the Board of Directors serve as their governing board. The following service areas are reported as blended component units.

Novato Water System – The Novato Water System is the primary service division of the District and represents the basic primary component of the District.

West Marin Water System (formally *Point Reyes Service Area*) – This service area began in 1970 as a separate voter-approved Improvement District. Point Reyes was consolidated with the Olema Improvement District in 1996 and the Paradise Ranch Estate Improvement District in 2002, forming the West Marin Water System.

Oceana Marin Sewer Service – By agreement with a private developer, this service area was formed to provide sewer service to area residents commencing in June 1973.

Novato Recycled Water System – This enterprise fund was formed by the District in 2007 to account for the operation of the District's recycled water treatment and distribution system.

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 cost of providing water or wastewater disposal to its service area on a continuing basis be financed or recovered primarily through user charges (water sales and sewer service charges), capital grants, 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 sewer service charges, along with water purchases and wastewater disposal, 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 value. 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. Non-operating revenues and expenses, such as grant funding, investment income, and interest expense, result from non-exchange transactions in which the District gives (receives) value without directly receiving (giving) value in exchange.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

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:

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. See Note 1.D.12 and Note 5 for the impact of this note on the financial statements due to implementation in the current fiscal year.

Governmental Accounting Standards Board Statement No. 102

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

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, liabilities, and deferred inflows and disclosures of contingent assets at the date of the financial statements and the changes in net position during the reporting period.

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 and Investment Policy

The District has adopted an investment policy directing the District's Auditor-Controller to deposit funds in financial institutions.

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

Restricted assets are financial resources generated for a specific purpose such as capital projects or debt service. These assets are for the benefit of a specified purpose and, as such, are legally or contractually restricted by an external third-party agreement.

6. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded.

7. Property Taxes

The County of Marin Assessor's Office assesses all real and personal property within the County each year. The County of Marin Tax Collector's Office bills and collects the District's share of property taxes and assessments. The County of Marin Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

8. Lease Receivable / Payable

Leases receivable / payable are measured at the present value of payments expected to be received / paid during the lease term.

9. Prepaid Expenses

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 and Leased Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for capitalizing equipment purchases at $5,000. Donated assets are recorded at estimated cost 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:

- Dam – 100 years
- Transmission and distribution systems – 50 to 150 years
- Treatment plant – 20 to 50 years
- Sewer mains and pumps – 4 to 40 years
- Buildings and storage facilities – 35 to 50 years
- Equipment and vehicles – 5 to 10 years

Leased assets are amortized on a straight-line basis over the life of the lease term.

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 net assets 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 for the net differences 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 post-employment benefits.

Pensions

- Deferred outflow which is equal to the 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 expected average remaining service lives of all employees that are provided with pension.
- Deferred outflow for the net change in assumptions which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with pension.
- Deferred outflow for the net difference between the projected and actual earnings on investments of the pension plan’s fiduciary net position. This amount is amortized over a five-year period.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

11. Deferred Outflows of Resources, continued

Pensions, continued

- Deferred outflow for the net difference between actual contributions and the proportionate share of employer contribution which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with pension.

12. Compensated Absences

The District's employees have a vested interest in accrued vacation time. All vacation hours will eventually be either used or paid-off by the District. Employees earn vacation time on a semi-monthly basis. Employees normally earn and use their current vacation time with a small portion being unused each year. As this occurs, the District incurs a future obligation to pay for these unused hours and accrues a liability for such accumulated and unpaid vacation time.

Full-time District employees earn sick leave at a rate of one day per month. District employees may elect to be paid for accumulated and unused sick leave in excess of 90 days, at a rate of one-half of the value of such accumulated amount. The District has accrued a liability for such excess amounts. Employees hired after 10/1/2000 may apply their unused sick leave credit to enhance CalPERS retirement benefits but are not eligible to receive any pay for accrued unused sick leave from the District.

The District has adopted the provisions of GASB Statement No. 101. 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. The District has determined that the accrued vested sick liability meets the provisions, as reported above, of GASB Statement No. 101 for reporting. Therefore, a liability for the vested and accrued value of sick leave that will be settled in the future by employees as time off is included in the liability for compensated absences.

13. Pensions

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

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, 2023 and 2022
- Measurement Date: June 30, 2024 and 2023
- Measurement Period: July 1, 2023 to June 30, 2024 and July 1, 2022 to June 30, 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

14. 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 net assets 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 net change in assumptions which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with post-employment benefits.

Pensions

- Deferred inflow as a result of the net change in proportions of the net pension liability which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with pension.

15. Water and Sewer Sales

Water sales are billed on a bi-monthly cyclical basis. Estimated unbilled water and sewer sales and service charges through June 30th have been accrued as of year-end.

16. 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.

17. Capital and Operating Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a capital or operating grant receivable on the statements of net position and as capital grant contribution or operating grant revenue, as appropriate, on the statements of revenues, expenses, and changes in net position.

18. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparison of actual revenue and expense with planned revenue and expense for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

19. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net investment in capital assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction, or improvement of those assets.
- **Restricted** – This component of net position consists of constraints placed on net position use imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – This component of net position consists of net position that does not meet the definition of *net investment in capital assets* or *restricted* components of net position.

(2) Cash and Investments

Cash and investments as of June 30 are classified in the accompanying financial statements as follows:

		2025	2024
Cash and cash equivalents	$	11,994,506	4,796,991
Restricted – cash and cash equivalents		4,755,409	8,593,084
Total cash and cash equivalents		16,749,915	13,390,075
Restricted – investments		1,725,194	14,169,770
Restricted – investments non-current		3,206,164	1,709,884
Total restricted investments		4,931,358	15,879,654
Total cash and investments	$	21,681,273	29,269,729

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

		2025	2024
Cash on hand	$	500	350
Deposits with financial institutions		1,364,579	1,058,657
Deposits with County of Marin Treasury		1,071,027	1,068,438
California Local Agency Investment Fund		14,313,809	11,262,630
Investments		4,931,358	15,879,654
Total cash and investments	$	21,681,273	29,269,729

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio *	Maximum Investment in One Issuer
State and Local Agency Bonds	5 years	100%	None
U.S. Treasury Obligations	5 years**	100%	None
U.S. Agency Securities	5 years**	100%	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	40%	10%
Non-negotiable Certificates of Deposit	1 year	30%	None
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Repurchase agreements	30 days	100%	None
Money Market Mutual Funds	N/A	20%	10%
California Local Agency Investment Fund (LAIF)	N/A	100%	None
California Asset Management Program (CAMP)	N/A	100%	None

* Excluding amounts held by bond trustee that are not subject to California Government Code.

** Except when authorized by the District's legislative body in accordance with Government Code Section 53601

(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 (such as LAIF).

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). In addition, the District's investment policy requires that no more than two-thirds of the District's deposits in a depository to be collateralized by mortgage-backed securities and the remainder to be collateralized by non-mortgage-backed securities. The fair 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 secured public deposits. As of June 30, 2025 and 2024, bank balances are federally insured up to $250,000. The remaining balance is collateralized in accordance with the Code; however, collateralized securities are not held in the District's name.

Deposit in California Local Agency Investment Fund

The District is a voluntary participant in the California 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 fair value factor for LAIF is reported on a quarterly basis. The balance available for withdrawal is based on the accounting records maintained by LAIF, which is 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.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations.

(2) Cash and Investments, continued

Interest Rate Risk, continued

As of June 30, 2025, the District's investments are scheduled to mature as follows:

Investment Type		Amount	Remaining Maturity (in Months) 12 months or less	13 to 24 months	25-60 months	More than 60 months
Certificates-of-deposit	$	4,931,358	1,725,194	3,206,164	-	-
Total	$	4,931,358	1,725,194	3,206,164	-	-

As of June 30, 2024, the District's investments are scheduled to mature as follows:

Investment Type		Amount	Remaining Maturity (in Months) 12 months or less	13 to 24 months	25-60 months	More than 60 months
Certificates-of-deposit	$	5,404,420	3,694,536	1,709,884	-	-
U.S. Treasury bill		10,475,234	10,475,234	-	-	-
Total	$	15,879,654	14,169,770	1,709,884	-	-

Credit ratings as of June 30, 2025, were as follows:

Investment Type		Amount	Minimum Legal Rating	Exempt From Disclosure	Ratings AA+ to AA-
Certificates-of-deposit	$	4,931,358	N/A	4,931,358	-
Total	$	4,931,358		4,931,358	-

Credit ratings as of June 30, 2024, were as follows:

Investment Type		Amount	Minimum Legal Rating	Exempt From Disclosure	Ratings AA+ to AA-
Certificates-of-deposit	$	5,404,420	N/A	5,404,420	-
U.S. Treasury bill		10,475,234	N/A	-	10,475,234
Total	$	15,879,654		5,404,420	10,475,234

Fair Value Measurements

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at June 30, 2025, 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)
Certificates-of-deposit	$	4,931,358	-	4,931,358	-
Total investments measured at fair value	$	4,931,358	-	4,931,358	-

(2) Cash and Investments, continued

Fair Value Measurements, continued

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at June 30, 2024, 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)
Certificates-of-deposit	$ 5,404,420	-	5,404,420	-
U.S. Treasury bill	10,475,234	10,475,234	-	-
Total investments measured at fair value	$ 15,879,654	10,475,234	5,404,420	-

Inputs and valuations methods used for each of the District's investment classes are as follows:

- U.S. Treasury securities – The fair value U.S. Treasury securities is generally based on quoted market prices in active markets (Level 1).
- Certificates-of-deposit – The fair value of certificate-of-deposit is generally determined using a market-based model in which valuation consideration is given to yield or price of comparable securities, coupon rate, maturity, credit quality, and dealer-provided prices (Level 2).

(3) Leases Receivable

Changes in leases receivable for 2025 were as follows:

	Balance 2024	Additions	Principal Payments	Balance 2025	Current Portion	Long-term Portion	Deferred Inflows
Leases receivable:							
Novato Water							
Indian Valley Golf Course	$ 84,851	-	(15,428)	69,423	12,599	56,824	(67,854)
Tower development	261,876	-	(14,544)	247,332	15,677	231,655	(212,961)
Subtotal leases Novato	346,727	-	(29,972)	316,755	28,276	288,479	(280,815)
West Marin Water							
Horizon Cable TV Inc.	11,922	-	(5,779)	6,143	6,143	-	(5,285)
Total leases receivable	$ 358,649	-	(35,751)	322,898	34,419	288,479	(286,100)

Changes in leases receivable for 2024 were as follows:

	Balance 2023	Additions	Principal Payments	Balance 2024	Current Portion	Long-term Portion	Deferred Inflows
Leases receivable:							
Novato Water							
Indian Valley Golf Course	$ 95,112	-	(10,261)	84,851	11,895	72,956	(82,238)
Tower development	275,341	-	(13,465)	261,876	14,544	247,332	(232,321)
Subtotal leases Novato	370,453	-	(23,726)	346,727	26,439	320,288	(314,559)
West Marin Water							
Horizon Cable TV Inc.	17,353	-	(5,431)	11,922	5,779	6,143	(10,570)
Total leases receivable	$ 387,806	-	(29,157)	358,649	32,218	326,431	(325,129)

(3) Leases Receivable, continued

Indian Valley Golf Course

On July 20, 1988, the District entered into a lease agreement with Indian Valley Golf Course (Indian Valley), whereby Indian Valley has agreed to pay the District monthly for approximately 208.86 acres of watershed area adjoining Stafford Lake for the purpose of maintaining and operating a golf course. The terms of the agreement require Indian Valley to pay the District in monthly installments through June 2030. Monthly installments are adjusted annually based on the cost-of-living index calculated each fiscal year.

Following the guidelines of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.11%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2025 and 2024, deferred inflows were reported at $67,854 and $82,238, respectively.

Future payments to be received and deferred inflows as of June 30, 2025, are as follows:

Fiscal Year	Principal	Interest	Total	Deferred Inflows
2026	$ 12,599	1,980	14,579	(13,571)
2027	13,218	1,580	14,798	(13,571)
2028	13,861	1,159	15,020	(13,571)
2029	14,526	719	15,245	(13,571)
2030	15,219	258	15,477	(13,570)
Total	69,423	5,696	75,119	(67,854)
Current	(12,599)			
Non-current	$ 56,824			

Tower Development

On August 1, 2010, the District entered into a lease agreement with Verizon Wireless and Tower Development Corporation (Tower Development), whereby Tower Development has agreed to pay the District for providing for construction of a wireless communications antenna. The terms of the agreement require Tower Development to pay the District in annual installments through November 2025 and is adjusted annually by 3.00%.

Following the guidelines of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.11%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2025 and 2024, deferred inflows were reported at $212,961 and $232,321, respectively.

(3) Leases Receivable, continued

Tower Development, continued

Future payments to be received and deferred inflows as of June 30, 2025, are as follows:

Fiscal Year	Principal	Interest	Total	Deferred Inflows
2026	$ 15,677	7,692	23,369	(19,360)
2027	16,866	7,204	24,070	(19,360)
2028	18,113	6,680	24,793	(19,360)
2029	19,420	6,117	25,537	(19,360)
2030	20,790	5,513	26,303	(19,360)
2031-2035	126,894	16,939	143,833	(96,800)
2036	29,572	920	30,492	(19,361)
Total	247,332	51,065	298,397	(212,961)
Current	(15,677)			
Non-current	$ 231,655			

Horizon Cable

On November 1, 2020, the District entered into a lease agreement with Horizon Cable TV Inc. (Horizon Cable), whereby Horizon Cable has agreed to pay the District for the purpose of operating, maintaining, and replacing facilities for off-air television signal receiving at the District's water tank site number four. The terms of the agreement require Horizon Cable to pay the District in annual installments through October 2026 and is adjusted annually by 3.00%.

Following the guidelines of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.11%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2025 and 2024, deferred inflows were reported at $5,285 and $10,570, respectively.

Future payments to be received and deferred inflows as of June 30, 2025, are as follows:

Fiscal Year	Principal	Interest	Total	Deferred Inflows
2026	$ 6,143	191	6,334	(5,285)
Total	6,143	191	6,334	(5,285)
Current	(6,143)			
Non-current	$ -			

(4) Note and Loan Receivable

Changes in note and loan receivable for 2025 were as follows:

	Balance 2024	Additions	Principal Payments	Balance 2025	Current Portion	Long-term Portion
Note receivable:						
Marin Country Club	$ 1,022,383	-	(38,791)	983,592	39,181	944,411
Total notes receivable	1,022,383	-	(38,791)	983,592	39,181	944,411
Loan receivable:						
Marin Municipal Water District	1,620,204	-	(161,355)	1,458,849	165,734	1,293,115
Total loans receivable	1,620,204	-	(161,355)	1,458,849	165,734	1,293,115
Total notes and loans receivable	$ 2,642,587	-	(200,146)	2,442,441	204,915	2,237,526

Changes in notes and loan receivable for 2024 were as follows:

	Balance 2023	Additions	Principal Payments	Balance 2024	Current Portion	Long-term Portion
Note receivable:						
Marin Country Club	$ 1,060,788	-	(38,405)	1,022,383	38,791	983,592
Total notes receivable	1,060,788	-	(38,405)	1,022,383	38,791	983,592
Loan receivable:						
Marin Municipal Water District	1,777,296	-	(157,092)	1,620,204	161,355	1,458,849
Total loans receivable	1,777,296	-	(157,092)	1,620,204	161,355	1,458,849
Total notes and loans receivable	$ 2,838,084	-	(195,497)	2,642,587	200,146	2,442,441

Marin Country Club

On June 10, 2015, the District entered into a contractual agreement with the Marin Country Club (Country Club), whereby the Country Club agreed to reimburse the District for construction costs incurred for a new recycled water facility in-lieu of connection fees. The Country Club is the primary customer of the Central Service Area pipeline and the receivable from this agreement contributes significantly to the related District debt (see note 8 for further information). The terms of the agreement require the Country Club to reimburse the District in bi-monthly installments through November 2047, and bear an interest rate of 1.00%.

Future payments to be received under the agreement as of June 30, 2025, are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 39,181	9,673	48,854
2027	39,574	9,280	48,854
2028	39,972	8,882	48,854
2029	40,373	8,481	48,854
2030	40,778	8,075	48,853
2031-2035	210,117	34,152	244,269
2036-2040	220,881	23,388	244,269
2041-2045	232,196	12,073	244,269
2046-2048	120,520	1,613	122,133
Total	983,592	115,617	1,099,209
Current	(39,181)		
Non-current	$ 944,411		

(4) Note and Loan Receivable, continued

Marin Municipal Water District – Interconnection Agreement AEEP

In February 2019, the District entered into an agreement with Marin Municipal Water District (MMWD) for MMWD to fund a portion of the cost to replace 24,000 feet of the District's aqueduct (Aqueduct Energy Efficiency Project). MMWD uses the District's aqueduct to take water delivery from the Sonoma County Water Agency. On an annual basis, MMWD utilizes an average of 51% of water flowing through the aqueduct. MMWD benefits from the continued use of the aqueduct through 2040 in exchange for funding a portion of the cost. The District received an initial payment of $480,000 and financed the remaining $3,142,883. The loan bears an interest rate of 2.71% and matures on July 2032. Principal and interest payments of $205,320 are due annually on July 1.

Future payments to be received under the agreement as of June 30, 2025, are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 165,734	39,586	205,320
2027	170,231	35,089	205,320
2028	174,850	30,470	205,320
2029	179,595	25,725	205,320
2030	184,468	20,852	205,320
2031-2033	583,971	31,989	615,960
Total	1,458,849	183,711	1,642,560
Current	(165,734)		
Non-current	$ 1,293,115		

(5) Notes Receivable – Employee Housing Assistance Loans

The District's Employer Assisted Housing Program (Program) allows up to $300,000 to be loaned to an employee for a period of up to 15 years for the purchase of a home within the District's service area. This allows an employee to respond rapidly to customer calls or emergencies affecting the operation of the District. Repayment is due upon sale of the employee's residence, termination of employment, or other events as described in the Program documents. Interest earned on the loan is based on the amount of interest foregone using the District's investment portfolio yield.

The following schedule lists the loans for employee housing assistance and their corresponding origination dates as of June 30, 2025 and 2024:

Origination	2025	2024
June 2025	$ 300,000	-
November 2024	300,000	-
March 2015	250,000	250,000
Total	$ 850,000	250,000

(6) Interfund Loans

Changes in interfund loans for 2025 were as follows:

	Balance 2024	Additions	Principal Payments	Balance 2025	Current Portion	Long-term Portion
Interfund loans:						
West Marin Loan	$ 911,747	-	(90,677)	821,070	93,168	727,902
Oceana Marin Loan	-	350,000	-	350,000	-	350,000
Total interfund loans	911,747	350,000	(90,677)	1,171,070	93,168	1,077,902

Changes in interfund loans for 2024 were as follows:

	Balance 2023	Additions	Principal Payments	Balance 2024	Current Portion	Long-term Portion
Interfund loans:						
West Marin Loan	$ 1,000,000	-	(88,253)	911,747	90,677	821,070
Total interfund loan	1,000,000	-	(88,253)	911,747	90,677	821,070

West Marin Loan

In 2022, the District entered into an interfund loan agreement between the Novato Water system and West Marin Water system for $1,000,000 with an interest rate of 2.75% per annum. The proceeds from the loan were used for the purpose of covering construction in progress projects and expense deficits. Principal and interest payments on the loan are due annually beginning July 1, 2023 and maturing in 2033. See the Combining Schedule of Net Position on page 67.

Annual debt service requirements for the loan are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 93,168	22,553	115,721
2027	95,727	19,993	115,720
2028	98,356	17,364	115,720
2029	101,058	14,663	115,721
2030	103,833	11,887	115,720
2031-2033	328,928	18,233	347,161
Total	821,070	104,693	925,763
Current	(93,168)		
Non-current	$ 727,902		

Oceana Marin Loan

In 2025, the District entered into an interfund loan agreement between the Novato Water system and Oceana Marin Water system for $350,000 with an interest rate of 2.99% per annum. The proceeds from the loan were used for the purpose of covering construction in progress projects and expense deficits. Principal and interest payments on the loan are due annually beginning July 1, 2026 and maturing in 2036. See the Combining Schedule of Net Position on page 67.

(6) Interfund Loans, continued

Oceana Marin Loan, continued

Annual debt service requirements for the loan are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ -	-	-
2027	30,539	10,479	41,018
2028	31,453	9,565	41,018
2029	32,395	8,623	41,018
2030	33,365	7,653	41,018
2031-2035	182,422	22,669	205,091
2036	39,826	1,191	41,017
Total	350,000	60,180	410,180
Current	-		
Non-current	$ 350,000		

(7) Transfer

In 2025, there were no reported transfers.

In 2024, the Novato Water system transferred $693,686 to the Novato Recycled system to assist the Novato Recycled system's operations.

(8) Capital Assets

Construction-In-Progress

The District has been involved in various construction projects throughout the year. The balance of the various construction projects that comprise construction-in-progress at June 30 are as follows:

	2025	2024
Developer construction – Novato Water	$ 1,706,100	1,885,830
Other construction – Novato Water	6,968,359	22,226,275
Other construction – Novato Recycled	233,861	303,024
Other construction – West Marin Water	1,143,929	2,345,352
Other construction – Oceana Marin Sewer	2,189,535	575,459
Total construction-in-progress	$ 12,241,784	27,335,940

(8) Capital Assets, continued

The change in capital assets for 2025 are as follows:

	Balance 2024	Additions/ Transfers	Deletions/ Transfers	Balance 2025
Non-depreciable assets:				
Land and land rights	$ 1,493,091	-	-	1,493,091
Construction-in-progress	27,335,940	9,994,197	(25,088,353)	12,241,784
Total non-depreciable assets	28,829,031	9,994,197	(25,088,353)	13,734,875
Depreciable and amortizable assets:				
Distribution system	112,020,941	2,975,970	-	114,996,911
Treatment plant	23,486,730	-	-	23,486,730
Storage facilities	26,430,232	1,862,275	-	28,292,507
Transmission system	29,503,127	125,783	-	29,628,910
Source facilities	5,675,845	1,465,822	-	7,141,667
Sewer facilities	1,218,650	69,456	(9,489)	1,278,617
Structures and improvements	2,502,997	18,405,910	(684,239)	20,224,668
Other plant and equipment	4,515,758	248,874	(698,098)	4,066,534
Right-to-use structures	-	-	-	-
Right-to-use equipment	817,099	246,749	(166,615)	897,233
Total depreciable and amortizable assets	206,171,379	25,400,839	(1,558,441)	230,013,777
Accumulated depreciation and amortization:				
Distribution system	(41,951,706)	(2,033,880)	-	(43,985,586)
Treatment plant	(13,303,554)	(750,671)	-	(14,054,225)
Storage facilities	(10,001,146)	(480,832)	-	(10,481,978)
Transmission system	(5,478,678)	(224,819)	-	(5,703,497)
Source facilities	(2,832,847)	(115,060)	-	(2,947,907)
Sewer facilities	(752,771)	(37,167)	8,105	(781,833)
Structures and improvements	(1,597,463)	(60,801)	668,336	(989,928)
Other plant and equipment	(3,580,085)	(223,290)	615,146	(3,188,229)
Right-to-use structures	-	-	-	-
Right-to-use equipment	(408,458)	(153,103)	166,480	(395,081)
Total accumulated depreciation and amortization	(79,906,708)	(4,079,623)	1,458,067	(82,528,264)
Total depreciable assets, net	126,264,671	21,321,216	(100,374)	147,485,513
Total capital assets, net	$ 155,093,702	31,315,413	(25,188,727)	161,220,388

(8) Capital Assets, continued

The change in capital assets for 2024 are as follows:

	Balance 2023	Additions/ Transfers	Deletions/ Transfers	Balance 2024
Non-depreciable assets:				
Land and land rights	$ 1,493,091	-	-	1,493,091
Construction-in-progress	16,887,938	12,042,022	(1,594,020)	27,335,940
Total non-depreciable assets	18,381,029	12,042,022	(1,594,020)	28,829,031
Depreciable and amortizable assets:				
Distribution system	111,659,086	361,855	-	112,020,941
Treatment plant	23,263,267	223,463	-	23,486,730
Storage facilities	26,198,518	231,714	-	26,430,232
Transmission system	29,503,127	-	-	29,503,127
Source facilities	5,675,845	-	-	5,675,845
Sewer facilities	1,218,650	-	-	1,218,650
Structures and improvements	2,119,365	383,632	-	2,502,997
Other plant and equipment	4,172,155	373,846	(30,243)	4,515,758
Right-to-use structures	587,691	-	(587,691)	-
Right-to-use equipment	669,936	147,163	-	817,099
Total depreciable and amortizable assets	205,067,640	1,721,673	(617,934)	206,171,379
Accumulated depreciation and amortization:				
Distribution system	(39,931,989)	(2,019,717)	-	(41,951,706)
Treatment plant	(12,557,720)	(745,834)	-	(13,303,554)
Storage facilities	(9,474,615)	(526,531)	-	(10,001,146)
Transmission system	(5,243,574)	(235,104)	-	(5,478,678)
Source facilities	(2,725,437)	(107,410)	-	(2,832,847)
Sewer facilities	(719,065)	(33,706)	-	(752,771)
Structures and improvements	(1,545,085)	(52,378)	-	(1,597,463)
Other plant and equipment	(3,403,347)	(206,981)	30,243	(3,580,085)
Right-to-use structures	(523,638)	(64,053)	587,691	-
Right-to-use equipment	(260,890)	(147,568)	-	(408,458)
Total accumulated depreciation and amortization	(76,385,360)	(4,139,282)	617,934	(79,906,708)
Total depreciable assets, net	128,682,280	(2,417,609)	-	126,264,671
Total capital assets, net	$ 147,063,309	9,624,413	(1,594,020)	155,093,702

(9) Compensated Absences

The District recognizes a liability for compensated absences in accordance with GASB Statement No. 101, “Compensated Absences”. Compensated absences comprise unpaid vacation leave that accrue when benefits are fully vested and are determined annually. Compensated absences for governmental funds will generally be liquidated through the general fund. The balance in the proprietary fund will be liquidated through the Novato Water fund.

(9) Compensated Absences, continued

As of June 30 2025, the liability for compensated absences was calculated based on employees' pay rates at the fiscal year end and historical usage data, considering employment policies. The liability represents amounts that are more likely than not to used or paid out. The liability is reported in the Statement of Net Position.

The net change in the compensated absence liability for the fiscal years ended June 30, 2025 and 2024, decreased and increased by $98,922 and $166,058, respectively.

The change in compensated absences for 2025 was as follows:

As Restated 2024	Earned	Taken	Balance 2025	Current Portion	Long-term Portion
$ 976,613	-	(98,922) *	877,691	374,927	502,764

The change in compensated absences for 2024 was as follows:

As Restated 2023	Earned	Taken	As Restated 2024	Current Portion	Long-term Portion
$ 810,555	166,058 *	-	976,613	377,266	599,347

*The changes in the compensated absence liabilities are presented as a net change.

(10) Long-term Debt

The changes in long-term debt for 2025 was as follows:

	Balance 2024	Additions	Principal Payments	Balance 2025	Current Portion	Long-term Portion
Long-term debt:						
Leases payable:						
Enterprise vehicle leases	$ 400,096	86,250	(144,073)	342,273	125,611	216,662
Total leases payable	400,096	86,250	(144,073)	342,273	125,611	216,662
Loans payable:						
Novato Water						
2005 DWR loan	4,894,922	-	(933,027)	3,961,895	474,893	3,487,002
2011 B of M loan	3,122,753	-	(381,264)	2,741,489	394,497	2,346,992
2018 JP Morgan Chase Loan	2,985,000	-	(300,000)	2,685,000	305,000	2,380,000
2022 Webster Bank loan	18,367,077	-	(776,681)	17,590,396	800,835	16,789,561
Novato Recycled						
2005 SWRCB loan	782,254	-	(254,593)	527,661	260,703	266,958
2011-2012 SWRCB loans	4,872,887	-	(498,676)	4,374,211	510,556	3,863,655
2016 SWRCB Loan	5,858,350	-	(217,189)	5,641,161	219,361	5,421,800
West Marin Water						
2011 B of M loan	458,387	-	(55,965)	402,422	57,908	344,514
Total loans payable	41,341,630	-	(3,417,395)	37,924,235	3,023,753	34,900,482
Total long-term debt	$ 41,741,726	86,250	(3,561,468)	38,266,508	3,149,364	35,117,144

(10) Long-term Debt, continued

The changes in long-term debt for 2024 was as follows:

	Balance 2023	Additions	Principal Payments	Balance 2024	Current Portion	Long-term Portion
Long-term debt:						
Leases payable:						
Enterprise vehicle lease	$ 397,580	146,993	(144,477)	400,096	134,871	265,225
100 Wood Hollow structure lease	43,972	-	(43,972)	-	-	-
Buck Institute structure lease	22,869	-	(22,869)	-	-	-
Total leases payable	464,421	146,993	(211,318)	400,096	134,871	265,225
Loans payable:						
Novato Water						
2005 DWR loan	5,806,044	-	(911,122)	4,894,922	463,743	4,431,179
2011 B of M loan	3,490,933	-	(368,180)	3,122,753	381,264	2,741,489
2018 JP Morgan Chase Loan	3,275,000	-	(290,000)	2,985,000	300,000	2,685,000
2022 Webster Bank loan	19,120,331	-	(753,254)	18,367,077	776,681	17,590,396
Novato Recycled						
2005 SWRCB loan	1,030,881	-	(248,627)	782,254	254,593	527,661
2011-2012 SWRCB loans	5,359,962	-	(487,075)	4,872,887	498,676	4,374,211
2016 SWRCB Loan	6,073,389	-	(215,039)	5,858,350	217,189	5,641,161
West Marin Water						
2011 B of M loan	512,431	-	(54,044)	458,387	55,965	402,422
Total loans payable	44,668,971	-	(3,327,341)	41,341,630	2,948,111	38,393,519
Total long-term debt	$ 45,133,392	146,993	(3,538,659)	41,741,726	3,082,982	38,658,744

Enterprise Vehicle Lease

In May 2019, the District entered into an agreement with Enterprise Fleet Management Trust (Enterprise) to lease vehicles from time to time, commencing on the delivery date of each vehicle. As of June 30, 2025, the District maintains leases for 24 vehicles with delivery dates from April 2020 through June 2025. Each vehicle has a term of 60 months with principal and interest due monthly through 2029.

Following the guidelines set forth by *GASB Statement No. 87*, the District has recorded a right-to-use asset and a lease payable at present value with interest rates ranging from -0.03% to 0.43%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 125,611	10,765	136,376
2027	100,254	7,826	108,080
2028	73,095	4,871	77,966
2029	35,644	1,985	37,629
2030	7,669	311	7,980
Total	342,273	25,758	368,031
Current	(125,611)		
Non-current	$ 216,662		

(10) Long-term Debt, continued

100 Wood Hollow Structure Lease

In March 2022, the District entered into an agreement with 100 Wood Hollow Drive Owner LLC to rent 10,289 square feet of building space for the purpose of providing a temporary location for the District's headquarters operations for the duration of the District's headquarters remodeling project. Terms of the agreement commenced on May 15, 2022, for a period of 15 months, with base rent due monthly at $28,295 per month, for months 1-12 and $29,735 for months 13-15.

Following the guidelines 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 3.11%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

In 2024, the District revised the lease terms to month-to-month in the anticipation of the close of construction on the District's headquarters building in Novato. In 2025, the lease was terminated when the District administration moved into its remodeled headquarters building.

Buck Institute Structure Lease

In February 2022, the District entered into an agreement with The Buck Institute for Research on Aging to rent laboratory facility space for purposes of conducting water quality testing for the duration of the District's headquarters remodeling project. Terms of the agreement commenced on February 16, 2022, for a period of 19 months with base rent due quarterly at $8,964 per month for months 1-12 and $9,233 for months 13-19.

Following the guidelines 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 3.11%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

In 2024, the District revised the lease terms to month-to-month in the anticipation of the close of construction on the District's headquarters building in Novato. In 2025, the lease was terminated when the District administration moved into its remodeled headquarters building.

2005 DWR Loan – Novato Water segment

In 2005, the District entered into an agreement with the California Department of Water Resources (DWR) for a loan in an amount not-to-exceed $16,528,850 with an interest rate of 2.39% per annum. The proceeds from the loan were used for the reconstruction of the Stafford Water Treatment Plant. Principal and interest payments on the loan are due semi-annually on January 1st and July 1st and matures in 2030.

Annual debt service requirements for the loan are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 474,893	47,344	522,237
2027	966,878	77,597	1,044,475
2028	990,124	54,350	1,044,474
2029	1,013,930	30,544	1,044,474
2030	516,070	6,168	522,238
Total	3,961,895	216,003	4,177,898
Current	(474,893)		
Non-current	$ 3,487,002		

(10) Long-term Debt, continued

2005 SWRCB Loan – Novato Recycled Water segment

In 2005, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a loan in an amount of $4,302,560 with an interest rate of 2.40% per annum. The proceeds from the loan were used to construct the Deer Island Recycled Water Facility. Principal and interest are payable annually on June19th and matures in 2027.

As noted in note 3, the District entered into a contractual agreement with Stone Tree Golf Course whereby Stone Tree Golf Course agreed to reimburse the District for construction costs incurred for the new recycled water facility in-lieu of connection fees. As the major customer of the recycled water facility, Stone Tree Golf Course contributed a significant amount towards the District's repayment of this loan.

Annual debt service requirements for the loan are as follows:

Fiscal Year		Principal	Interest	Total
2026	$	260,703	12,664	273,367
2027		266,958	6,407	273,365
Total		527,661	19,071	546,732
Current		(260,703)		
Non-current	$	266,958		

2011-2012 SWRCB Loans – Novato Recycled Water segment – North and South Service Areas

In 2011, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a loan in an amount not-to-exceed $4,364,335 with an interest rate of 2.60% per annum. The proceeds from the loan were used to construct the Recycled Water Expansion project – North Service Area. As of June 30, 2013, the loan totaled $4,375,605 consisting of eligible reimbursement cost of $4,364,335 and capitalized interest charges of $11,270. Principal and interest payments of $281,892 are payable annually and matures in 2033.

In 2012, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a loan in an amount not-to-exceed $5,480,740 with an interest rate of 2.20% per annum. The proceeds from the loan were used to construct the Recycled Water Expansion project – South Service Area. Principal and interest payments of $332,407 are payable annually and matures in 2034.

Annual debt service requirements for the loan are as follows:

Fiscal Year		Principal	Interest	Total
2026	$	510,556	103,743	614,299
2027		522,720	91,579	614,299
2028		535,177	79,122	614,299
2029		547,932	66,367	614,299
2030		560,993	53,306	614,299
2031-2034		1,696,833	80,532	1,777,365
Total		4,374,211	474,649	4,848,860
Current		(510,556)		
Non-current	$	3,863,655		

(10) Long-term Debt, continued

2011 Bank of Marin Loan – Novato Water and West Marin Water Segments

In October 2011, the District entered into a loan agreement with the Bank of Marin for a 20-year $8.0 million construction loan with an interest rate of 3.42% per annum. The proceeds of the loan were used for the North Marin Aqueduct Energy Efficiency Project and West Marin water improvements. Principal and interest payments of $46,067 are payable monthly on the 27th day of each month and matures in September 2031.

Annual debt service requirements for the loan are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 452,405	100,395	552,800
2027	468,107	84,693	552,800
2028	484,175	68,625	552,800
2029	501,159	51,641	552,800
2030	518,553	34,247	552,800
2031-2032	719,512	17,555	737,067
Total	3,143,911	357,156	3,501,067
Current	(452,405)		
Non-current	$ 2,691,506		

2016 SWRCB Loan – Novato Recycled Water segment – Central Service Area

In 2016, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for an amount not-to-exceed $10,450,708. The amount consists of a 30-year loan totaling $7,130,503 with an interest rate of 1.00% per annum and capital grant totaling $3,320,205. The proceeds of the loan were used to construct the Recycled Water Expansion project – Central Service Area. Principal and interest are payable annually on December 31st and matures in 2048.

As noted in note 3, the District entered into a contractual agreement with the Marin Country Club whereby the Country Club agreed to reimburse the District for construction costs incurred for the new recycled water pipeline in-lieu of connection fees. As the primary customer of the Central Service Area pipeline, the Country Club contributes a significant amount towards the District's repayment of this loan.

Annual debt service requirements for the loan are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 219,361	56,412	275,773
2027	221,555	54,218	275,773
2028	223,770	52,002	275,772
2029	226,008	49,765	275,773
2030	228,268	47,505	275,773
2031-2035	1,176,041	202,823	1,378,864
2036-2040	1,236,031	142,833	1,378,864
2041-2045	1,299,081	79,783	1,378,864
2046-2048	811,046	16,275	827,321
Total	5,641,161	701,616	6,342,777
Current	(219,361)		
Non-current	$ 5,421,800		

(10) Long-term Debt, continued

2018 JP Morgan Chase Loan

In 2018, the District entered into an agreement with JP Morgan Chase Bank for a loan in an amount of $4,600,000 with an interest rate of 2.69% per annum. The proceeds of the loan were used to finance the acquisition and construction of the automated meter information system throughout the District's Novato service area. Principal and interest payments on the loan are due semi-annually on September 1st and March 1st and matures in 2033.

Annual debt service requirements for the loan are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 305,000	72,227	377,227
2027	315,000	64,022	379,022
2028	320,000	55,549	375,549
2029	330,000	46,941	376,941
2030	340,000	38,064	378,064
2031-2033	1,075,000	58,239	1,133,239
Total	2,685,000	335,042	3,020,042
Current	(305,000)		
Non-current	$ 2,380,000		

2022 Webster Bank Loan

In May 2022, the District entered into an agreement with Webster Bank, N.A. for a loan in the amount of $20,000,000 with an interest rate of 3.11% per annum. The proceeds of the loan were used to finance the improvements to its system, consisting of the District's headquarters building upgrade and expansion project, and other capital projects. Principal and interest payments on the loan are due semi-annually on September 1st and March 1st and matures in 2043.

Fiscal Year	Principal	Interest	Total
2026	$ 800,835	547,061	1,347,896
2027	825,741	522,155	1,347,896
2028	851,422	496,475	1,347,897
2029	877,901	469,996	1,347,897
2030	905,204	442,693	1,347,897
2031-2035	4,966,221	1,773,263	6,739,484
2036-2040	5,788,019	951,464	6,739,483
2041-2043	2,575,053	120,739	2,695,792
Total	17,590,396	5,323,846	22,914,242
Current	(800,835)		
Non-current	$ 16,789,561		

(11) Other Post-employment Benefits (OPEB) Plan

General Information about the OPEB Plan

Plan description – The District's defined benefit OPEB plan (Plan) provides OPEB for all permanent full-time employees. 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided – The District offers other post-employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits.

The District contributes up to $319.22 to PEMHCA on behalf of each retiree eligible for PEMHCA. The District makes supplemental contributions towards certain retirees' PEMHCA premiums if the retiree has attained age 55 and has completed at least 12 years of service with the District at the time of retirement. For employees hired on or after October 1, 2018, the retiree must be at least age 55 at the date of retirement with a minimum of 20 years of full-time equivalent service.

The District's contribution varies by group and retirement date, as follows:

(1) Retiring on or after January 1, 2013, all groups: Up to 85% of the Kaiser 2-party rate each year, offset by the District's basic contribution of $319.22/month to PEMHCA. If there is no covered spouse, or once the spouse has attained age 65, this changes to 85% of the Kaiser 1-party rate. The supplement ends upon the retiree's attainment of age 65*.

(2) Retiring on or after June 1, 2005, but before January 1, 2013, all groups: Up to 90% of the Kaiser 2-party rate each year, offset by the District's basic contribution of $319.22/month to PEMHCA. If there is no covered spouse, or once the spouse has attained age 65, this changes to 90% of the Kaiser 1-party rate. The supplement ends upon the retiree's attainment of age 65*.

(3) Retiring before June 1, 2005:

- *Represented* – Up to 100% of the Kaiser 2-party rate (or 1-party rate if single or if spouse has attained age 65) until retiree's age 65; after age 65, the dollar amount is capped at a flat $409.91/month. All amounts are offset by the District's basic $319.22/month to PEMHCA.
- *Unrepresented* – Up to 90% of the Kaiser 2-party rate (or 1-party rate if single or if spouse has attained age 65) until retiree's age 65; after age 65, the dollar amount is capped at a flat $364.87/month. All amounts are offset by the District's basic $319.22/month to PEMHCA.
- Coverage terminates for the spouse when the spouse becomes eligible for Medicare, or for both the retiree and spouse when the retiree becomes eligible for Medicare.

* If a retiree covered under the medical plan dies before age 65, his/her spouse may continue District-paid group health coverage until age 65 if ineligible for other health insurance coverage, i.e., through employment or remarriage.

Employees covered by benefit terms – At June 30, the following employees were covered by the benefit terms:

	2025	2024
Inactive employees or beneficiaries currently receiving benefit payments	39	39
Inactive employees entitled to but not receiving benefit payments	-	-
Active employees	55	55
	94	94

(11) Other Post-employment Benefits (OPEB) Plan, continued

General Information about the OPEB Plan, continued

Contributions – The Plan and its contribution requirements for eligible retired employees of the District are established and may be amended by the Board of Directors. The District pays a portion of 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. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of *GASB Statement No. 75*.

Total OPEB Liability

The District's total OPEB liability of $4,327,665 and $4,869,618 was measured as of June 30, 2025 and 2024, respectively, and was determined by an actuarial valuation as of July 1, 2023 for measurement periods July 1, 2024 to June 30, 2025 and July 1, 2022, to June 30, 2023, respectively.

Actuarial assumptions and other inputs – The total OPEB liability measured based on the July 1, 2023, actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2025 - 2.50 percent 2024 - 2.50 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	2025 - 5.20 percent 2024 - 3.97 percent
Healthcare cost trend rates	2025 - 5.25 percent for 2025-2029, 5.00 percent for 2030-2039, 4.75 percent for 2040-2049, 4.50 percent for 2050-2069, and 4.00 percent for 2070 and later years; Medicare ages: 4.50 percent for 2025-2029 and 4.00 percent for 2030 and later years.
Healthcare cost trend rates	2024 - 5.50 percent for 2024, 5.25 percent for 2025-2029, 5.00 percent for 2030-2039, 4.75 percent for 2040-2049, 4.50 percent for 2050-2069 4.00 percent for 2070 and later years; Medicare ages: 4.50 percent for 2024-2029 and 4.00 percent for 2030 and later years.

As of and for the years ended June 30, 2025 and 2024, the discount rates were based on the Fidelity GO AA 20-Years Municipal Index of 5.20% and 3.97%, respectively.

As of and for the year ended June 30, 2025, pre-retirement mortality rates were based on the CalPERS Experience Study (2000-2019).

As of and for the year ended June 30, 2024, pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2023 valuation was based on a review of plan experience during the periods July 1, 2024 to June 30, 2025 and July 1, 2022 to June 30, 2023.

(11) Other Post-employment Benefits (OPEB) Plan, continued

Changes in the Total OPEB Liability

	Total OPEB Liability 2025	Total OPEB Liability 2024
Balance at beginning of year	$ 4,869,618	4,287,222
Changes for the year:		
Service cost	197,591	196,490
Interest	194,240	188,823
Difference between expected and actual experience	-	228,085
Changes in assumptions or other inputs	(581,350)	277,919
Benefit payments	(352,434)	(308,921)
Net change	(541,953)	582,396
Balance at end of year	$ 4,327,665	4,869,618

There were no changes in benefit terms.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.97% in 2024 to 5.20% in 2025.

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the District as of June 30, 2025, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	Discount Rate - 1% (4.20%)	Current Discount Rate (5.20%)	Discount Rate + 1% (6.20%)
District's total OPEB liability	$ 4,792,940	4,327,665	3,920,436

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the District as of June 30, 2024, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	Discount Rate - 1% (2.97%)	Current Discount Rate (3.97%)	Discount Rate + 1% (4.97%)
District's total OPEB liability	$ 5,401,725	4,869,618	4,404,730

(11) Other Post-employment Benefits (OPEB) Plan, continued

Changes in the Total OPEB Liability, continued

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the District as of June 30, 2025, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (4.25% increasing to 5.25%)	Healthcare Cost Trend Rates (5.25% increasing to 6.25%)	1% Increase (6.25% increasing to 7.25%)
District's total OPEB liability	$ 3,951,797	4,327,665	4,789,157

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the District as of June 30, 2024, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (4.50% increasing to 5.50%)	Healthcare Cost Trend Rates (5.50% increasing to 6.50%)	1% Increase (6.50% increasing to 7.50%)
District's total OPEB liability	$ 4,472,902	4,869,618	4,404,730

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025 and 2024, the District recognized OPEB income and expense of $29,500 and $107,271, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30:

	2025		2024	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	(558,953)	-	(63,082)
Differences between actual and expected experience	219,707	-	236,289	-
Total	$ 219,707	(558,953)	236,289	(63,082)

(11) Other Post-employment Benefits (OPEB) Plan, continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, continued

As of June 30, 2025, amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Actuarially Determined Deferred Outflows/(Inflows) - OPEB Plan

Fiscal Year June 30:	Net Changes in Assumptions	Net Differences between Expected and Actual Experience	Net Deferred Outflows/(Inflows) of Resources
2026	$ (158,708)	50,030	(108,678)
2027	(164,888)	47,680	(117,208)
2028	(43,922)	26,522	(17,400)
2029	(36,078)	26,522	(9,556)
2030	(155,357)	68,953	(86,404)
Total	$ (558,953)	219,707	(339,246)

As of June 30, 2024, amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Actuarially Determined Deferred Outflows/(Inflows) - OPEB Plan

Fiscal Year June 30:	Net Changes in Assumptions	Net Differences between Expected and Actual Experience	Net Deferred Outflows/(Inflows) of Resources
2025	$ (17,085)	16,582	(503)
2026	(90,314)	50,030	(40,284)
2027	(96,494)	47,680	(48,814)
2028	24,472	26,522	50,994
2029	116,339	95,475	211,814
Total	$ (63,082)	236,289	173,207

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

See page 64 for the Required Supplementary Schedule.

(12) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (PERF C) administered by the California Public Employees' Retirement System (CalPERS). The PERF C consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans respectively. Benefit provisions under the Plan are established by State Statute and the District's 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 at 400 Q Street, Sacramento, California 95811.

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 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. For employees hired prior to January 1, 2013, who are current members of CalPERS or a reciprocal agency as of December 31, 2012 and have not been separated from service from such agency for more than six months, the retirement benefit is 2.5% at 55 years of age; highest single year of compensation. All other employees hired on or after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA based on the average annual compensation for the last three years of employment.

The District participates in the PERF C miscellaneous risk pool. The provision and benefits for the PERF C miscellaneous pool in effect at June 30, are summarized as follows:

	Classic	**PEPRA**
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	monthly for life	
Retirement age	50 - 55	57 - 62
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	2025: 7.96%	2025: 7.75%
	2024: 7.96%	2024: 7.75%
Required employer contribution rates	2025: 14.13%	2025: 7.87%
	2024: 14.06%	2024: 7.68%

(12) Defined Benefit Pension Plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1, following notice of the change in 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.

For the fiscal years ended June 30, the District's pension contributions were as follows:

	Miscellaneous Plan	
	2025	2024
Contributions – employer	$ 2,226,481	1,918,876

Net Pension Liability

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

	2025	2024
Proportionate share of net pension liability	$ 18,203,208	18,307,785

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, 2025 and 2024, the net pension liability of the Plan is measured as of June 30, 2024 and 2023 (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, 2023 and 2022 (valuation dates), rolled forward to June 30, 2024 and 2023, 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 proportionate share of the net pension liability for the Plan as of the measurement dates for June 30, 2025 and 2024, were as follows:

	Proportionate Share
Proportion at Measurement Date – June 30, 2023	0.14872 %
Change in proportion	(0.00197)
Proportion at Measurement Date – June 30, 2024	0.14675
Change is proportion	0.00335
Proportion at Measurement Date – June 30, 2025	0.15010 %

Deferred Pension Outflows (Inflows) of Resources

For the years ended June 30, 2025 and 2024, the District recognized pension expense of $3,207,433 and $2,539,258, respectively.

(12) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

At June 30, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025		2024	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date at June 30	$ 2,226,481	-	1,918,876	-
Net difference between actual and expected experience	1,512,423		790,179	
Net change in assumptions	467,860	-	1,105,323	-
Net difference between projected and actual earnings on plan investments	1,047,934	-	2,964,194	-
Net difference between actual contribution and proportionate share of contribution	73,045	-	-	(225,035)
Net change due to differences in proportion of net pension liability	-	(362,944)	-	(503,205)
Total	$ 5,327,743	(362,944)	6,778,572	(728,240)

As of June 30 2025 and 2024, the District reported $2,226,481 and $1,918,876, 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, 2025, will be recognized as a reduction of the net pension liability for the year ended June 30, 2026. Pension contributions subsequent to the measurement date for the year ended June 30, 2024, were recognized as a reduction of the net pension liability for the year ended June 30, 2025.

At June 30, 2025, 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 June 30,	Net Difference between Expected and Actual Experience	Net Change in Assumptions	Net Difference between Projected and Actual Earnings on Pension Plan Investments	Net Difference between Actual Contribution and Proportionate Share of Contribution	Net Change due to Differences in Proportions	Net, Deferred Outflows/(Inflows) of Resources
2026	$ 582,717	458,077	(192,519)	(23,789)	(255,625)	568,861
2027	625,147	4,746	1,961,950	59,955	(57,218)	2,594,580
2028	304,559	5,037	(337,906)	36,879	(50,101)	(41,532)
2029	-	-	(383,591)	-	-	(383,591)
Total	$ 1,512,423	467,860	1,047,934	73,045	(362,944)	2,738,318

(12) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

At June 30, 2024, 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 June 30,	Net Difference between Expected and Actual Experience	Net Change in Assumptions	Net Difference between Projected and Actual Earnings on Pension Plan Investments	Net Difference between Actual Contribution and Proportionate Share of Contribution	Net Change due to Differences in Proportions	Net, Deferred Outflows/(Inflows) of Resources
2025	$ 343,713	655,090	381,895	(169,009)	(315,616)	896,073
2026	202,018	451,782	191,071	(69,885)	(192,998)	581,988
2027	244,448	(1,549)	2,345,540	13,859	5,409	2,607,707
2028	-	-	45,688	-	-	45,688
Total	$ 790,179	1,105,323	2,964,194	(225,035)	(503,205)	4,131,456

Actuarial Assumptions

The total pension liabilities in the June 30, 2023 and 2022, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation dates	June 30, 2023 and 2022
Measurement dates	June 30, 2024 and 2023
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	2024 - 6.90% 2023 - 6.90%
Inflation	2024 - 2.30% 2023 - 2.30%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	6.90% 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	2024 and 2023 – 1997-2015
Post Retirement Benefit	2024 and 2023 – Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

* The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017, experience study report (based on CalPERS demographic data from 1997 to 2015) available online on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2024 and 2023, for the PERF C was 6.90%, respectively. This discount rate is not adjusted for administrative expenses.

(12) Defined Benefit Pension Plan, continued

Discount Rate, continued

The PERF C fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for those pension plans' investments were applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 and forecasted information for all funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class	New Strategic Allocation	Real Return Years 1–10*
Global equity - cap-weighted	30.00 %	4.45 %
Global equity non-cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	-5.00	-0.59
	100.00 %	

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

As June 30, 2025, the District's proportionate share of the net position liability for the Plan calculated using the discount rate, as well as what the District's proportional 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:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
District's net pension liability	$ 26,823,990	18,203,208	11,107,036

(12) Defined Benefit Pension Plan, continued

As of June 30, 2024, the District's proportionate share of the net position liability for the Plan calculated using the discount rate, as well as what the District's proportional 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:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
District's net pension liability	$ 26,580,129	18,307,785	11,498,935

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 65 and 66 for Required Supplementary Schedules.

(13) Net Position

Calculation of net position per fund as of June 30, 2025, was as follows:

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Net investment in capital assets:					
Capital assets, not being depreciated	$ 9,771,347	233,861	1,539,200	2,190,467	13,734,875
Depreciable capital assets, net	110,851,569	28,331,963	7,374,429	927,552	147,485,513
Webster loan fund – administrative building	-	-	-	-	-
Current:					
Leases payable	(125,611)	-	-	-	(125,611)
Loans payable	(1,975,225)	(990,620)	(57,908)	-	(3,023,753)
Non-current:					
Leases payable	(216,662)	-	-	-	(216,662)
Loans payable	(25,003,555)	(9,552,413)	(344,514)	-	(34,900,482)
Total net investment in capital assets	92,983,416	18,022,791	8,511,207	3,118,019	122,635,433
Restricted net position:					
SRF loan fund – Stafford Treatment Plant	1,070,027	-	-	-	1,070,027
SRF reserve fund – Recycled Water System North, South, and Central	-	890,072	-	-	890,072
SRF reserve fund – Recycled Water System Deer Island	-	215,000	-	-	215,000
Interagency capital replacement and expansion fund	-	5,687,700	-	-	5,687,700
Total restricted net position	1,070,027	6,792,772	-	-	7,862,799
Unrestricted net position:					
Non-spendable net position:					
Current:					
Materials and supplies inventory	943,437	-	-	-	943,437
Prepaid expenses and deposits	455,259	-	-	-	455,259
Non-current:					
Notes receivable	-	944,411	-	-	944,411
Notes receivable – employee housing loans	850,000	-	-	-	850,000
Total non-spendable net position	2,248,696	944,411	-	-	3,193,107
Spendable net position are designated as follows:					
Other post-employment benefits reserve	4,327,665	-	-	-	4,327,665
Operating reserve (deficit)	(5,800,158)	678,414	(551,186)	1,633	(5,671,297)
Total spendable net position (deficit)	(1,472,493)	678,414	(551,186)	1,633	(1,343,632)
Total unrestricted net position	776,203	1,622,825	(551,186)	1,633	1,849,475
Total net position	$ 94,829,646	26,438,388	7,960,021	3,119,652	132,347,707

(13) Net Position, continued

Calculation of net position per fund as of June 30, 2024, was as follows:

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Net investment in capital assets:					
Capital assets, not being depreciated	$ 25,466,389	303,024	2,482,837	576,781	28,829,031
Depreciable capital assets, net	90,411,037	28,775,191	6,163,179	915,264	126,264,671
Webster loan fund – administrative building	3,404,828	-	-	-	3,404,828
Current:					
Leases payable	(134,871)	-	-	-	(134,871)
Loans payable	(1,921,688)	(970,458)	(55,965)	-	(2,948,111)
Non-current:					
Leases payable	(265,225)	-	-	-	(265,225)
Loans payable	(27,448,064)	(10,543,033)	(402,422)	-	(38,393,519)
Total net investment in capital assets	89,355,314	17,564,724	8,187,629	1,492,045	116,599,712
Restricted net position:					
SRF loan fund – Stafford Treatment Plant	1,067,432	-	-	-	1,067,432
SRF reserve fund – Recycled Water System North, South, and Central	-	890,072	-	-	890,072
SRF reserve fund – Recycled Water System Deer Island	-	215,000	-	-	215,000
Interagency capital replacement and expansion fund	-	5,974,462	-	-	5,974,462
Total restricted net position	1,067,432	7,079,534	-	-	8,146,966
Unrestricted net position:					
Non-spendable net position:					
Current:					
Materials and supplies inventory	1,007,639	-	-	-	1,007,639
Prepaid expenses and deposits	507,197	-	-	-	507,197
Non-current:					
Notes receivable	-	983,592	-	-	983,592
Notes receivable – employee housing loans	250,000	-	-	-	250,000
Total non-spendable net position	1,764,836	983,592	-	-	2,748,428
Spendable net position are designated as follows:					
Other post-employment benefits reserve	4,287,222	-	-	-	4,287,222
Operating reserve (deficit)	(2,466,200)	406,540	(339,131)	482,332	(1,916,459)
Total spendable net position (deficit)	1,821,022	406,540	(339,131)	482,332	2,370,763
Total unrestricted net position	3,585,858	1,390,132	(339,131)	482,332	5,119,191
Total net position	$ 94,008,604	26,034,390	7,848,498	1,974,377	129,865,869

(14) Adjustments to Net Position

In fiscal year 2025, the District implemented GASB Statement No. 101 – *Compensated Absences* to recognize the provisions of the Statement towards its compensated absences liability. As a result of the implementation, the District recognized adjustments to it compensated absence liability and recorded prior period adjustments, decreases to net position, of $115,240 at June 30, 2023 and $177,484 at June 30, 2024.

The adjustments to net position are as follows:

Net position at July 1, 2022, as previously stated	$	120,256,577
Effect of adjustment to implement GASB 101 compensated absences		(115,240)
Change in net position at June 30, 2023, as previously stated		5,964,401
Subtotal adjustments		5,849,161
Net position at June 30, 2023, as restated	$	126,105,738
Effect of adjustment to reverse prior year GASB 101 adjustment		115,240
Effect of adjustment to implement GASB 101 compensated absences		(177,484)
Change in net position at June 30, 2024, as previously stated		3,822,375
Subtotal adjustments		3,760,131
Net position at June 30, 2024, as restated	$	129,865,869

(15) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. 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. 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 this plan, the assets and related liabilities are not shown on the statements of net position. As of June 30, 2025 and 2024, the assets of the deferred compensation savings plan totaled $10,224,042 and $9,760,911, respectively.

(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 purchases commercial insurance policies with a variety of coverage.

At June 30, 2025, the District coverage with various insurance carriers are as follows:

- General liability coverage includes general aggregate and products and completed operations aggregate of $10 million; personal and advertising injury and damage to premises rented by the District of $1 million; and medical expenses of $10,000. Each claim is subject to a deductible of $100,000.
- Excess liability coverage limits of $9 million each occurrence and aggregate.
- Property insurance coverage is as follows: 1) Real property and business personal property blanket coverage up to $100,000,000 subject to a $50,000 deductible; and $100,000 for rented, or leased equipment subject to a $50,000 deductible.
- Automobile insurance coverage as follows: 1) $1,000,000 Combined single limit for bodily injury & property damage; $1,000,000 each for hired auto, non-owned auto, and uninsured/underinsured motorist; $100,000 for hired physical damage; and $5,000 for medical payments. Liability coverages are subject to a $100,000 deductible and physical damage coverages are subject to a $5,000.
- Crime coverage includes employee theft of $1 million, forgery or alteration of $500,000, theft of money and securities of $250,000, robbery and safe burglary of $100,000, crime outside the premises of $250,000, computer fraud and funds transfer fraud of $500,000 and money orders and counterfeit money limit of $250,000. Each claim is subject to a deductible of $100,000.
- Public officials and management liability against wrongful acts, employment practices, and employee benefit plans of $10 million. Each claim is subject to a deductible of $100,000.
- Workers' compensation insurance: Statutory limits; Employers Liability coverage up to $1 million per accident; each employee; policy aggregate.
- Environmental coverage up to $4 million aggregate, $2 million Each Pollution Condition. Each claim is subject to a deductible of $25,000.
- Railroad Protective Liability $10 million aggregate, $5 million per occurrence
- Cyber coverage up to $1 million aggregate; each incident; each Claim, each loss $10,000 deductible

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ended June 30, 2025 and 2024.

(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the report date, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements.* The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 104

In September 2024, the GASB issued Statement No. 104 – Disclosure of Certain Capital Assets. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

(18) Commitments and Contingencies

Solar Power Services, Facilities, and Site Agreement

In February 2012, the District entered into a Solar Power Services Agreement to purchase all the solar power generated from the Solar Power Generating Facility constructed near the District's Stafford Treatment Plant facility at a Take-or-Pay price of $0.1700 per kilowatt hour escalating 3.0% annually to $0.2981 per kilowatt hour over a 20-year contract period. In addition, in February 2013, the District executed a 20-year lease with the Solar Services company to construct the Solar Power Generating Facility on District land for a land lease of $100 for the period (or $5 per year).

Construction Contracts

The District has a variety of agreements with developers and private parties relating to the installation, improvement, or modification of buildings, transmission facilities, and distribution systems within its service area in addition to the acquisition of other assets. The financing of such improvements is provided primarily from advances for construction. The District also improves and modifies its existing infrastructure and finances such improvements from its reserves. The District has commitments of approximately $1,820,584 and $6,338,993 in capital expenditures as of June 30, 2025 and 2024, respectively.

(18) Commitments and Contingencies, continued

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

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

Events occurring after June 30, 2025, have been evaluated for possible adjustment to the financial statements or disclosure as of December 16, 2025, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Required Supplementary Information

North Marin Water District
Schedule of Changes in the District Total OPEB Liability and Related Ratios
As of June 30, 2025
Last Ten Years*

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	$ 197,591	196,490	133,569	189,098	166,020	140,410	137,480	145,989
Interest	194,240	188,823	160,146	101,213	115,047	135,765	150,690	132,454
Differences between expected and actual experience	-	228,085	-	138,698	-	(272,373)	163,205	-
Changes in assumptions or other inputs	(581,350)	277,919	(73,234)	(758,672)	256,981	363,781	195,564	(197,296)
Benefit payments	(352,434)	(308,921)	(276,859)	(264,768)	(258,042)	(229,722)	(250,340)	(375,787)
Net change in total OPEB liability	(541,953)	582,396	(56,378)	(594,431)	280,006	137,861	396,599	(294,640)
Total OPEB liability - beginning	4,869,618	4,287,222	4,343,600	4,938,031	4,658,025	4,520,164	4,123,565	4,418,205
Total OPEB liability - ending	$ 4,327,665	4,869,618	4,287,222	4,343,600	4,938,031	4,658,025	4,520,164	4,123,565
Covered-employee payroll	$ 8,191,290	7,366,467	6,668,362	6,126,310	5,685,912	5,699,559	5,434,109	5,635,521
Total OPEB liability as a percentage of covered-employee payroll	52.83%	66.11%	64.29%	70.90%	86.85%	81.73%	83.18%	73.17%
Valuation date	July 1, 2023	July 1, 2023	July 1, 2022	July 1, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Methods and assumptions used to determine contrbution rates:								
Single and agent employers	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)
Inflation	2.50%	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%	4.00%
Salary increases	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Mortality, retirement, turnover	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)

(1) Level percentage of payroll, closed

(2) Preretirement Mortality Rates from CalPERS Experience Study (2000-2019).
Post-retirement Mortality Rates for Healthy Recipients from CalPERS Experience Study (2000-2019).

(3) Preretirement Mortality Rates from RP-2014 Employee Mortality, without projection
Postretirement Mortality Rates from RP-2014 Healthy Annuitant Mortality, without projection.

There are no asset accumultaed in a trust that meets the criteria of GASB codification P52.101 to pay related benefits for the OPEB plan.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

North Marin Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2025
Last Ten Years

Description	Measurement Dates									
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.15010%	0.14675%	0.14872%	0.17135%	0.13536%	0.13324%	0.13034%	0.12881%	0.12759%	0.12558%
District's proportionate share of the net pension liability	$ 18,203,208	18,307,785	17,178,160	9,267,034	14,727,660	13,653,187	12,560,160	12,774,724	11,040,789	8,619,837
District's covered payroll	$ 6,012,964	5,387,870	5,228,970	5,013,891	4,877,510	4,878,849	4,953,247	4,600,500	4,542,666	4,305,518
District's proportionate share of the net pension liability as a percentage of its covered payroll	302.73%	339.80%	328.52%	184.83%	301.95%	279.84%	253.57%	277.68%	243.05%	200.20%
Plan's fiduciary net position as a percentage of the total pension liability	71.51%	70.07%	70.56%	83.29%	72.26%	73.56%	74.43%	72.80%	73.98%	78.63%

Notes to schedule:

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 administartive expense.

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%

From fiscal year June 30, 2018 to June 30, 2019:

The inflation rate was reduced from 2.75% 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:

The discount rate was reduced from 7.15% to 6.90%

The inflation rate was reduced from 2.50% to 2.30%

From fiscal year June 30, 2022 to June 30, 2023:

There were no changes in assumptions.

From fiscal year June 30, 2023 to June 30, 2024:

There were no changes in assumptions.

From fiscal year June 30, 2024 to June 30, 2025:

There were no changes in assumptions.

North Marin Water District
Schedules of Pension Plan Contributions
As of June 30, 2025
Last Ten Years

Description	Fiscal Years									
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Actuarially determined contribution	$ 2,115,582	1,918,876	1,867,734	1,674,677	1,490,360	1,370,702	1,155,358	1,017,325	926,448	828,792
Contributions in relation to the actuarially determined contribution	(2,115,582)	(1,918,876)	(1,867,734)	(1,674,677)	(1,490,360)	(1,370,702)	(1,155,358)	(1,017,325)	(926,448)	(828,792)
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
District's covered payroll	$ 5,682,759	6,012,964	5,387,870	5,228,970	5,013,891	4,877,510	4,878,849	4,953,247	4,600,500	4,542,666
Contribution's as a percentage of covered payroll	37.23%	31.91%	34.67%	32.03%	29.72%	28.10%	23.68%	20.54%	20.14%	18.24%
Notes to schdeule:										
Valuation date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
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	Entry Age	Entry Age
Amortization method	(1)	(1)	(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	Market Value	Market Value	Market Value
Inflation	2.30%	2.30%	2.30%	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	6.90% (3)	6.90% (3)	6.90% (3)	7.15% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level of percentage payroll, closed
(2) Depending on age, service, and type of employement
(3) Net pf 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.

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Supplemental Information

Combining Schedules

North Marin Water District
Combining Schedule of Net Position
For the Year Ended June 30, 2025

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Current assets:					
Cash and cash equivalents	$ 7,261,198	4,116,394	396,463	220,451	11,994,506
Restricted – cash and cash equivalents	1,702,582	3,052,827	-	-	4,755,409
Restricted – investments	1,725,194	-	-	-	1,725,194
Accrued interest receivable	209,716	820	-	-	210,536
Accounts receivable – water and sewer sales	5,243,311	376,294	263,060	2,778	5,885,443
Accounts receivable – governmental agencies	-	-	-	147,860	147,860
Accounts receivable – other	258,354	-	-	-	258,354
Leases receivable	28,276	-	6,143	-	34,419
Note receivable	-	39,181	-	-	39,181
Loan receivable	165,734	-	-	-	165,734
Interfund loans	93,168	-	-	-	93,168
Materials and supplies inventory	943,437	-	-	-	943,437
Prepaid expenses and deposits	455,259	-	-	-	455,259
Total current assets	18,086,229	7,585,516	665,666	371,089	26,708,500
Non-current assets:					
Restricted – investments	3,206,164	-	-	-	3,206,164
Leases receivable	288,479	-	-	-	288,479
Notes receivable	-	944,411	-	-	944,411
Loan receivable	1,293,115	-	-	-	1,293,115
Interfund loans	1,077,902	-	-	-	1,077,902
Note receivable – employee housing loans, net	850,000	-	-	-	850,000
Capital assets, not being depreciated	9,771,347	233,861	1,539,200	2,190,467	13,734,875
Depreciable capital assets, net	110,851,569	28,331,963	7,374,429	927,552	147,485,513
Total non-current assets	127,338,576	29,510,235	8,913,629	3,118,019	168,880,459
Total assets	145,424,805	37,095,751	9,579,295	3,489,108	195,588,959
Deferred outflows of resources:					
Deferred other post-employment benefits outflows	219,707	-	-	-	219,707
Deferred pension outflows	5,327,743	-	-	-	5,327,743
Total deferred outflows of resources	5,547,450	-	-	-	5,547,450
Current liabilities:					
Accounts payable and accrued expenses	2,576,819	-	-	-	2,576,819
Accrued wages and related payables	273,212	28,938	43,739	14,580	360,469
Customer advances and deposits	1,153,820	-	324,205	4,876	1,482,901
Accrued interest payable – long-term debt	206,429	85,392	22,553	-	314,374
Long-term liabilities – due within one year:					
Compensated absences	374,927	-	-	-	374,927
Interfund loan – West Marin (note 6)	-	-	93,168	-	93,168
Leases payable	125,611	-	-	-	125,611
Loans payable	1,975,225	990,620	57,908	-	3,023,753
Other post-employment benefits liability	258,992	-	-	-	258,992
Total current liabilities	6,945,035	1,104,950	541,573	19,456	8,611,014
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences	502,764	-	-	-	502,764
Interfund loan – West Marin (note 6)	-	-	727,902	350,000	1,077,902
Leases payable	216,662	-	-	-	216,662
Loans payable	25,003,555	9,552,413	344,514	-	34,900,482
Other post-employment benefits liability	4,068,673	-	-	-	4,068,673
Net pension liability	18,203,208	-	-	-	18,203,208
Total non-current liabilities	47,994,862	9,552,413	1,072,416	350,000	58,969,691
Total liabilities	54,939,897	10,657,363	1,613,989	369,456	67,580,705
Deferred inflows of resources:					
Deferred lease inflows	280,815		5,285		286,100
Deferred other post-employment benefits inflows	558,953	-	-	-	558,953
Deferred pension inflows	362,944	-	-	-	362,944
Total deferred inflows of resources	1,202,712	-	5,285	-	1,207,997
Net position:					
Net investment in capital assets	92,983,416	18,022,791	8,511,207	3,118,019	122,635,433
Restricted:					
SRF loan fund – Stafford Treatment Plant	1,070,027	-	-	-	1,070,027
SRF reserve fund – Recycled Water System	-	1,105,072	-	-	1,105,072
Interagency capital replacement and expansion fund	-	5,687,700	-	-	5,687,700
Unrestricted (deficit)	776,203	1,622,825	(551,186)	1,633	1,849,475
Total net position	$ 94,829,646	26,438,388	7,960,021	3,119,652	132,347,707

North Marin Water District
Combining Schedule of Net Position
For the Year Ended June 30, 2024

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Current assets:					
Cash and cash equivalents	$ 380,724	3,612,759	492,145	311,363	4,796,991
Restricted – cash and cash equivalents	5,045,811	3,547,273	-	-	8,593,084
Restricted – investments	14,169,770	-	-	-	14,169,770
Accrued interest receivable	226,668	-	-	-	226,668
Accounts receivable – water and sewer sales	4,873,986	417,966	276,556	4,603	5,573,111
Accounts receivable – governmental agencies	291,900	-	132,939	192,861	617,700
Accounts receivable – other	-	11,647	-	-	11,647
Leases receivable	26,439	-	5,779	-	32,218
Note receivable	-	38,791	-	-	38,791
Loan receivable	161,355	-	-	-	161,355
Interfund loan	90,677	-	-	-	90,677
Materials and supplies inventory	1,007,639	-	-	-	1,007,639
Prepaid expenses and deposits	507,197	-	-	-	507,197
Total current assets	26,782,166	7,628,436	907,419	508,827	35,826,848
Non-current assets:					
Restricted – investments	1,709,884	-	-	-	1,709,884
Leases receivable	320,288	-	6,143	-	326,431
Notes receivable	-	983,592	-	-	983,592
Loan receivable	1,458,849	-	-	-	1,458,849
Interfund loan	821,070	-	-	-	821,070
Notes receivable – employee housing loans, net	250,000	-	-	-	250,000
Capital assets, not being depreciated	25,466,389	303,024	2,482,837	576,781	28,829,031
Depreciable capital assets, net	90,411,037	28,775,191	6,163,179	915,264	126,264,671
Total non-current assets	120,437,517	30,061,807	8,652,159	1,492,045	160,643,528
Total assets	147,219,683	37,690,243	9,559,578	2,000,872	196,470,376
Deferred outflows of resources:					
Deferred other post-employment benefits outflows	236,289	-	-	-	236,289
Deferred pension outflows	6,778,572	-	-	-	6,778,572
Total deferred outflows of resources	7,014,861	-	-	-	7,014,861
Current liabilities:					
Accounts payable and accrued expenses	3,045,517	10,005	-	7,189	3,062,711
Accrued wages and related payables	235,348	38,643	47,931	13,555	335,477
Accrued claims payable	27,971	534	666	266	29,437
Customer advances and deposits	1,670,188	390	256,736	5,485	1,932,799
Accrued interest payable – long-term debt	217,171	92,790	25,043	-	335,004
Long-term liabilities – due within one year:					
Compensated absences	377,266	-	-	-	377,266
Interfund loan	-	-	90,677		90,677
Leases payable	134,871	-	-	-	134,871
Loans payable	1,921,688	970,458	55,965	-	2,948,111
Other post-employment benefits liability	249,047	-	-	-	249,047
Total current liabilities	7,879,067	1,112,820	477,018	26,495	9,495,400
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences	599,347	-	-	-	599,347
Interfund loan	-	-	821,070	-	821,070
Leases payable	265,225	-	-	-	265,225
Loans payable	27,448,064	10,543,033	402,422	-	38,393,519
Other post-employment benefits liability	4,620,571	-	-	-	4,620,571
Net pension liability	18,307,785	-	-	-	18,307,785
Total non-current liabilities	51,240,992	10,543,033	1,223,492	-	63,007,517
Total liabilities	59,120,059	11,655,853	1,700,510	26,495	72,502,917
Deferred inflows of resources:					
Deferred lease inflows	314,559	-	10,570	-	325,129
Deferred other post-employment benefits inflows	63,082	-	-	-	63,082
Deferred pension inflows	728,240	-	-	-	728,240
Total deferred inflows of resources	1,105,881	-	10,570	-	1,116,451
Net position:					
Net investment in capital assets	89,355,314	17,564,724	8,187,629	1,492,045	116,599,712
Restricted:					
SRF loan fund – Stafford Treatment Plant	1,067,432	-	-	-	1,067,432
SRF reserve fund – Recycled Water System	-	1,105,072	-	-	1,105,072
Interagency capital replacement and expansion fund	-	5,974,462	-	-	5,974,462
Unrestricted	3,585,858	1,390,132	(339,131)	482,332	5,119,191
Total net position	$ 94,008,604	26,034,390	7,848,498	1,974,377	129,865,869

North Marin Water District
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2025

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Operating revenues:					
Water consumption sales	$ 18,631,987	1,518,946	861,070	-	21,012,003
Bi-monthly meter service charge	8,331,654	300,371	300,149	-	8,932,174
Sewer service charges	-	-	-	347,256	347,256
Other charges and services	361,890	75	9,274	300	371,539
Total operating revenues	27,325,531	1,819,392	1,170,493	347,556	30,662,972
Operating expenses:					
Source of supply	8,696,736	370,452	16,036	-	9,083,224
Pumping	783,756	7,697	101,676	-	893,129
Water facilities operations	1,536,276	168,922	75,681	-	1,780,879
Water treatment	2,610,215	10,284	333,773	-	2,954,272
Transmission and distribution	4,378,442	65,443	199,324	-	4,643,209
Sewage collection and treatment	-	-	-	275,886	275,886
Customer service	549,960	2,128	37,619	4,140	593,847
General and administrative	5,927,539	110,948	303,287	75,465	6,417,239
Water conservation projects	492,237	-	19,785	-	512,022
Total operating expenses	24,975,161	735,874	1,087,181	355,491	27,153,707
Operating income before depreciation	2,350,370	1,083,518	83,312	(7,935)	3,509,265
Depreciation	(2,977,901)	(791,366)	(254,571)	(55,785)	(4,079,623)
Operating income(loss)	(627,531)	292,152	(171,259)	(63,720)	(570,358)
Non-operating revenues(expenses):					
Property tax revenue	149,358	-	-	-	149,358
Investment earnings	901,136	287,398	22,628	-	1,211,162
Interest earnings from note receivable – BPGL	-	10,030	-	-	10,030
Interest earnings from loan receivable – MMWD	66,518	-	-	-	66,518
Interest earnings from leases	10,507	-	371	-	10,878
Rental revenue	72,473	-	5,285	250	78,008
Interest expense – long-term debt	(864,912)	(185,582)	(37,346)	-	(1,087,840)
Gain (loss) on disposition of capital assets	8,736	-	-	(1,384)	7,352
Regulation 15 forfeiture	55,390	-	3,000	-	58,390
Other non-operating revenues	26,780	-	-	-	26,780
Other non-operating expenses	(1,661)	-	(1,188)	(9,999)	(12,848)
Total non-operating revenues(expense), net	424,325	111,846	(7,250)	(11,133)	517,788
Net income(loss) before capital contributions	(203,206)	403,998	(178,509)	(74,853)	(52,570)
Capital contributions:					
Developers and others	823,783	-	257,787	-	1,081,570
Connection fees	153,690	-	31,820	30,000	215,510
Capital grants – state and local	46,775	-	425	1,190,128	1,237,328
Total capital contributions	1,024,248	-	290,032	1,220,128	2,534,408
Change in net position	821,042	403,998	111,523	1,145,275	2,481,838
Net position, beginning of year	94,008,604	26,034,390	7,848,498	1,974,377	129,865,869
Net position, end of year	$ 94,829,646	26,438,388	7,960,021	3,119,652	132,347,707

North Marin Water District
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2024

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Operating revenues:					
Water consumption sales	$ 16,441,186	1,352,663	722,175	-	18,516,024
Bi-monthly meter service charge	7,301,145	140,808	271,590	-	7,713,543
Sewer service charges	-	-	-	324,264	324,264
Other charges and services	397,912	25	10,159	1,200	409,296
Total operating revenues	24,140,243	1,493,496	1,003,924	325,464	26,963,127
Operating expenses:					
Source of supply	6,436,226	270,502	20,562	-	6,727,290
Pumping	577,094	11,240	85,417	-	673,751
Water facilities operations	1,118,326	143,799	77,161	-	1,339,286
Water treatment	2,367,910	10,776	301,940	-	2,680,626
Transmission and distribution	4,092,506	39,722	177,317	-	4,309,545
Sewage collection and treatment	-	-	-	277,564	277,564
Customer service	497,270	1,823	31,057	3,376	533,526
General and administrative	4,936,401	118,552	215,236	55,884	5,326,073
Water conservation projects	458,289	-	15,014	-	473,303
Total operating expenses	20,484,022	596,414	923,704	336,824	22,340,964
Operating income before depreciation	3,656,221	897,082	80,220	(11,360)	4,622,163
Depreciation	(3,057,406)	(788,512)	(241,030)	(52,334)	(4,139,282)
Operating income	598,815	108,570	(160,810)	(63,694)	482,881
Non-operating revenues(expenses):					
Property tax revenue	145,929	-	-	-	145,929
Investment earnings, net	1,426,315	301,479	34,289	22,799	1,784,882
Interest earnings from note receivable – BPGL	-	10,416	-	-	10,416
Interest earnings from loan receivable – MMWD	73,271	-	-	-	73,271
Interest earnings from leases	11,390	-	540	-	11,930
Rental revenue	73,042	-	5,285	250	78,577
Interest expense – long-term debt	(929,775)	(205,457)	(41,756)	-	(1,176,988)
Gain on sale of capital assets	2,940	-	-	-	2,940
Regulation 15 forfeiture	151,815	-	29,075	-	180,890
Other non-operating revenues	25,022	-	-	3,000	28,022
Other non-operating expenses	(2,293)	-	-	-	(2,293)
Total non-operating revenues(expense), net	977,656	106,438	27,433	26,049	1,137,576
Net income before capital contributions	1,576,471	215,008	(133,377)	(37,645)	1,620,457
Capital contributions:					
Developers and others	536,625	-	14,073	515	551,213
Connection fees	970,610	-	68,560	75,000	1,114,170
Capital grants – state and local	95,905	-	137,069	241,317	474,291
Total capital contributions	1,603,140	-	219,702	316,832	2,139,674
Transfers in(out)	(693,686)	693,686	-	-	-
Change in net position	2,485,925	908,694	86,325	279,187	3,760,131
Net position, beginning of year	91,522,679	25,125,696	7,762,173	1,695,190	126,105,738
Net position, end of year	$ 94,008,604	26,034,390	7,848,498	1,974,377	129,865,869

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Statistical Information Section

North Marin Water District
Statistical Section

This part of the District's Annual Comprehensive Financial Report presents detailed information as context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the District's overall financial health.

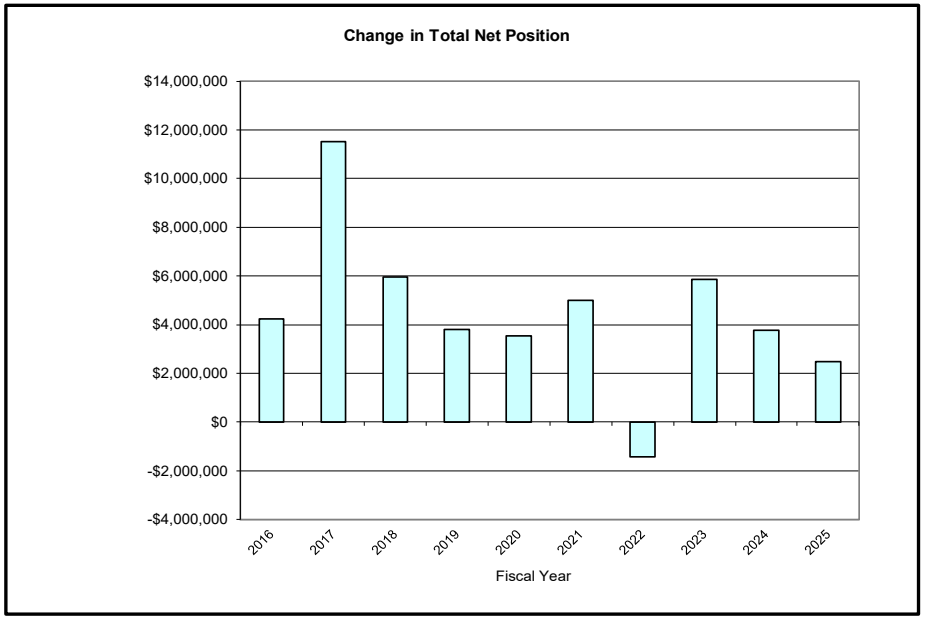
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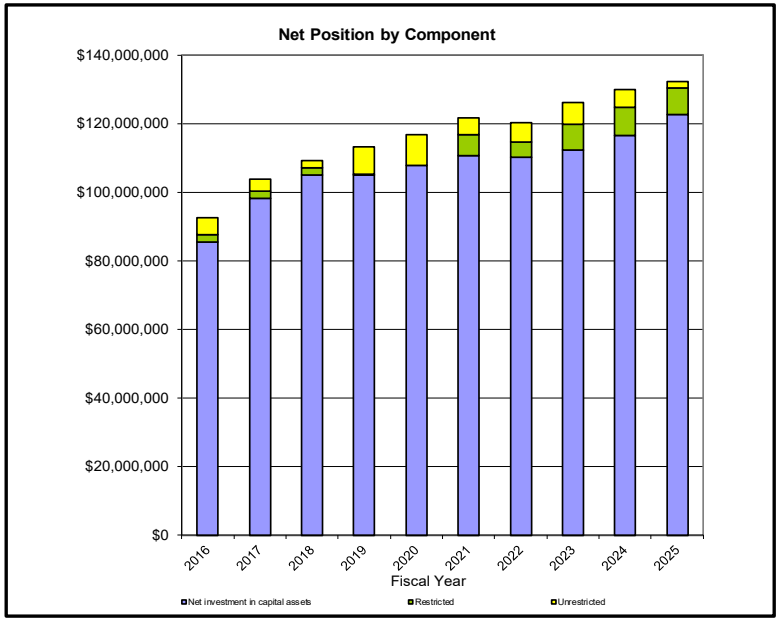
	Page No.
Financial Trends These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	72-75
Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	76-79
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	80-81
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	82-83
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	84-85

North Marin Water District
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years

Schedule 1

	Fiscal Year									
	2016	2017	Restated 2018	Restated 2019	2020	Restated 2021	2022	Restated 2023	Restated 2024	2025
Change in net position:										
Operating revenues (see schedule 2)	$17,411,543	$18,703,476	$22,094,094	$21,772,246	$23,796,921	$25,378,535	$23,587,781	$24,244,711	$26,963,127	$30,662,972
Operating expenses (see schedule 3)	(13,704,737)	(15,099,687)	(16,461,030)	(16,371,492)	(19,404,779)	(20,737,073)	(21,663,342)	(15,983,299)	(22,340,964)	(27,153,707)
Depreciation and amortization	(3,286,353)	(3,416,411)	(3,434,069)	(3,451,155)	(3,366,216)	(3,887,096)	(4,023,236)	(4,523,906)	(4,139,282)	(4,079,623)
Operating income(loss)	$420,453	$187,378	$2,198,995	$1,949,599	$1,025,926	$754,366	($2,098,797)	$3,737,506	$482,881	($570,358)
Net non-op revenue(expense) (see schedule 4)	(328,734)	(304,830)	(253,110)	(59,467)	(239,641)	(356,774)	(1,169,574)	350,360	1,137,576	517,788
Net income(loss) before capital contributions	$91,719	($117,452)	$1,945,885	$1,890,132	$786,285	$397,592	($3,268,371)	$4,087,866	$1,620,457	($52,570)
Capital contributions	4,139,047	11,643,388	4,020,041	1,921,709	2,762,983	4,588,088	1,825,503	1,761,295	2,139,674	2,534,408
Change in net position	$4,230,766	$11,525,936	$5,965,926	$3,811,841	$3,549,268	$4,985,680	($1,442,868)	$5,849,161	$3,760,131	$2,481,838
Net position by component:										
Net investment in capital assets	$85,542,035	$98,131,574	$104,921,863	$105,092,277	$107,946,623	$110,643,664	$110,111,018	$112,410,898	$116,599,712	$122,635,433
Restricted	2,122,980	2,140,681	2,186,164	71,715	-	6,166,090	4,560,392	7,432,578	8,146,966	7,862,799
Unrestricted	5,007,769	3,639,717	2,244,629	8,000,505	8,767,142	4,889,691	5,585,167	6,262,262	5,119,191	1,849,475
Total net position	$92,672,784	$103,911,972	$109,352,656	$113,164,497	$116,713,765	$121,699,445	$120,256,577	$126,105,738	$129,865,869	$132,347,707



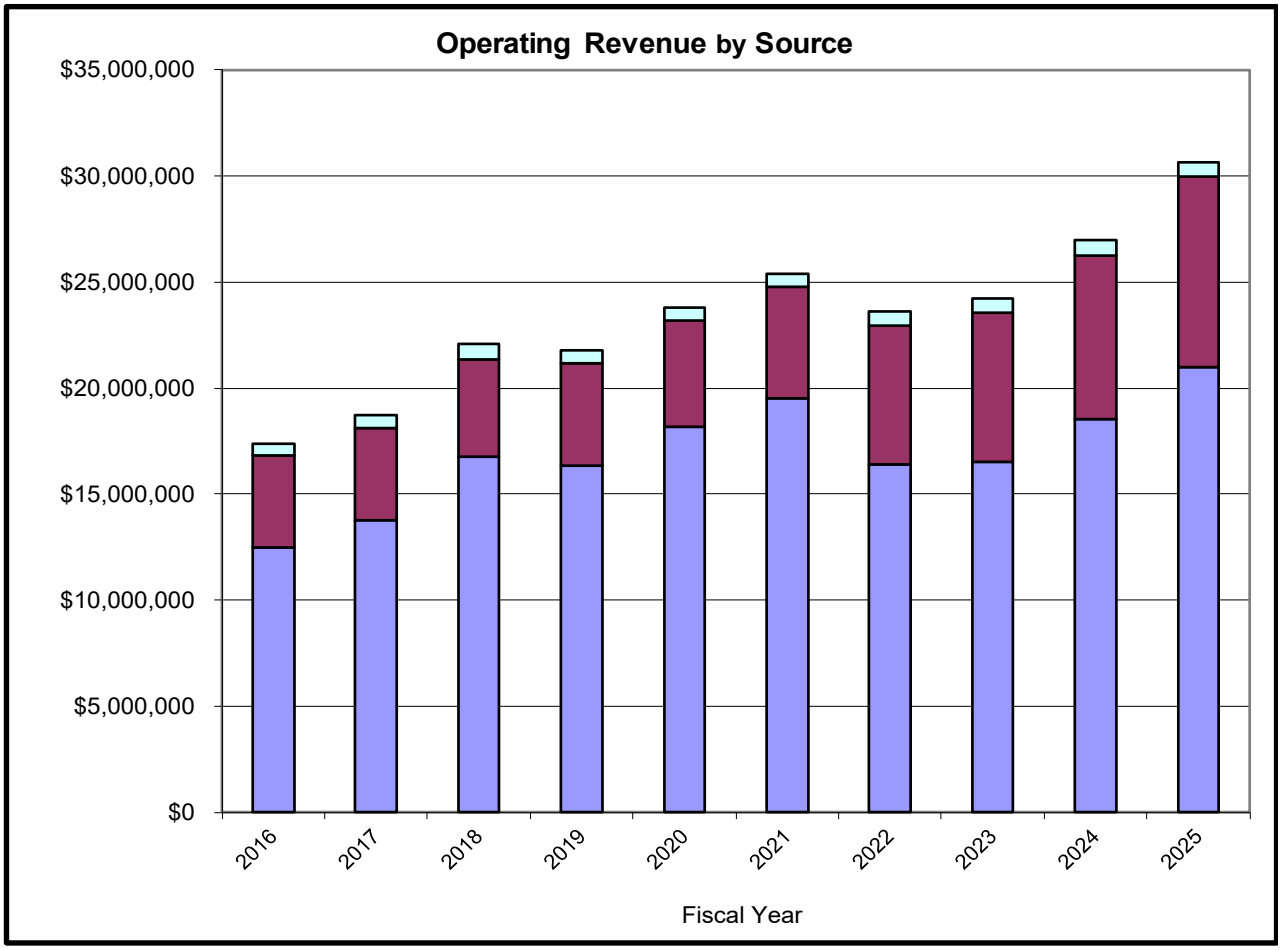


Source: North Marin Water District Audited Financial Statements

North Marin Water District
Operating Revenue by Source
Last Ten Fiscal Years

Schedule 2

Fiscal Year	Water Sales	Bi-Monthly Service Charges	Other Charges and Services	Total Operating Revenue
2016	$ 12,508,927	4,331,899	570,717	$ 17,411,543
2017	13,801,864	4,334,762	566,850	18,703,476
2018	16,764,567	4,564,228	765,299	22,094,094
2019	16,337,171	4,810,296	624,779	21,772,246
2020	18,194,168	4,968,620	634,133	23,796,921
2021	19,546,611	5,210,162	621,762	25,378,535
2022	16,405,015	6,517,572	665,194	23,587,781
2023	16,537,824	7,017,426	689,461	24,244,711
2024	18,516,024	7,713,543	733,560	26,963,127
2025	21,012,003	8,932,174	718,795	30,662,972

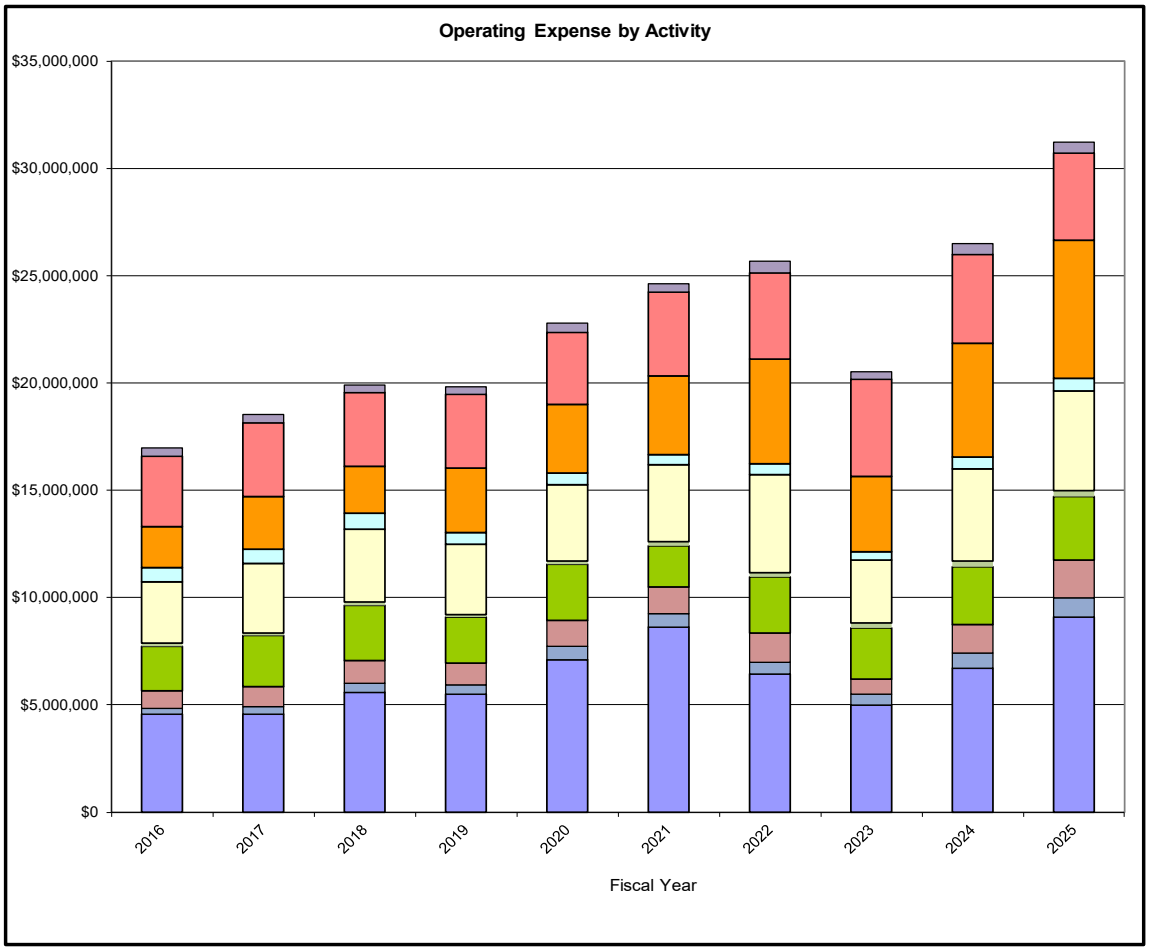


Source: North Marin Water District Audited Financial Statements

North Marin Water District
Operating Expenses by Activity
Last Ten Fiscal Years

Schedule 3

Fiscal Year	Source of Supply	Pumping	Water Facility Operations	Water Treatment	Sewage Coll. & Treat.	Transmission & Distrib	Customer Service	General & Admin (2)	Water Conservation	Deprec and Amortization (1)	Total Op Expense
2016	$ 4,565,833	281,255	797,806	2,099,887	134,193	2,871,290	628,981	1,934,011	391,481	3,286,353	$ 16,991,090
2017	4,579,359	351,342	937,559	2,346,949	151,205	3,223,237	676,189	2,462,392	371,455	3,416,411	18,516,098
2018	5,569,766	426,356	1,079,917	2,567,146	163,957	3,387,559	742,164	2,169,660	354,505	3,434,069	19,895,099
2019	5,492,324	458,594	993,209	2,131,166	127,513	3,301,629	510,341	3,007,301	349,415	3,451,155	19,822,647
2020	7,096,645	646,366	1,176,833	2,647,688	145,032	3,560,513	534,552	3,199,140	398,010	3,366,216	22,770,995
2021	8,624,268	642,477	1,218,090	1,917,786	185,533	3,623,201	470,411	3,658,893	396,414	3,887,096	24,624,169
2022	6,450,873	522,717	1,385,267	2,588,135	217,921	4,557,127	501,005	4,877,009	563,288	4,023,236	25,686,578
2023	5,001,982	493,027	712,708	2,375,252	220,375	2,950,098	386,333	3,516,390	327,134	4,523,906	20,507,205
2024	6,727,290	673,751	1,339,286	2,680,626	277,564	4,309,545	533,526	5,326,073	473,303	4,139,282	26,480,246
2025	9,083,224	893,129	1,780,879	2,954,272	275,886	4,643,209	593,847	6,417,239	512,022	4,079,623	31,233,330

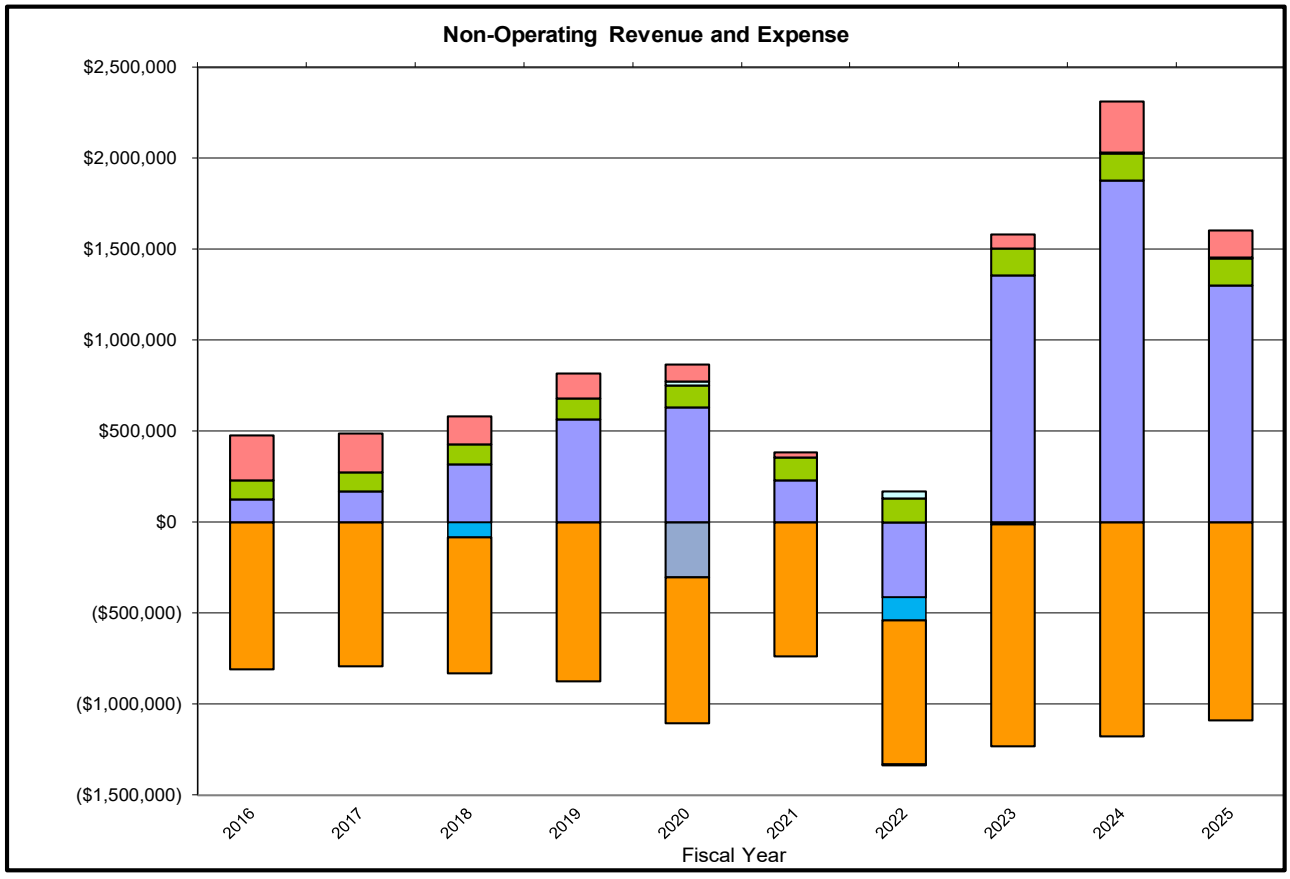


Source: North Marin Water District Audited Financial Statements

North Marin Water District
Non-operating Revenues and Expenses
Last Ten Fiscal Years

Schedule 4

Fiscal Year	Investment Income[1]	Property Taxes	Gain/(Loss) on Asset Sales	Debt Issuance Costs	Cap Contribution to Agency	Interest Expense	Other Inc & Exp, net	Net Non-Op Rev/(Exp)
2016	$ 125,078	102,259	-	-	-	(807,035)	250,969 [2]	(328,729)
2017	168,766	107,210	-	-	-	(791,211)	210,405	(304,830)
2018	316,072	109,927	-	(86,180)	-	(747,118)	154,189	(253,110)
2019	565,721	115,706	-	-	-	(875,354)	134,460	(59,467)
2020	632,208	120,821	18,816	-	(305,711)	(798,522)	92,747	(239,641)
2021	229,851	125,416	-	-	-	(740,004)	27,963	(356,774)
2022	(415,864)	132,649	34,135	(124,000)	-	(789,056)	(7,438)	(1,169,574)
2023	1,358,483	143,332	(10,885)	-	-	(1,219,819)	79,249	350,360
2024	1,880,499	145,929	2,940	-	-	(1,176,990)	285,196	1,137,574
2025	1,298,588	149,358	7,352	-	-	(1,087,840)	150,330	517,788



Notes:

(1) Includes interest income and realized and unrealized gains and losses on investments.

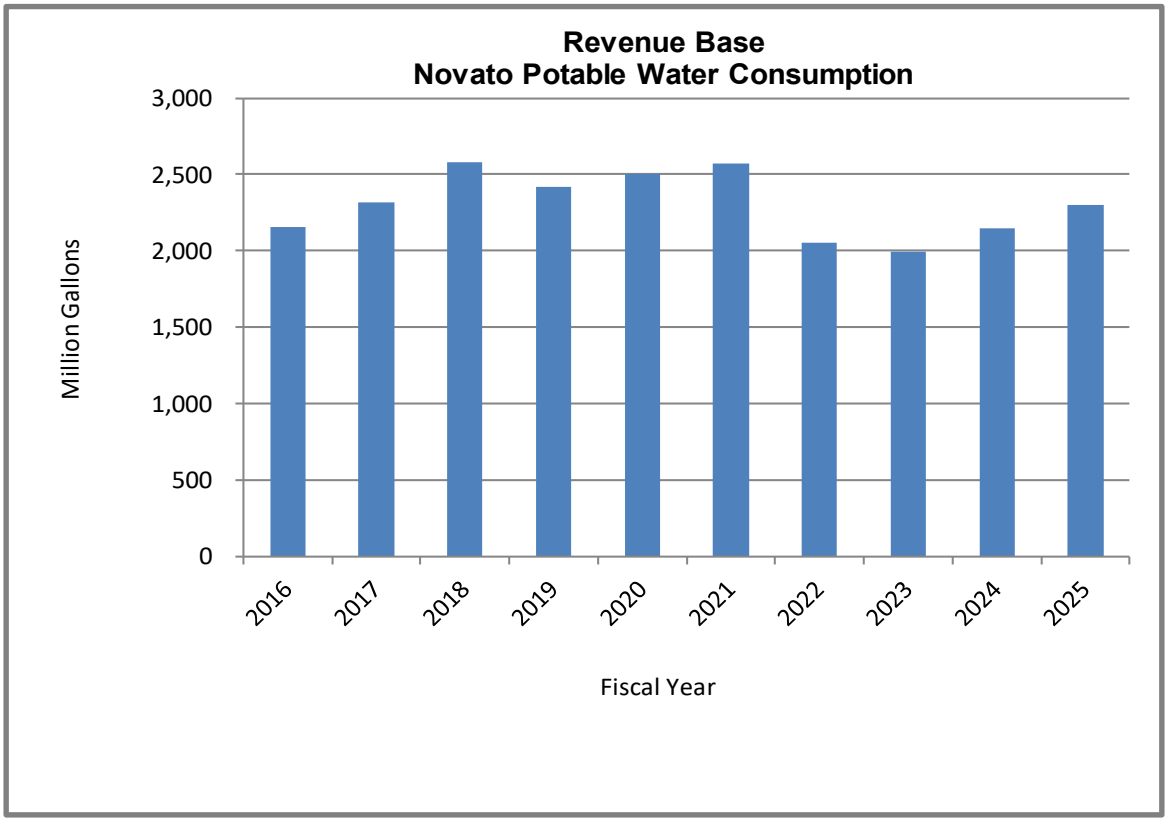
(2) Includes CalPERS Side Fund Payoff ($2,073,701).

Source: North Marin Water District Audited Financial Statements

North Marin Water District
Revenue Base
Last Ten Fiscal Years

Schedule 5

Fiscal Year	Novato Potable Water Consumption (Million Gallons)
2016	2,152
2017	2,317
2018	2,584
2019	2,416
2020	2,502
2021	2,570
2022	2,052
2023	1,993
2024	2,150
2025	2,299



Note: See Schedule 2 "Revenue by Source" for information regarding water sales.

Source: Novato Water District Billing System

North Marin Water District
Customers by Type
Last Ten Fiscal Years

Schedule 6

	Customer Type							
	Novato Potable & Recycled							
Fiscal Year	Single-Family Residential	Multi-Family Residential	Commerical/ Business	Government	Recycled	West Marin Water	Oceana Marin Sewer	Total
2016	18,561	704	1,239	232	44	780	230	21,790
2017	18,631	700	1,254	229	47	780	231	21,872
2018	18,449	699	1,217	220	53	785	232	21,655
2019	18,387	701	1,210	233	91	783	234	21,639
2020	18,398	711	1,213	232	91	782	235	21,662
2021	18,469	699	1,222	217	96	785	235	21,723
2022	18,552	699	1,232	217	97	789	235	21,821
2023	18,686	699	1,228	218	100	792	235	21,958
2024	18,719	699	1,240	217	101	797	237	22,010
2025	18,731	699	1,234	218	104	802	241	22,029

Source: NMWD CORE billing system (T:\FINANCE\Audit\Audit25\ACFR\Stats Section FY 24.25\[StructureTypeCount FY 25.xlsx]FY25

North Marin Water District
Novato Water Revenue Rates
Last Ten Fiscal Years

Schedule 7

Bimonthly Service Charge

Meter Size	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23	6/30/24	6/30/25
5/8" & 3/4"	$ 30.00	$ 31.50	$ 33.00	$ 34.15	$ 34.15	$ 41.46	$ 43.95	$ 46.58	$ 51.01	$ 58.39
1"	60.00	63.00	66.00	68.30	68.30	74.06	78.50	83.21	91.11	105.73
1 1/2"	73.00	77.00	80.50	83.30	83.30	128.38	136.08	144.25	157.95	184.63
2"	114.00	120.00	125.50	129.90	129.90	193.57	205.18	217.50	238.16	279.31
3"	227.00	238.00	248.50	257.20	257.20	367.41	389.45	412.82	452.04	531.79
4"	364.00	382.00	399.00	413.00	413.00	562.98	596.76	632.56	692.65	815.83
6"	761.00	799.00	835.00	864.00	864.00	1,106.23	1,172.60	1,242.96	1,361.04	1,604.83
8"	1,134.00	1,191.00	1,244.50	1,288.00	1,288.00	1,432.18	1,518.11	1,609.20	1,762.07	2,078.23

Water Use Rate (per 1,000 Gallons)

User Type	6/30/16	6/30/17	6/30/18	6/30/19	6/30/21	6/30/22	6/30/23	6/30/23	6/30/24	6/30/25
Residential Zone A										
Base Rate[1]	$ 4.77	$ 5.01	$ 5.24	$ 5.42	$ 5.42	$ 5.50	$ 5.83	$ 6.18	$ 6.77	$ 7.54
Tier 1[2]	7.61	7.99	8.35	8.64	8.64	6.23	6.60	7.00	7.67	9.16
Tier 2[2]	13.25	13.91	14.54	15.05	15.05	7.57	8.13	8.62	9.44	13.55
Non-Residential Zone A										
Base Rate[1]	5.26	5.52	5.77	5.97	5.97	5.50	5.83	6.18	6.77	7.01
Seasonal Rate	5.65	5.93	6.20	6.42	6.42	7.67	8.13	8.62	9.44	13.55

Notes:

(1) Rates shown exclude additional elevation rate applicable to customers in upper elevation zones

(2) Tier 1 = 616-1845 gallons/day (gpd) FY13-FY20, 263-720 gpd FY21-FY23, Tier 2 = >1845 gpd FY13-FY20, >720 gpd FY21-FY23

N/A - Rate class was not established during the period

Source: North Marin Water approved rates

North Marin Water District
Ten Largest Water Customers by Revenue
(Includes: Novato Water, Recycled Water, Raw Water, & West Marin Water)
Current Fiscal Year and Ten Years Ago Schedule 8

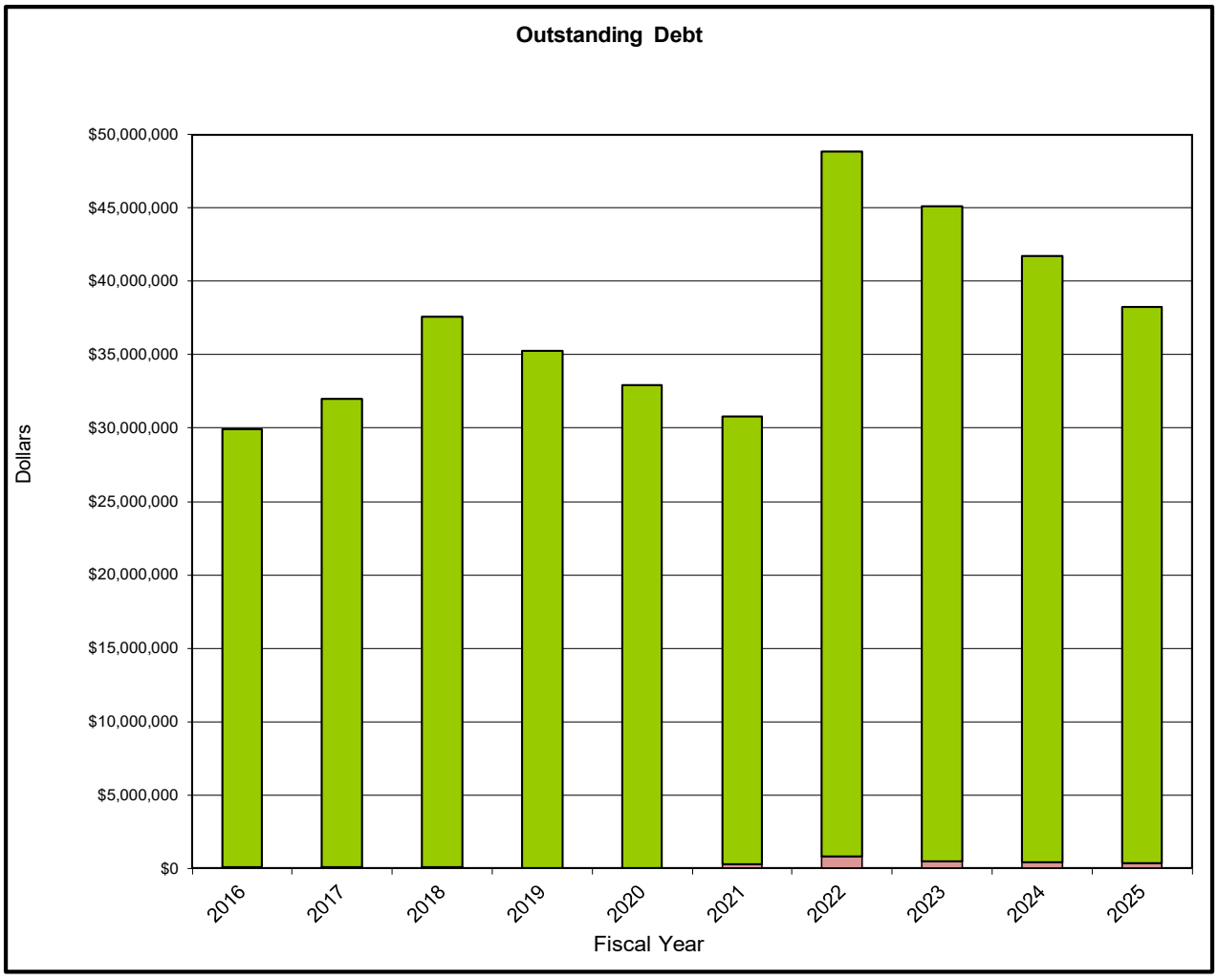
	FY 2024/25	% of Total	FY 2015/16	% of Total
1	Novato Unified School District	1.8%	City of Novato	2.1%
2	Bay Club Stonetree (Recylced Water)	1.8%	Bay Club Stonetree	1.8%
3	City Of Novato	1.8%	Novato Unified School District	1.6%
4	Biomarin Pharmaceutical	1.3%	BioMarin Pharmaceutical	1.1%
5	Marin Country Club (Recycled Water)	1.1%	Fireman's Fund	0.8%
6	Indian Valley Golf Course (Raw Water)	0.7%	Indian Valley Golf Course	0.6%
7	Ncp Multifamily Llc	0.7%	Meadow Park HOA	0.6%
8	Avanath Bay Vista Lp	0.6%	Bay Vista Apartments	0.6%
9	Marion Park Apts	0.5%	Marion Park Apts	0.5%
10	Commanding Officer	0.5%	Vintage Oaks Shopping Center	0.4%
		10.8%		10.1%
	Total Water Service Revenue	$29,944,000	Total Water Service Revenue	$16,841,000

Source: NMWD CORE billing system (t:\finance\audit\audit25\acfr fy25\stats section fy 24.25\[top revenue 2016_2025.xlsx]top 10

North Marin Water District
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Schedule 9

Fiscal Year	Bonds Payable	Leases Payable	Loans Payable	Total Debt	Per Capita	As a Share of Personal Income [1]
2016	116,000	-	29,823,693	29,939,693	487.81	0.23%
2017	94,000	-	31,922,939	32,016,939	521.04	0.39%
2018	72,000	-	37,513,463	37,585,463	611.28	0.39%
2019	-	-	35,236,198	35,236,198	571.67	0.43%
2020	-	-	32,903,399	32,903,399	533.65	0.40%
2021	-	268,052	30,509,356	30,777,408	498.98	0.32%
2022	-	800,066	48,058,224	48,858,290	791.95	0.29%
2023	-	464,421	44,668,971	45,133,392	731.64	0.44%
2024	-	400,096	41,341,630	41,741,726	676.66	0.41%
2025	-	342,273	37,924,235	38,266,508	623.45	0.37%



Source: North Marin Water District Audited Financial Statements

[1] Per Capita/Personal Income per Capita (See Schedule 11)

North Marin Water District
Pledged-Revenue Coverage
Last Ten Fiscal Years

Schedule 10

Fiscal Year	Revenue[1]	Expense[2]	Net Available Revenue	Debt Service			Coverage Ratio
				Principal	Interest	Total	
2016	$ 18,191,410	(13,727,613)	$ 4,463,797	$ 1,721,904	807,034	$ 2,528,938	1.77
2017	20,209,860	(15,118,535)	5,091,325	1,769,239	757,781	2,527,020	2.01
2018	22,506,537	(16,470,065)	6,036,472	1,814,680	747,118	2,561,798	2.36
2019	22,496,702	(16,395,767)	6,100,935	2,349,265	875,354	3,224,619	1.89
2020	26,057,340	(19,411,083)	6,646,257	2,332,799	740,004	3,072,803	2.15
2021	29,203,577	(20,742,030)	8,461,547	2,452,431	740,004	3,192,435	2.65
2022	24,290,503	(17,510,034)	6,780,469	2,629,807	789,056	3,418,863	1.98
2023	26,122,289	(17,524,868)	8,597,421	3,940,156	1,031,254	4,971,410	1.73
2024	30,064,395	(21,615,606)	8,448,789	3,082,982	1,029,324	4,112,306	2.05
2025	32,431,216	(26,215,099)	6,216,117	3,149,364	950,611	4,099,975	1.52

Notes:

(1) Revenues includes Connection Fee Revenue, Interest Revenue, Property Tax Revenue, Rent & Lease Revenue, and other non-operating revenue

(2) Expense excludes depreciation and amortization, interest, GASB 68 related pension, and GASB 75 related OPEB expense.

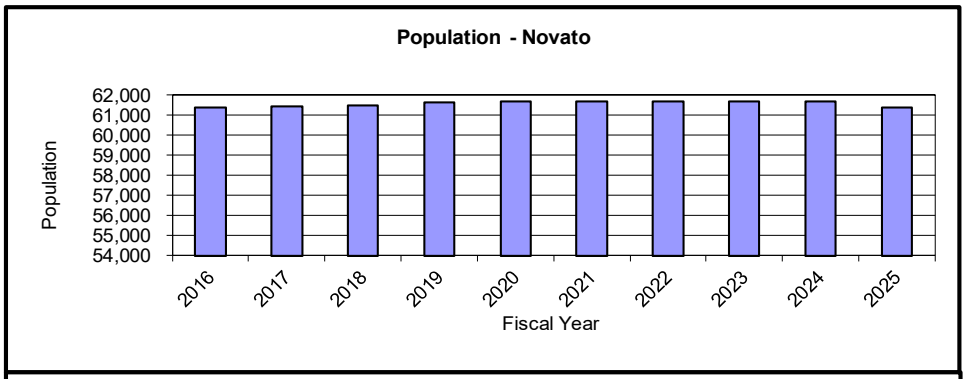
Source: North Marin Water District Audited Financial Statements

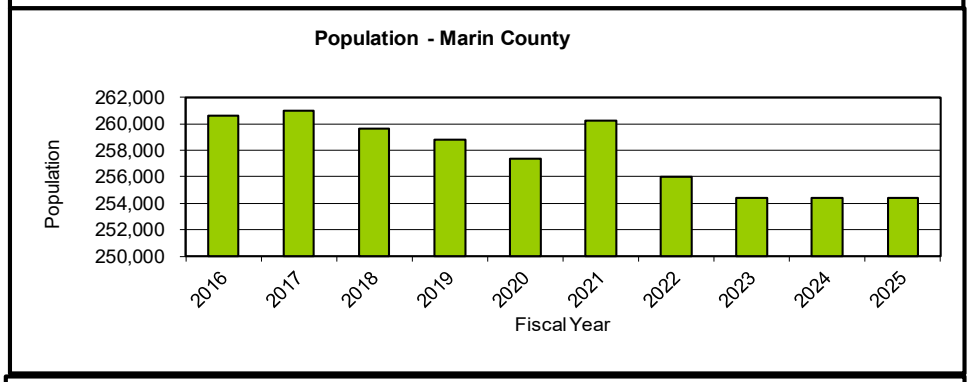
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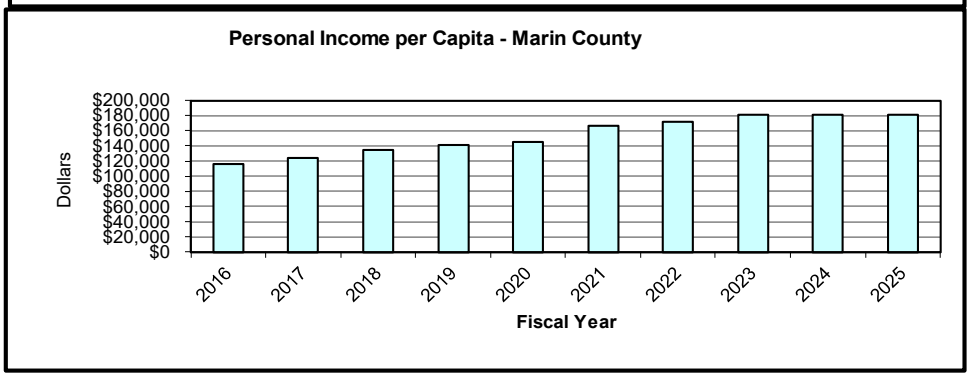
North Marin Water District
Demographics and Economics Statistics
Last Ten Fiscal Years

Schedule 11

	Novato Service Area[1]		County of Marin		
Year	Estimated Population	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2016	61,376	3.5%	260,651	30,223,005	115,952
2017	61,448	3.1%	260,955	32,502,467	124,552
2018	61,486	2.6%	259,666	34,866,652	134,275
2019	61,637	2.5%	258,826	36,684,703	141,735
2020	61,658	7.4%	257,332	37,225,132	144,658
2021	61,681	4.5%	260,206	43,109,109	165,673
2022	61,693	2.5%	256,018	43,824,393	171,177
2023	61,688	3.1%	254,407	45,939,544	180,575
2024	61,688	3.9%	254,407	45,939,544	180,575
2025	61,379	5.2%	254,407	45,939,544	180,575







Sources:

Novato population estimates based on District's occupancy estimates per Active Dwelling Unit (Active DU x 2.56)
https://www.labormarketinfo.edd.ca.gov/serp.html?q=Novato_marinsub.xls
Population for County of Marin for 2024 & 2025 was unavailable, 2023 amount was used
Personal Income per Capita for 2024 & 2025 was unavailable, 2023 amount was used www.bea.gov
https://www.marincounty.org/depts/df/annual-comprehensive-financial-reports-acfr

North Marin Water District
Demographics and Economics Statistics – Ten Largest Employers
Current Year
Schedule 12

	FY 2024/2025*			FY 2015/2016		
	Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
1	Kaiser Permanente	5,012	3.98%	County of Marin	2,282	1.67%
2	Bio Marin Pharmaceutical Inc.	3,401	2.70%	Kaiser Permanente	2,061	1.51%
3	County of Marin	2,506	1.99%	Marin General Hospital	1,757	1.29%
4	Marin Health Medical Center	1,900	1.51%	San Quentin State Prison	1,662	1.22%
5	Corrections Department	1,233	0.98%	Novato Unified School District	800	0.59%
6	YMCA San Francisco	1,096	0.87%	Autodesk, Inc.	719	0.53%
7	RH (Restoration Hardware)	1,048	0.83%	San Rafael City School	700	0.51%
8	Bay Equity	1,012	0.80%	Glassdoor	500	0.37%
9	Glassdoor Inc.	860	0.68%	Dominican University	456	0.33%
10	College of Marin	508	0.40%	Marin County Office of Education	351	0.26%
		18,576	14.77%		11,288	8.27%

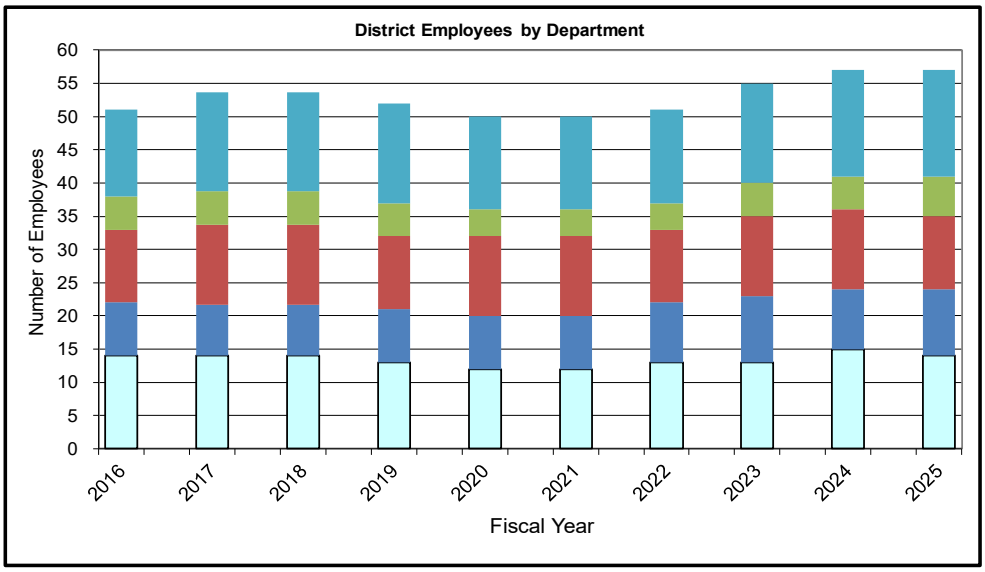
Source: County of Marin
https://www.marincounty.org/depts/df/annual-comprehensive-financial-reports-acfr

* 2024/2025 Largest Employers was not available. The last available year available was FY 2023/2024.

North Marin Water District
Operating and Capacity Indicators – Total Employees
Last Ten Fiscal Years

Schedule 13

Department	Fiscal Year End 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Administrative Services	14	14	14	13	12	12	13	13	15	14
Engineering Services	8	8	8	8	8	8	9	10	9	10
Construction /Maintenance	11	12	12	11	12	12	11	12	12	11
Water Quality	5	5	5	5	4	4	4	5	5	6
Operations / Maintenance	13	15	15	15	14	14	14	15	16	16
	51	54	54	52	50	50	51	55	57	57



Source: North Marin Water District Overheaded Payroll Worksheets for Pay Periods Ending June 30
Note: Excludes temporary employees

North Marin Water District
Other Operating and Capacity Indicators
Last Ten Fiscal Years

Schedule 14

Other Operating and Capacity Indicators				
Fiscal Year	**District Area (Square Miles)**	**Miles of Pipeline**	**Number of Fire Hydrants**	**System Storage Capacity (MG)**
2016	100	358	2,814	39
2017	100	364	2,824	39
2018	100	364	2,842	40
2019	100	364	2,852	40
2020	100	365	2,862	40
2021	100	366	2,886	40
2022	100	367	2,894	40
2023	100	368	2,896	40
2024	100	384*	2,901	40
2025	100	386	2,910	40

Source: North Marin Water District - Engineering Department

* Miles of Pipeline increased by approximately 16 miles due to the conversion to new GIS Software and pipeline length conversion that affected a small percentage of pipes.

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Report on Internal Controls and Compliance

C.J. Brown & Company CPAs
An Accountancy Corporation

Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
North Marin Water District
Novato, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Marin Water District (District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 16, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit 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 audit 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 audit 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 Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit 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 entity'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 entity'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
December 16, 2025

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$_____
North Marin Water District Financing Authority
2026 Water Revenue Bonds

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the North Marin Water District (the "**District**") in connection with the issuance of the above-captioned bonds (the "**2026 Bonds**"). The 2026 Bonds are being issued by the North Marin Water District Financing Authority (the "**Authority**") under an Indenture of Trust dated as of December 1, 2026 (the "**Indenture**") by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the "**Trustee**"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the 2026 Bonds and in order to assist the Participating Underwriter in complying with the Rule (defined herein).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently April 1 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means, initially, NHA Advisors, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed in connection with the issuance of the 2026 Bonds.

"*Participating Underwriter*" means any original underwriter of the 2026 Bonds required to comply with the Rule in connection with offering of the 2026 Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2027 with the report for the 2025-26 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report 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 shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in a timely manner as required by the Rule, in an electronic format as prescribed by the MSRB, a notice of such event.

(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.

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

(a) Audited Financial Statements of the District prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed under the preceding clause (a), the Annual Report shall contain information showing updates to the substance of the information contained in the following tables in the Official Statement for the most recently completed fiscal year:

(i) Table 1 - Historical Water Supply by Source (Novato Water System) (Acre-feet);

(ii) Table 2 - Customers by Type;

(iii) Table 3 - Ten Largest Customers by Revenue; and

(iv) Table 11 - Pro Forma Historical and Projected Debt Service Coverage (actuals only; no projections).

(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 Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2026 Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of 2026 Bond holders, if material.

(8) 2026 Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the 2026 Bonds, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

Note: For the purposes of the event identified in subparagraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District 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 District, 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 District.

(13) 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, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the District, if material, 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, if material (for definition of "financial obligation," see clause (c)).

(16) 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 (for definition of "financial obligation," see clause (c)).

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) above, the District determines that knowledge of the occurrence of that Listed Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected 2026 Bonds under the Indenture.

(c) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2026 Bonds. If such termination occurs prior to the final maturity of the 2026 Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The District may, from time to time, appoint, engage or change a Dissemination Agent to assist it in carrying out its obligations under this Disclosure

Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the District.

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 the District with respect to the 2026 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 2026 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 2026 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 interests of the holders or beneficial owners of the 2026 Bonds.

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 Report filed pursuant hereto containing the amended operating data or financial information shall 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 this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall 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 shall 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 shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2026 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 shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent (if other than the District), the Participating Underwriter and the holders and beneficial owners from time to time of the 2026 Bonds, and shall create no rights in any other person or entity.

Section 13. 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.

Date: _____, 2026

NORTH MARIN WATER DISTRICT

By_____
Name:_____
Title:_____

ACCEPTED AND AGREED:

_____,
As Dissemination Agent

By_____
Authorized Representative

APPENDIX D

GENERAL INFORMATION ABOUT THE CITY OF NOVATO AND THE COUNTY OF MARIN

*The following information concerning the City of Novato (the "**City**") and the County of Marin (the "**County**") is included only for the purpose of supplying general information regarding the area of the District. The 2026 Bonds are not a debt (or a pledge of the full faith and credit) of the City, the County, the State of California (the "**State**") or any of its political subdivisions, other than the District, and neither the City, the State nor any of its political subdivisions, other than the District, is liable therefor.*

General

City of Novato. The City is the northernmost city in the County and covers twenty-eight square miles. The City was incorporated on January 20, 1960 as a general law city. The City Council is made up of five members, previously elected at large, serving four-year terms. In 2022, the transition from at-large elections to District Elections was complete. The Mayor is selected for a one-year term from among the members of the City Council. The City operates under a council-manager form of government. The City Council appoints the City Manager and City Attorney. Covering an area of 28 square miles, including over 3,600 acres of open space, downtown Novato is 20 miles north of the Golden Gate Bridge, 27 miles from downtown San Francisco, and 15 miles south of the Wine Country. The City is home to many firms offering professional services, manufacturing, research, and retail centers.

County of Marin*.* The County was one of the original counties of the State, created in 1850 at the time of statehood. The County has a total area of 828 square miles and, as of January 1, 2026, a population of approximately 250,823. Geographically, the County forms a large, southward-facing peninsula, with the Pacific Ocean to the west, San Pablo Bay and San Francisco Bay to the east and, across the Golden Gate, the city of San Francisco to the south. The County's northern border is with Sonoma County. Most of the County's population resides on the eastern side, with a string of communities running along the Bay, from Sausalito to Tiburon to San Rafael to Corte Madera. The interior contains large areas of agricultural and open space; West Marin, through which California State Route 1 runs alongside the California coast, contains many small unincorporated communities dependent on agriculture and tourism for their economies.

Population

The following table lists population estimates for the City, the cities within the County, and County for the last five calendar years, as of January 1.

COUNTY OF MARIN
Population Estimates
Calendar Years 2022 through 2026
(As of January 1st)

	2022	2023	2024	2025	2026
Belvedere	2,082	2,057	2,070	2,073	2,058
Corte Madera	10,007	9,960	9,992	9,991	9,910
Fairfax	7,465	7,435	7,464	7,463	7,414
Larkspur	12,804	12,691	12,804	12,772	12,650
Mill Valley	13,868	13,763	13,808	13,803	13,694
Novato	**52,280**	**51,915**	**52,147**	**52,198**	**51,638**
Ross	2,293	2,288	2,299	2,315	2,324
San Anselmo	12,557	12,490	12,569	12,587	12,474
San Rafael	60,444	60,105	60,279	60,184	59,890
Sausalito	6,980	6,914	6,929	6,926	6,878
Tiburon	8,944	8,870	8,905	8,912	8,841
Balance Of County	65,498	64,735	64,366	63,947	63,052
Total	**255,222**	**253,223**	**253,632**	**253,171**	**250,823**

Source: State Department of Finance estimates (as of January 1).

Employment and Industry

The District is included in the San Rafael Metropolitan Division ("**MD**"). The unemployment rate in the County was 4.4% in August 2026, up from a revised 4.2% in July 2026, and below the year-ago estimate of 4.6%. This compares with an unadjusted unemployment rate of 5.4% for the State and 4.3% for the nation during the same period.

The table below lists employment by industry group for the San Rafael MD for the years 2021 to 2025.

SAN RAFAEL MD
(County of Marin)
Annual Averages Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2025 Benchmark)

	2021	2022	2023	2024	2025
Civilian Labor Force [1]	122,400	124,100	125,500	125,400	125,200
Employment	116,400	120,500	121,100	120,500	119,900
Unemployment	6,000	3,600	4,400	4,900	5,200
Unemployment Rate	4.9%	2.9%	3.5%	3.9%	4.2%
Wage and Salary Employment: [2]					
Agriculture	400	400	400	400	400
Mining and Logging	0	0	0	0	0
Construction	7,600	7,800	7,600	7,500	7,400
Manufacturing	4,400	4,200	4,300	4,100	3,700
Wholesale Trade	2,100	2,100	2,200	2,200	2,100
Retail Trade	13,900	13,900	13,500	13,200	13,000
Transportation, Warehousing, Utilities	1,400	1,400	1,400	1,400	1,400
Information	2,700	2,800	2,900	2,900	2,800
Finance Activities	5,000	5,200	5,200	5,100	4,900
Professional and Business Services	17,700	18,200	17,900	17,400	16,500
Educational and Health Services	20,000	20,400	21,400	22,200	22,800
Leisure and Hospitality	12,100	14,000	14,500	14,600	14,700
Other Services	4,800	5,300	5,600	5,800	5,900
Federal Government	700	600	600	700	700
State Government	1,900	1,900	1,800	1,900	1,900
Local Government	11,900	12,300	13,000	13,300	13,500
Total, All Industries [3]	106,600	110,500	112,200	112,600	111,700

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Major Employers

The following table shows the major employers in the County as of October 2026, in alphabetical order without regard to the number of employees.

COUNTY OF MARIN
Major Employers
(Listed Alphabetically)

Employer Name	Location	Industry
Bay Equity	Sausalito	Real Estate Loans
Biomarin Pharmaceutical Inc	San Rafael	Laboratories-Research & Development
Brayton Purcell LLP	Novato	Attorneys
California Alpine Club	Mill Valley	Clubs
College of Marin	Kentfield	Schools-Universities & Colleges Academic
Community Action Marin	Novato	Non-Profit Organizations
Corrections Dept	San Quentin	Government Offices-State
Embassy Suites By Hilton Sn	San Rafael	Hotels & Motels
Glassdoor Inc	Mill Valley	Website Hosting
Golden Gate Transit	San Rafael	Transportation Services
Hospice By the Bay Marin	Larkspur	Physicians & Surgeons
Kaiser Permanente Novato Med	Novato	Clinics
Kaiser Permanente Sn Rafael MD	San Rafael	Hospitals
Kentfield Hospital	Kentfield	Hospitals
Managed Health Network LLC	San Rafael	Health Plans
Marin County Public Works Dept	San Rafael	Public Works Department
Marin Independent Journal	San Rafael	Newspapers (publishers/Mfrs)
Marin YMCA	San Rafael	Youth Organizations & Centers
Marinhealth Medical Ctr	Greenbrae	Hospitals
RH (restoration Hardware)	Corte Madera	Furniture-Dealers-Retail
San Rafael Human Resources	San Rafael	City Government-Social & Human Resources
Sutter Care At Home-Marin	Novato	Home Health Service
Township Building Svc Inc	Novato	Janitor Service
Westamerica Bancorporation	San Rafael	Holding Companies (bank)
Whole Foods Market	San Rafael	Grocers-Retail

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2026 2nd Edition.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total estimated effective buying income and the estimated median household effective buying income for the City, County, the State and the United States for the period 2023 through 2027.

CITY OF NOVATO, COUNTY OF MARIN,
STATE OF CALIFORNIA AND UNITED STATES
Estimated Effective Buying Income
2023 Through 2027

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2023	City of Novato	$2,724,783	$92,769
	County of Marin	16,261,363	104,104
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	City of Novato	$2,785,556	$95,975
	County of Marin	16,602,060	110,677
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876
2025	City of Novato	$2,910,566	$96,563
	County of Marin	17,433,348	115,969
	California	1,557,429,767	82,725
	United States	12,525,577,707	69,687
2026	City of Novato	$3,148,439	$105,097
	County of Marin	18,642,919	124,151
	California	1,730,654,738	90,403
	United States	13,932,177,817	75,433
2027	City of Novato	$3,082,707	$102,195
	County of Marin	18,759,327	124,062
	California	1,777,381,182	91,733
	United States	14,288,950,563	76,807

Source: Claritas, LLC.

Commercial Activity

Summaries of historic taxable sales within the City and County during the past five years in which data are available are shown in the following table.

Total taxable sales during the first quarter of calendar year 2026 in the City were reported to be $223,730,168, a 0.5% decrease from the total taxable sales of $224,961,589 reported during the comparable quarter of calendar year 2025.

CITY OF NOVATO
Annual Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2021	847	$763,446	1,695	$913,533
2022	820	789,168	1,658	968,305
2023	801	779,918	1,625	961,007
2024	801	790,222	1,631	985,878
2025	744	817,982	1,555	981,213

Source: State Department of Tax and Fee Administration.

Total taxable sales during the first quarter of calendar year 2026 in the County were reported to be $1,580,524,854, a 3.5% increase over the total taxable sales of $1,527,230,264 reported during the comparable quarter of calendar year 2025.

COUNTY OF MARIN
Annual Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2021	5,461	$4,669,874	10,475	$6,207,919
2022	5,137	4,900,942	10,161	6,550,066
2023	4,969	4,752,659	9,850	6,435,011
2024	4,974	4,832,806	9,825	6,513,242
2025	4,865	5,044,295	9,650	6,681,209

Source: State Department of Tax and Fee Administration.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Directors
North Marin Water District Financing Authority
999 Rush Creek Place
Novato, CA 94945

OPINION: $_____ North Marin Water District Financing Authority
2026 Water Revenue Bonds

Board of Directors of the Authority:

We have acted as bond counsel to the North Marin Water District Financing Authority (the "Authority") in connection with the issuance by the Authority of its North Marin Water District Financing Authority 2026 Water Revenue Bonds in the aggregate principal amount of $_____ (the "Bonds"), under an Indenture of Trust dated as of December 1, 2026 (the "Indenture"), between the Authority and U.S. Bank Trust Company, National Association, as trustee, and under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "Bond Law"). The Bonds are secured by Revenues as such term is defined in the Indenture, including installment payments (the "Installment Payments") made by the North Marin Water District (the "District") under an Installment Sale Agreement dated as of December 1, 2026 (the "Installment Sale Agreement") between the Authority and the District.

We have examined such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Authority and the District contained in the Indenture, the Installment Sale Agreement and in the certified proceedings, and upon other certifications and opinions furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The Authority is a joint powers agency duly organized and existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Bonds have been duly issued by the Authority and constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms.

3. The Indenture and the Installment Sale Agreement have been duly authorized, executed and delivered by the Authority and constitute legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

4. The Indenture establishes a valid lien on and security interest in the Revenues and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

5. The District is a special district, duly organized and existing under the laws of the State of California, with power to enter into the Installment Sale Agreement and to perform the agreements on its part contained therein. The Installment Sale Agreement has been duly approved by the District and constitutes a legal, valid and binding obligation of the District enforceable against the District in accordance with its terms. The Installment Sale Agreement establishes a valid lien on and security interest in the Net Revenues of the System and other funds pledged thereby for the security of the Installment Payments, in accordance with the terms of the Installment Sale Agreement.

6. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the District comply with all requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the District have covenanted in the Indenture, the Installment Sale Agreement and in other instruments relating to the Bonds to comply with each of such requirements, and the Authority and the District have full legal authority to make and comply with such covenants. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

7. Interest on the Bonds is exempt from California personal income taxation.

Interest on the Bonds may be subject to the corporate alternative minimum tax. We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or any court; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations, opinions, and covenants referenced above.

Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

APPENDIX F

DTC AND 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, and neither the District nor the Purchaser take responsibility for the accuracy thereof.

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") will act as securities depository for the Bonds (hereinafter, 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. *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 shall 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 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.