

Mission statement of McKinleyville Community Services District:
"McKinleyville Community Services District provides authorized services fundamental to the health and well-being of the community."

**NOTICE IS HEREBY GIVEN THAT A *Special* MEETING OF THE
MCKINLEYVILLE COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS
AUDIT AND FINANCE COMMITTEE MEETING
WILL BE HELD
MONDAY, APRIL 20, 2026 AT 1:30 P.M.**

**LOCATION: MCSD District Office Conference Room
1656 Sutter Road
McKinleyville, CA 95519**

MEETING AGENDA

1. Introductions, Call to Order, and Roll Call
2. Public Comment
3. Discuss 1st Draft of the Preliminary Official Statement and Credit Presentation

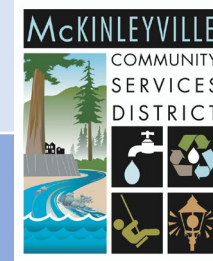
Attachment 1 – Draft of Preliminary Official Statement
Attachment 2 – Draft of Credit Presentation
4. Adjournment

Posted 5:00 p.m. on April 17, 2026

Pursuant to California Government Code Section 54957.5, this agenda and complete packet are available for public inspection on the web at McKinleyvillecsd.com or upon request at the MCSD office, 1656 Sutter Road, McKinleyville.

McKinleyville Community Services District will, on request, make agendas available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Individuals who need this agenda in an alternative format or who need a disability-related modification or accommodation in order to participate in the meeting should contact the Board Secretary at (707) 839-3251. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements for accommodations.

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CREDIT PRESENTATION

McKinleyville Community Services District

Revenue Certificates of Participation

\$4.675 Million* Series 2026A (Water Project - Bank Qualified)

\$3.9 Million* Series 2026B (Wastewater Project - Bank Qualified)

May 15, 2026



**Preliminary; subject to change*

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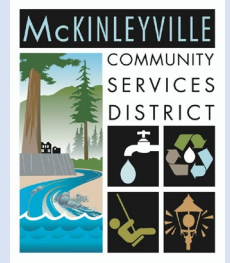
- 6 Wastewater System Financial Profile & CIP

- 7 2026 COPs



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Introduction



Financing Team



Team Role	Organization	Contact
Issuer	McKinleyville Community Services District	Patrick Kaspari, P.E, <i>General Manager</i> Samantha Howard, <i>Finance Director</i>
Bond / Disclosure Counsel	Kutak Rock LLP	Albert Reyes, <i>Partner</i> Cyrus Torabi, <i>Partner</i> Matthias M. Edrich, <i>Partner</i>
Municipal Advisor	Fieldman	Jim Fabian, <i>Principal</i> Un Chu Reardon, <i>Senior Vice President</i> Dan Shaw, <i>Vice President</i>
Underwriter	Oppenheimer & Co. Inc.	Rick Brandis, <i>Managing Director</i> Nicki Tallman, <i>Managing Director</i> Michael Garcia, <i>Director</i>

Executive Summary



\$4.675M*

**Revenue Certificates
of Participation,
Series 2026A
(Water Project)**

*Preliminary, subject to change

- Proceeds will finance:
 - ✓ Water mainline rehabilitations and replacements
 - ✓ Replacement of the McCluski Tank 3 Water Storage Reservoir
 - ✓ Other improvements to the Water System
- Secured by a pledge of and first priority lien on Water System Net Revenues
- Rate Covenant of 120%

\$4.49M*

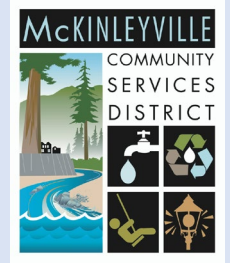
**Revenue Certificates
of Participation,
Series 2026B
(Wastewater Project)**

*Preliminary, subject to change

- Proceeds will finance:
 - ✓ Collection System upgrades
 - ✓ Sewer main rehabilitations and replacement
 - ✓ Sewer lift station upgrades
 - ✓ Other improvements to the Wastewater System
- Secured by a pledge of and first priority lien on Wastewater System Net Revenues
- Rate Covenant of 120%

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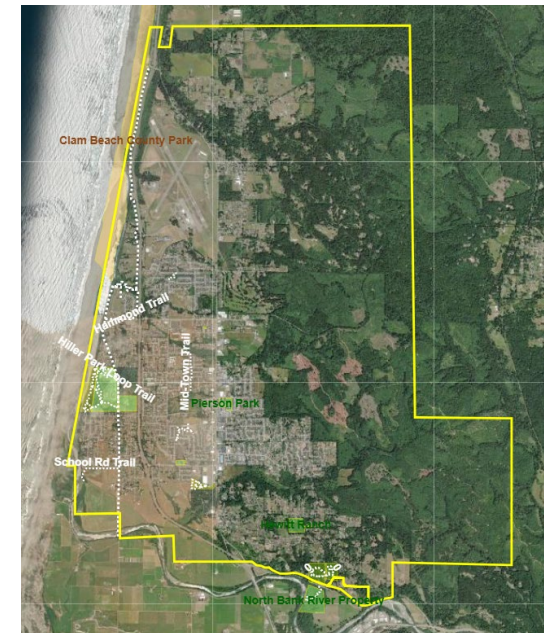
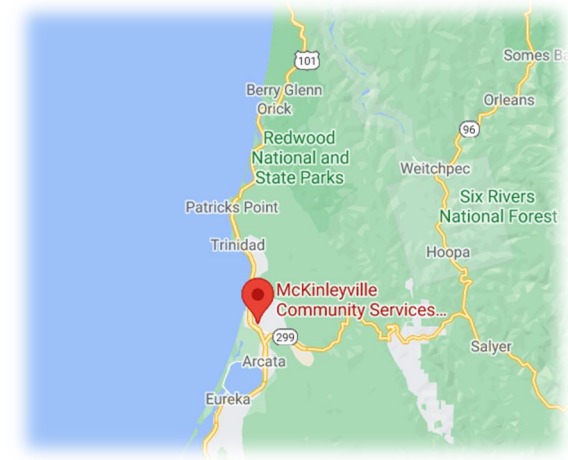
Overview of the District



District Overview



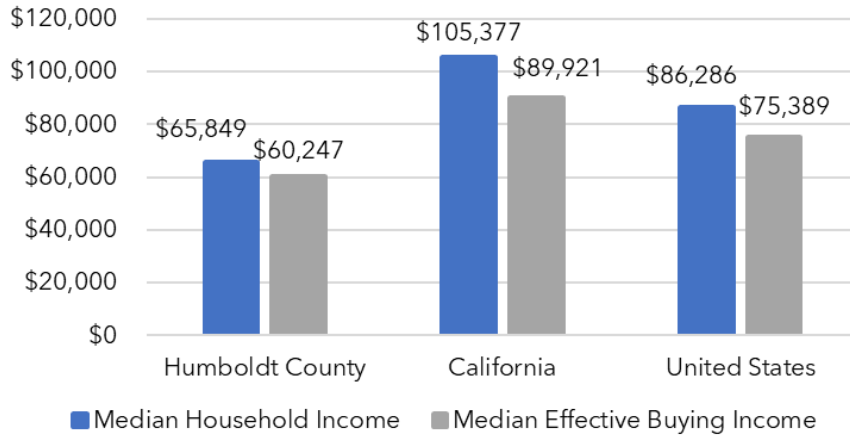
- Formed in 1970, and operates under the Community Services District Law
- Governed by five-member Board of Directors
 - ✓ Elected for four-year terms
- Service area estimated population of approximately 17,400
- District boundary encompasses 12,140 acres
- Fastest growing community in Humboldt County, with a growth rate of 5.8% since 2020
- Location
 - ✓ Located on the northwestern coast of Humboldt County
 - ✓ Home to the full-service Arcata-Eureka Airport
 - ✓ Easily accessible via US 101 or State Route 299
- Home to the Hammond Trail, over 5 miles of hiking, biking, and equestrian trails that link McKinleyville to other communities



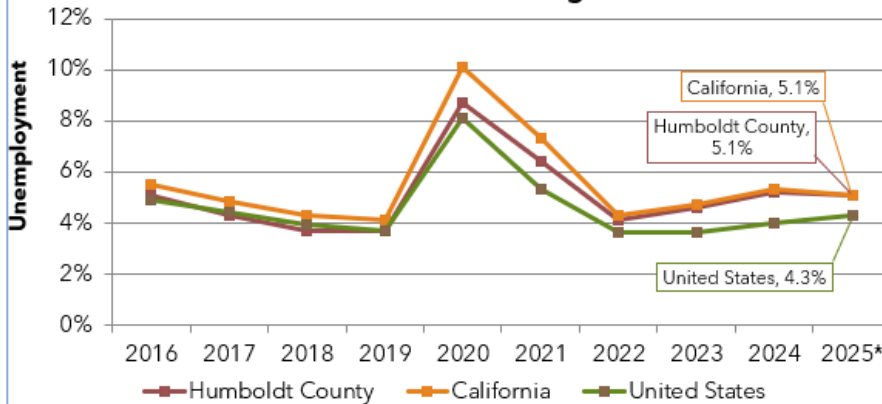
Humboldt County Demographics



2026 Median Income



Unemployment Rates from 2016 through 2025*



Humboldt County Major Employers as of June 2025

Employer Name	Location	Industry
Arcata Forest Products	Arcata	Lumber-Wholesale
Bettendorf Trucking	Arcata	Trucking and Logistics
Blue Lake Casino & Hotel	Blue Lake	Casinos
California Department of Forestry	Fortuna	Fire Department
Columbia Bank	Eureka	Financial Services
Costco Wholesale	Eureka	Wholesale Clubs
County of Humboldt	Eureka	Government
Danco Property Management	Arcata	Construction Companies
Eureka City Clerk	Eureka	Government
Eureka High School	Eureka	Schools
Green Diamond Resource Co.	Korbel	Forestry
Humboldt County Dept. of Health	Eureka	Government
Humboldt County Mental Health	Eureka	Hospitals
Humboldt County Sheriff Dept.	Eureka	Law Enforcement
Humboldt County Social Svc	Eureka	Government
Newmarket International Inc.	Eureka	Hospitality Training
North Coast Co-op	Arcata	Grocers-Wholesale
Providence St. Joseph Hospital	Eureka	Hospitals
Redwood Memorial Hospital	Fortuna	Hospitals
Schmidbauer Lumber Inc.	Eureka	Logging
St Joseph Hospital	Eureka	Hospitals
Sun Valley Floral Farms	Arcata	Greenhouses
Target	Eureka	Department Stores
United States Post Office	Eureka	Post Offices
Winco Foods	Eureka	Grocers-Retail

Source: US Dept. of Labor, Bureau of Labor Statistics, Claritas, and California Employment Department.

District Management



Key Management Personnel

Board of Directors

<u>Member</u>	<u>Term Expiration</u>
Dennis Mayo, President	Dec. 2026
David Couch, Vice President	Dec. 2026
Scott Binder, Director	Dec. 2028
James Biteman, Director	Dec. 2026
Gregory Orsini, Director	Dec. 2028

Staffing

For Fiscal Year 2026, the District has **31 full-time employees** and 48 part-time and seasonal employees

Patrick Kaspari, PE
General Manager
40 total years experience

Samantha Howard
Finance Director

Financial Management Overview



Adopted Policies

- Reserves Policy
 - ✓ Adopted in 2020 and covers reserves for working capital, investments, pension and other
- Debt Management Policy
 - ✓ Adopted in 2017 and compliant with SB 1045
- Investment Policy
 - ✓ Adopted in July 2025, compliant with Government Code of California

District Planning

- 5-year Strategic Plan, 10-Year Capital Improvement Plan
- 20-year Wastewater Facility Plan
- Water and Wastewater Mainline Replacement and Rehabilitation Plan

Budget Process

- The Finance Director prepares and submits a proposed budget to the District Board for approval each year

District's Pension Obligations



- The District has Miscellaneous Pension Plans administered by CalPERS
 - ✓ As of June 30, 2024, total Unfunded Accrued Liability is \$3.24 million
- In FY 2025, the District contributed \$422,896 in UAL annual and normal cost payments
 - ✓ For FY 2026, the cost is budgeted at \$389,131
- District established Section 115 Trust in 2023

Source: California Public Employees' Retirement System Report dated July 2025

District's OPEB Obligations

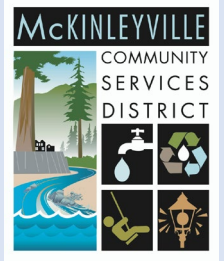


- District administers a single-employer defined-benefit post-employment healthcare plan
- Retirees are eligible for medical benefits if they retire directly from the District at least age 50 with 5 years of service
- As of Dec. 31, 2025, the District had:
 - ✓ Total OPEB Liability of \$5,930,394
 - ✓ Net Position of \$3,390,945, or 57.2% funded
- In FY 2025, the District made a net contribution of \$259,179 to fund its OPEB obligations
 - ✓ District budgets net contributions of \$262,942 and \$303,187 in Fiscal Years 2026 and 2027, respectively
- As of FY 2025, there were 36 employees covered by the benefit terms
 - ✓ 9 inactive employees
 - ✓ 27 active employees

Source: District.

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The Water System



Water System Overview



Approximately 5,852 active water service connections

- As of FY 2024-25, 5,606 Residential and 246 Commercial
- Approximately 80% of the District's total water demand is from residential users

Operates seven storage tanks, three booster stations, and approximately 91 miles of water transmission and distribution mains

District purchases its wholesale water supply from the Humboldt Bay Municipal Water District ("HBMWD")

- HBMWD has been the sole source of water for the District since 1970
- HBMWD's source of water is Ruth Lake
 - ✓ Reliable and consistent source - reservoir filled multiple times during drought years

Water System Overview (cont.)



Supply Contract with HBMWD

- Dated July 1, 2017, effective until June 30, 2037
 - ✓ District can extend term by 10 years

HBMWD Ordinance 16

- Establishes the water sales rates, charges and conditions of service

Additionally, HBMWD has 20-year water supply contracts with the following wholesale municipal customers:

- City of Arcata, City of Blue Lake, City of Eureka, Fieldbrook-Glendale Community Services District, Humboldt Community Services District, and Manila Community Services District

Water System Facilities



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Seven storage tanks with a total capacity of 9.75 million gallons

3

Three booster stations to move water to different elevations within the District's four pressure zones

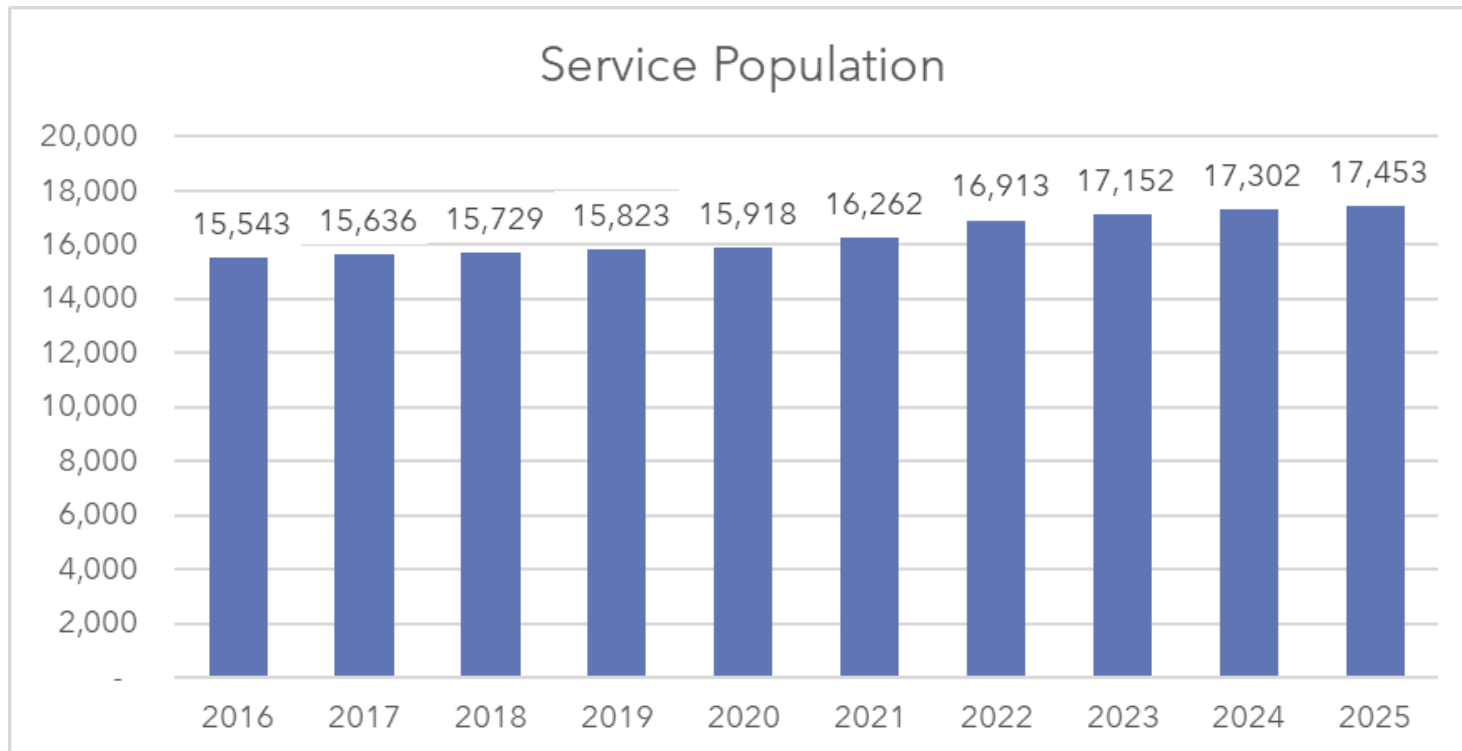
91

91 miles of water transmission and distribution mains

Service Area Population Stability



- Population has remained stable over the past ten years

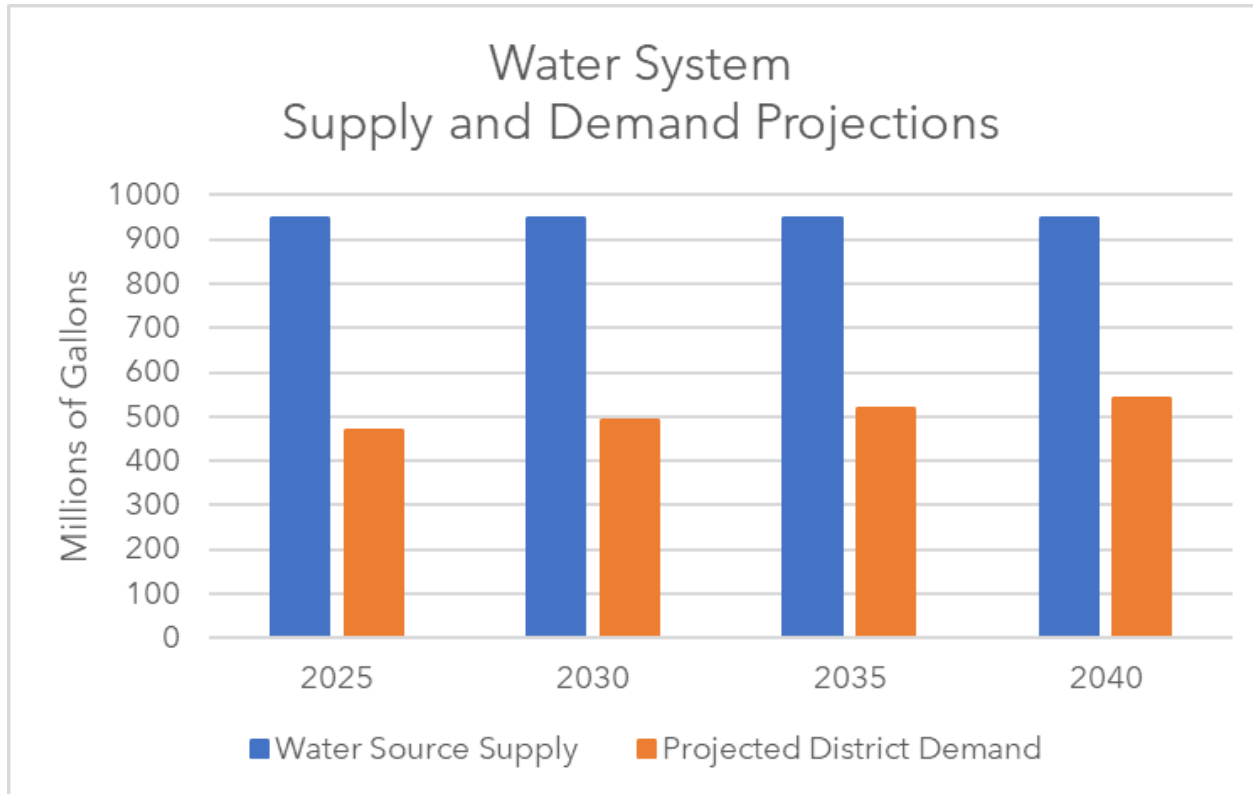


Note: Applies to the District's Water and Wastewater System.
Source: District.

Projected Water Supply and Demand

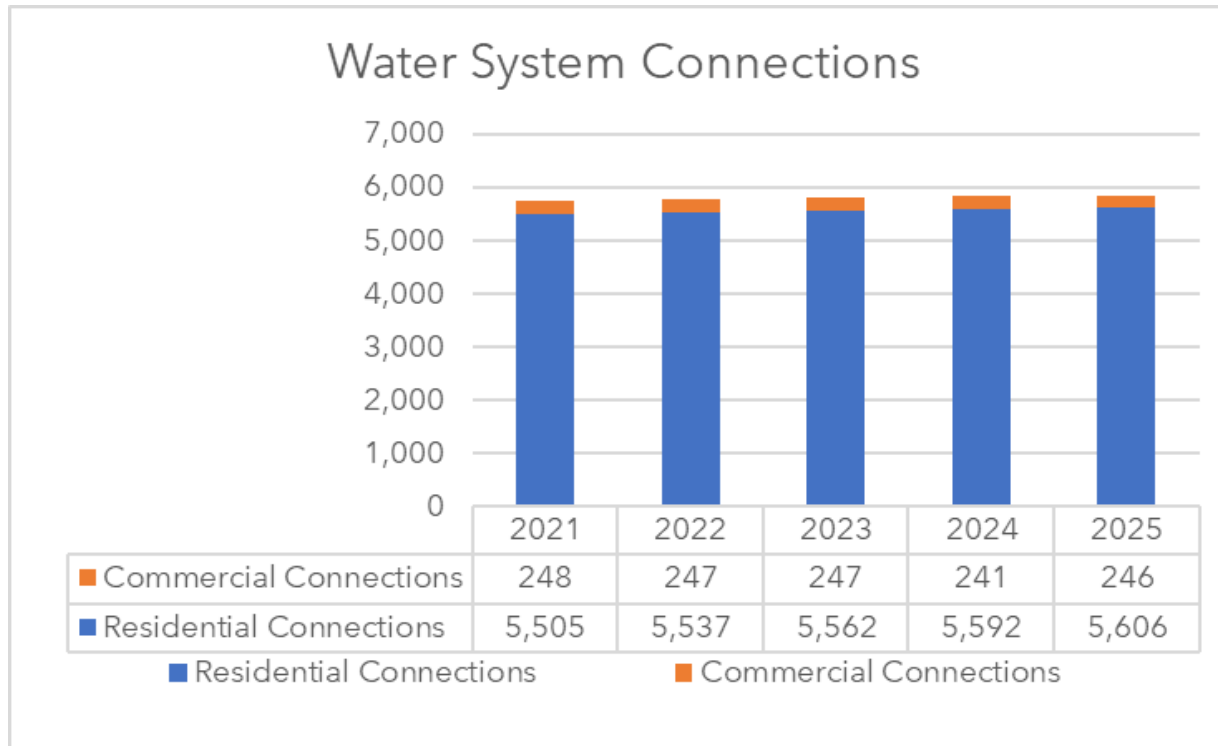


- Ample capacity to meet long-term water needs



Source: McKinleyville CSD 2020 Urban Water Management Plan.

Water System Connections



District comprised of:

- ✓ Mostly residential dwellings served by a small commercial urban area
- ✓ U.S. Coast Guard Air Station, Federal Courthouse, and a Regional Airport
- ✓ There are no heavy industrial zoned parcels or accounts

Source: District.

Top Water System Customers



- Top 10 water system customers represented approximately 4.69% of total water sales in FY 2024-25
 - ✓ No single user is responsible for more than 1.2% of the total water revenue

McKinleyville CSD Ten Largest Water System Customers (as of June 30, 2025)					
Customer	Customer Class	Water Consumption ⁽¹⁾	Percent of Total ⁽²⁾	Water System Gross Revenues	Percent of Total ⁽³⁾
1	Residential	7,890	1.75%	\$48,894	1.10%
2	Residential	4,749	1.06%	28,005	0.63%
3	Commercial	3,712	0.83%	23,632	0.53%
4	Residential	3,514	0.78%	21,245	0.48%
5	Residential	3,257	0.72%	19,130	0.43%
6	Residential	2,475	0.55%	14,049	0.32%
7	Residential	2,469	0.55%	15,304	0.35%
8	Residential	2,196	0.49%	15,276	0.34%
9	Residential	2,017	0.45%	12,834	0.29%
10	Residential	1,353	0.30%	9,209	0.21%
Total		33,632	7.48%	\$207,578	4.69%

(1) In centum cubic feet (100 cubic feet).

(2) Based on total of approximately 449,750 centum cubic feet delivered in Fiscal Year 2025.

(3) Based on Fiscal Year 2025 Water Revenues of \$4,428,404, which is net of refunds/rebates, bad debts, and customer adjustments.

Source: District.

Water System Rate Policy



- District periodically reviews water rates every five years to determine if they are sufficient to cover operation and maintenance costs, capital improvement expenditures, and debt service requirements
 - ✓ Last rate study completed in 2022
 - ✓ Rate increase recommendations through FY 2027
 - ✓ Next rate study will begin in early 2027
- Neither the District nor the Water System is subject to the jurisdiction of the CPUC or any other regulatory body in connection with the establishment of charges and fees related to the Water System

Water System Rates and Charges



- Monthly charge for water service is calculated by:
 - ✓ Adding a fixed monthly charge based on the size of the customer's water meter
 - ✓ A consumption charge based on the amount of water consumed by the customer
 - ✓ A drought surcharge in the event of a drought, to ensure stability of revenues

- Average rate increases of approximately 4% for Fiscal Year 2026-27

McKinleyville CSD Water System Rates and Charges		
Fixed Monthly Water Service Charges		
Meter Size	1/1/2026	1/1/2027
5/8"	\$24.13	\$25.10
3/4"	33.50	34.85
1"	52.24	54.34
1.5"	99.08	103.06
2"	155.29	161.54
3"	286.46	297.97
4"	473.83	492.88
6"	942.27	980.15
8"	1,504.40	1,564.87
Water Commodity Charges		
Water Use Tier	1/1/2026	1/1/2027
Tier 1 (0-8 hcf)	\$2.92	\$3.04
Tier 2 (8+ hcf)	3.91	4.07
HBMWD Pass-Through Charge	2.03	(1)
Drought Surcharges ⁽²⁾		
Water Use Tier	1/1/2026	1/1/2027
Tier 1 (0-8 hcf)	\$0.56	\$0.58
Tier 2 (8+ hcf)	0.67	0.70

(1) The amount of this charge is expected to be determined in or about November 2026, when HBMWD provides its 2027 wholesale rates to the District.

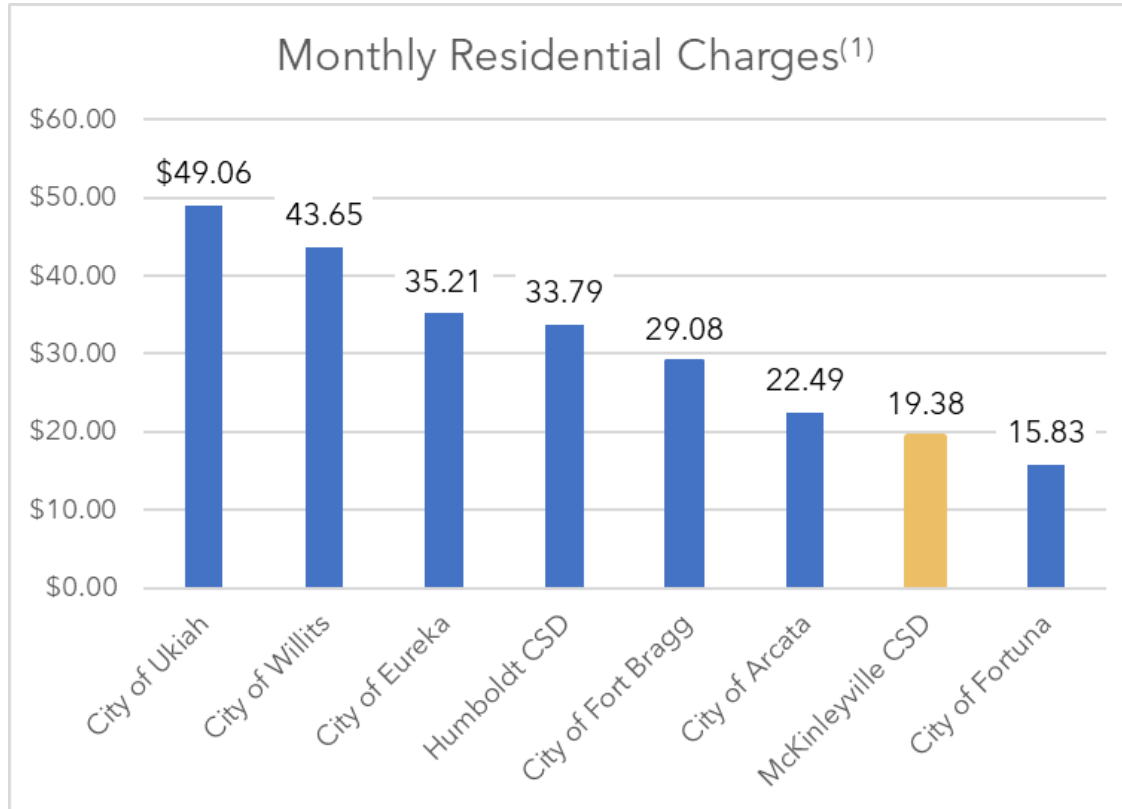
(2) Payable in hcf in addition to water commodity charges.

Source: McKinleyville Community Services District

Comparative Rates and Charges



- Single family residential monthly charges comparable to neighboring agencies

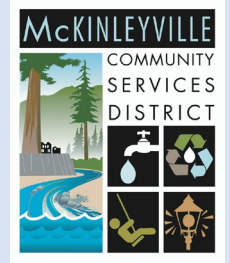


(1) Reflects rate for single-family residential customer with 5/8" water meter using 5 hcf of water per month.

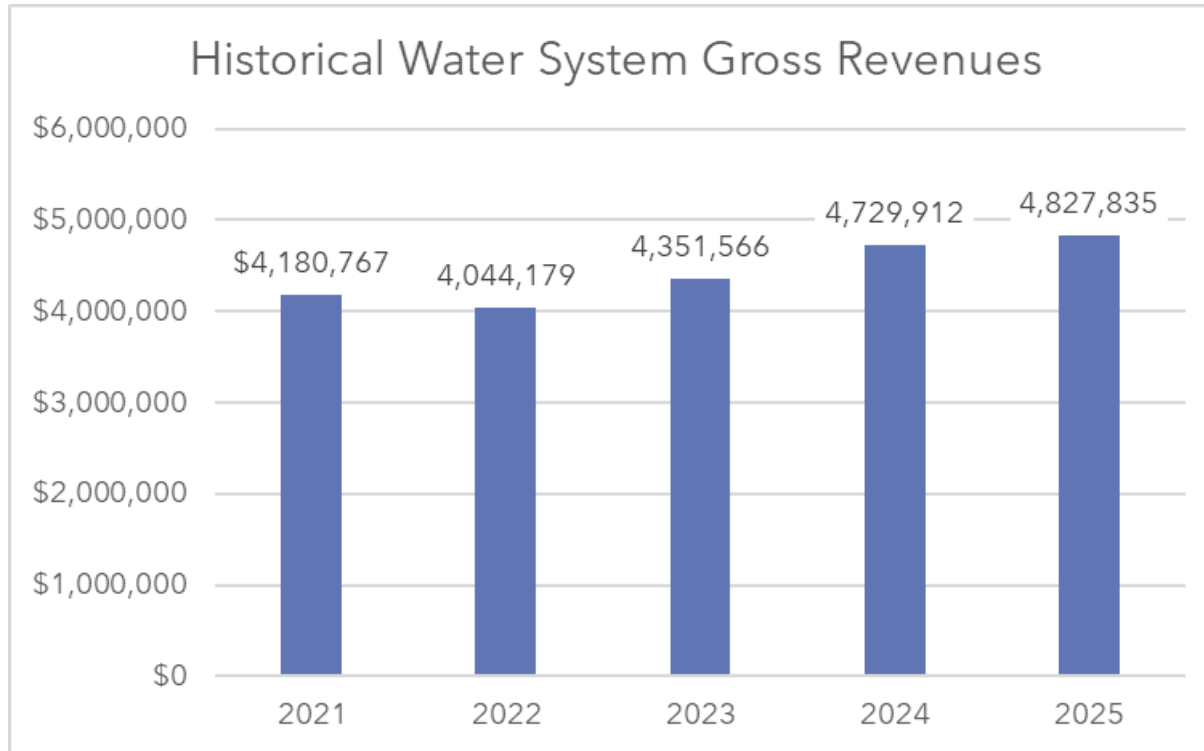
Source: The District. Based on rate information reported by the respective utility systems as of January 1, 2026.

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Water System Financial Profile and CIP



Water System Revenues



McKinleyville CSD % Change in Revenues		
Fiscal Year	Gross Revenues	% Change
2021	\$4,180,767	N/A
2022	4,044,179	(3.27%)
2023	4,351,566	7.60%
2024	4,729,912	8.69%
2025	4,827,835	2.07%

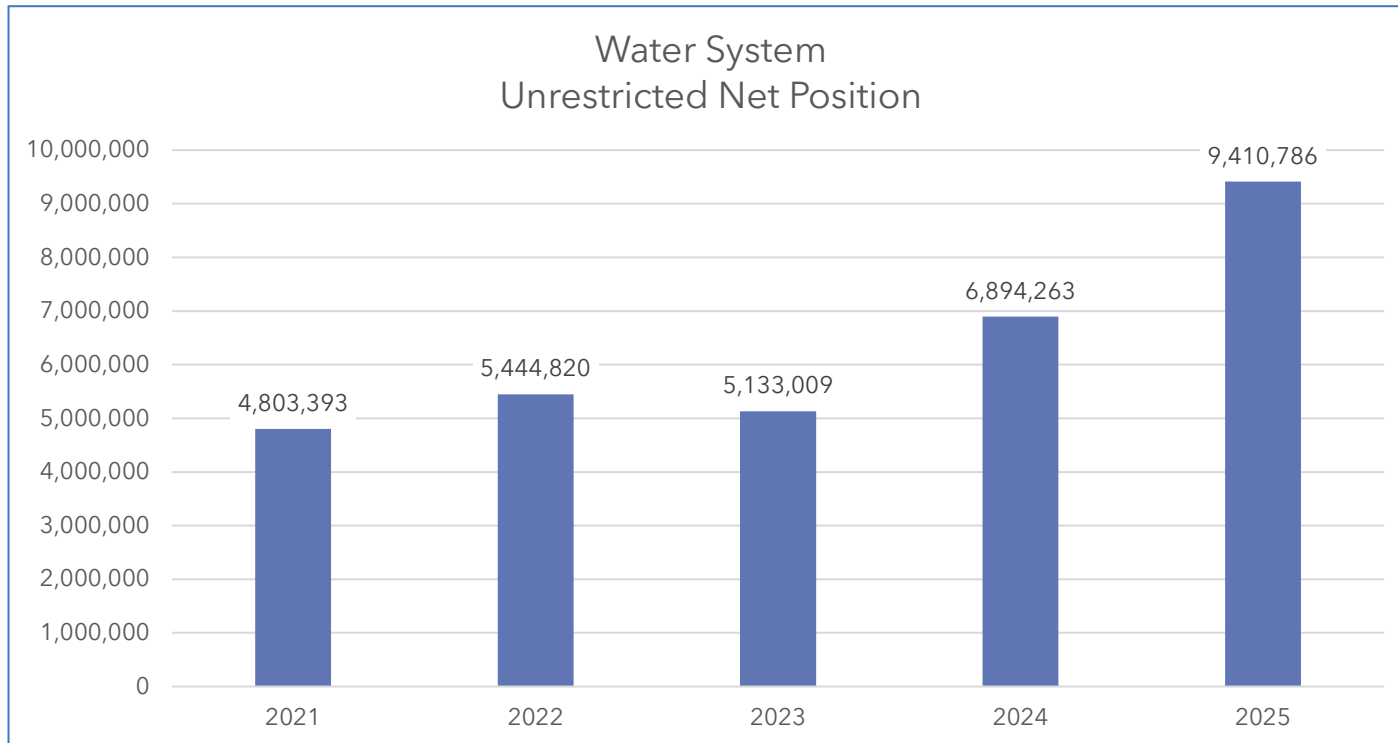
Note: Decrease in FY 2021-22 is a result of coming out of COVID and people going back to work, and drought conservation measures.

Source: District.

Water System Reserves



- \$9.4 million unrestricted net position in FY 2024-25, equal to 1,084 days of operating expenses



Source: The District.

Historical Debt Service Coverage



	Audited FY 2021	Audited FY 2022	Audited FY 2023	Audited FY 2024	Audited FY 2025
REVENUES ⁽¹⁾					
Operating Revenues					
Water Revenue	\$4,000,025	\$3,849,907	\$4,007,971	\$4,242,268	\$4,394,319
Other Revenues	132,508	146,915	122,046	136,244	107,070
Investment Earnings ⁽²⁾	48,234	47,357	221,549	351,400	326,446
TOTAL REVENUES	\$4,180,767	\$4,044,179	\$4,351,566	\$4,729,912	\$4,827,835
EXPENSES ⁽¹⁾ (excludes depreciation)					
Operating Expenses					
Water Purchase	\$1,147,401	\$1,218,070	\$1,230,774	\$1,278,435	\$1,298,741
Salaries and Related Expenses	544,665	552,521	610,632	713,739	801,505
Employee Benefits, net of GASB 68 & 75 ⁽³⁾	408,629	349,879	794,827	501,375	533,620
Services and Supplies	16	133	76	20,432	28,861
Professional Services	58,637	56,300	52,439	57,305	61,415
Utilities	66,113	69,877	80,145	108,857	105,141
Insurance Expense	52,321	51,526	52,870	60,037	69,857
Other Operating Expenses	286,074	320,214	323,293	338,000	269,320
TOTAL EXPENSES	\$2,563,856	\$2,618,520	\$3,145,056	\$3,078,180	\$3,168,460
NET REVENUE FOR DEBT SERVICE	\$1,616,911	\$1,425,659	\$1,206,510	\$1,651,732	\$1,659,375
DEBT SERVICE					
1971 Davis-Grunsky Act Loan	\$141,279	\$141,278	\$141,278	\$141,279	\$141,278
2011 ARRA Loan	12,390	12,390	12,332	12,332	12,332
2012 California IBank Loan	70,018	68,116	68,088	68,058	68,026
2021A Water Revenue COPs			233,811	233,800	235,300
TOTAL DEBT SERVICE	\$223,687	\$221,784	\$455,509	\$455,469	\$456,936
DEBT SERVICE COVERAGE RATIO	7.23x	6.43x	2.65x	3.63x	3.63x
REMAINING NET REVENUES	\$1,393,224	\$1,203,875	\$751,001	\$1,196,263	\$1,202,439

(1) Sourced from the District's audits.

(2) Investment earnings are net of unrealized gains/losses.

(3) Excludes Pension and OPEB expenses. High levels in FY 2022-23 due to \$353k auditor adjustment to group health insurance.

Projected Debt Service Coverage



	Est. Actuals ⁽¹⁾ FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030
REVENUES ⁽²⁾					
Operating Revenues					
Water Revenue	\$4,762,047	\$4,952,529	\$4,952,529	\$4,952,529	\$4,952,529
Other Revenues	113,777	113,777	113,777	113,777	113,777
Investment Earnings	224,794	224,794	224,794	224,794	224,794
TOTAL REVENUES	\$5,100,618	\$5,291,100	\$5,291,100	\$5,291,100	\$5,291,100
EXPENSES ⁽³⁾ (excludes depreciation)					
Operating Expenses					
Water Purchase	\$1,345,525	\$1,385,891	\$1,427,468	\$1,470,292	\$1,514,401
Salaries and Related Expenses	\$880,826	907,250	934,468	962,502	991,377
Employee Benefits, net of GASB 68 & 75	\$653,653	673,263	693,460	714,264	735,692
Other Operating Expenses ⁽⁴⁾	\$662,283	682,152	702,616	723,695	745,405
TOTAL EXPENSES	\$3,542,287	\$3,648,556	\$3,758,012	\$3,870,753	\$3,986,875
NET REVENUE FOR DEBT SERVICE	\$1,558,331	\$1,642,545	\$1,533,088	\$1,420,348	\$1,304,225
DEBT SERVICE					
1971 Davis-Grunsky Act Loan	\$141,278	\$141,279	\$141,279	\$141,278	\$141,278
2011 ARRA Loan	12,332	6,343			
2012 California IBank Loan	67,997	63,685	68,949	68,950	68,949
2021A Water Revenue COPs	236,600	237,700	233,700	234,600	235,300
Proposed 2026A Water Revenue COPs ⁽⁵⁾		\$131,160	\$302,000	\$298,500	\$299,875
TOTAL DEBT SERVICE	\$458,207	\$580,167	\$745,928	\$743,328	\$745,402
DEBT SERVICE COVERAGE RATIO	3.40x	2.83x	2.06x	1.91x	1.75x
REMAINING NET REVENUES	\$1,100,124	\$1,062,378	\$787,160	\$677,020	\$558,823

(1) Based on the District's FY 2025-26 Estimated Actuals. Based on data through Feb. 28, 2026, and projected to a complete year.

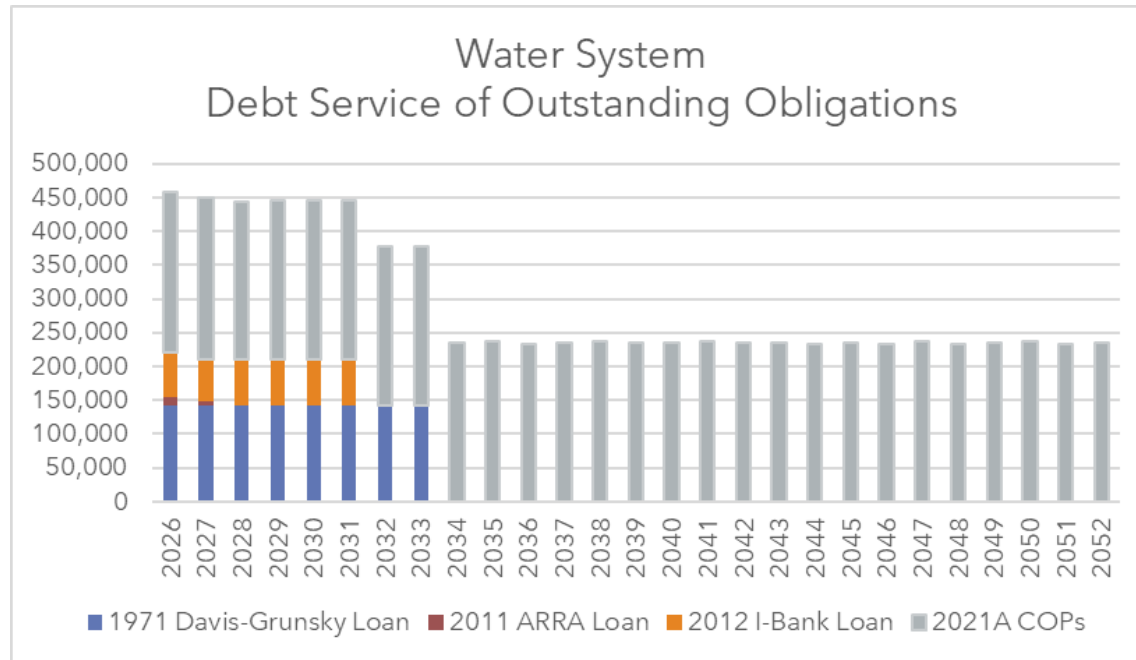
(2) 4% increase in Water Sales projected in FY 2027. All other revenues held constant.

(3) Expenses are projected to increase 3% annually.

(4) Services & supplies, professional services, utilities, and insurance are combined into Other Operating Expenses.

(5) Preliminary.

Water System's Debt Profile



Water System Debt Profile					
Obligation	Original Par Amount	Outstanding Par Amount	Interest Rate	Final Maturity	
1971 Davis-Grunsky Act Loan	\$3,673,000	\$1,027,116	2.50%	2033	
2011 ARRA Loan	165,100	18,491	1.00%	2027	
2012 I-Bank Loan	956,034	368,976	3.37%	2030	
2021A Water Revenue COPs	4,335,000	4,000,000	2.25% - 4.00%	2051	

Water System's Capital Needs



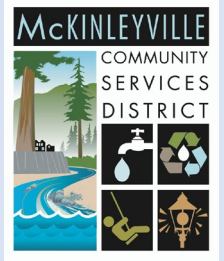
Anticipated improvements over the next five years:

Proposed Improvement	Estimated Cost
Mad River Crossing Emergency Supply Project	\$4,250,000
Replacement of McCluski Water Storage Tanks	4,000,000
Rehabilitation of Existing Water Storage Tanks	1,000,000
Water Main Rehabilitation and Replacement	1,000,000

- The District anticipates funding the Water System capital improvement plan with:
 - 2026A COPs
 - Grant proceeds
 - Connection fees
 - Funds on hand

5

The Wastewater System



Wastewater System Overview



Approximately 5,175 active wastewater service connections

- As of FY 2024-25, 4,989 Residential and 186 Commercial

All wastewater is treated at the Wastewater Management Facility

- Recently upgraded in 2019

73 miles of sewer mains and five sewer lift stations

- Treats an annual flow of just over 1 million gallons

Wastewater Management Facility



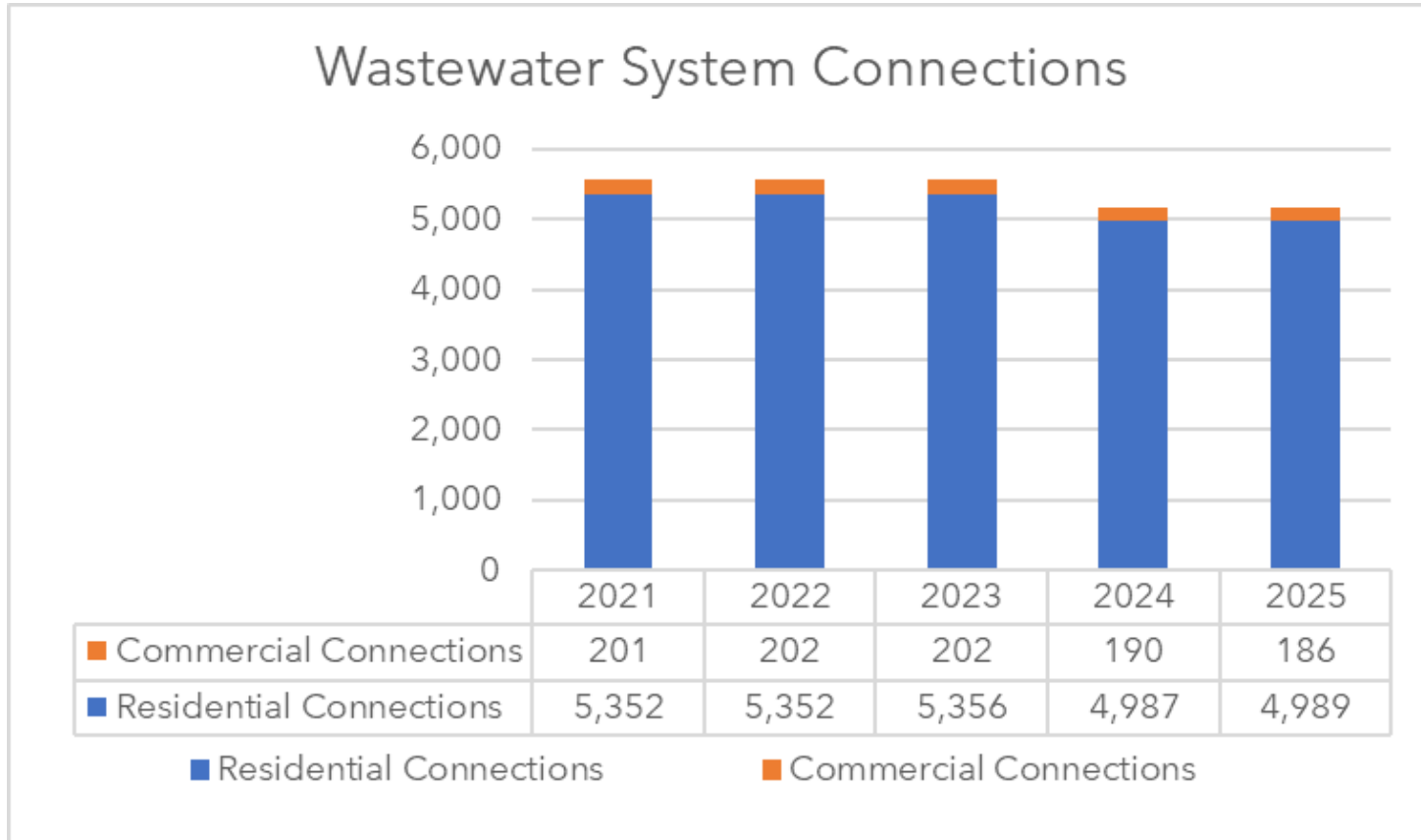
Advanced secondary disinfected treatment process facility

- Average dry weather design flow of 1.37 mgd
- Wet weather peak capacity of 3.08 mgd

Treated wastewater is discharged to the Mad River during winter months when the river flow rate surpasses 200 cubic feet per second

During the summer months and low flow periods of the Mad River, treated wastewater is discharged into two percolation ponds located adjacent to the river and is irrigated on nearby dairy pastures

Wastewater System Connections



Source: District.

Top Wastewater System Customers



- Top 10 wastewater system customers represented approximately 7.9% of total water sales in FY 2024-25
 - ✓ No single user is responsible for more than 2% of the total wastewater revenue

McKinleyville CSD Ten Largest Wastewater System Customers (as of June 30, 2025)			
Customer	Customer Class	Wastewater System	
		Gross Revenues	Percent of Total ⁽¹⁾
1	Residential	\$84,641	1.91%
2	Residential	53,697	1.21%
3	Commercial	39,585	0.90%
4	Residential	35,138	0.79%
5	Residential	33,138	0.75%
6	Residential	26,911	0.61%
7	Commercial	24,138	0.55%
8	Commercial	18,625	0.42%
9	Residential	16,512	0.37%
10	Residential	15,426	0.35%
Total		\$347,811	7.87%

(1) Based on Fiscal Year 2025 Wastewater Revenues of \$4,421,391, which is net of refunds/rebates, bad debts, and customer adjustments.

Source: District.

Wastewater System Rate Policy



- District periodically reviews wastewater rates every five years to determine if they are sufficient to cover operation and maintenance costs, capital improvement expenditures, and debt service requirements
 - ✓ Last rate study completed in 2022
 - ✓ Rate increase recommendations through FY 2027
 - ✓ Next rate study will begin in early 2027
- Neither the District nor the Wastewater System is subject to the jurisdiction of the CPUC or any other regulatory body in connection with the establishment of charges and fees related to the Wastewater System

Wastewater System Rates and Charges



- Monthly charge for wastewater service is calculated by:
 - ✓ Adding a fixed monthly charge based on the volume of water consumed
 - ✓ No residential customer is charged in excess of 1,200 cubic feet of water consumption in a month

- Average rate increases of approximately 5% for Fiscal Year 2026-27

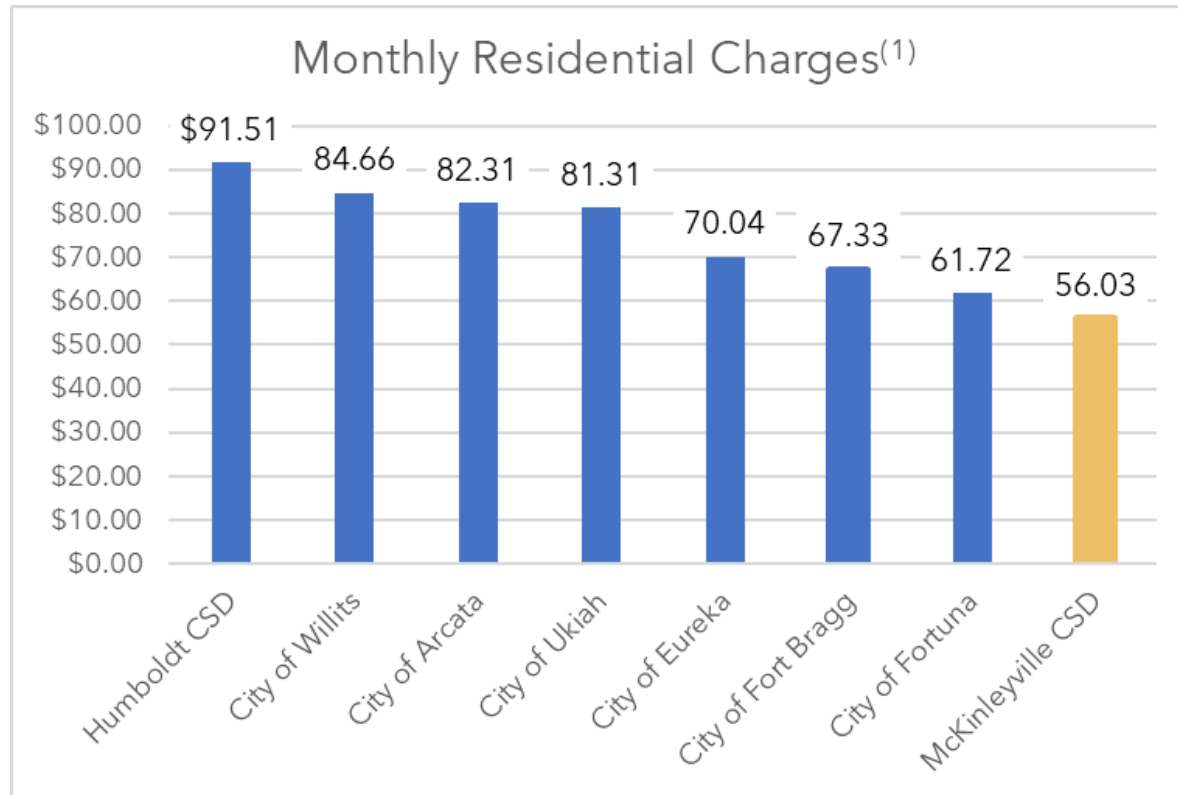
McKinleyville CSD Wastewater System Rates and Charges		
Fixed Monthly Wastewater Service Charges		
Customer Type	1/1/2026	1/1/2027
All	\$40.93	\$42.98
Wastewater Commodity Charges		
Customer Type	1/1/2026	1/1/2027
Two Sewer Units/Commercial	\$3.58	\$3.76
Apartment/Multi-Unit (Per Unit)	3.58	3.76
Bakery	4.87	5.11
Barber/Beauty Shop	3.58	3.76
Car Wash	3.33	3.50
Church and Residence	3.58	3.76
Church and Residence	3.58	3.76
Coast Guard Station/Airport	3.58	3.76
Dialysis Clinic	3.52	3.70
Fire Station/School	3.40	3.57
Gas Station (No Market)	3.65	3.83
Laundromat	3.43	3.60
Market	4.88	5.12
Metered Septage Vault	4.06	4.12
Mobile Home	3.58	3.76
Motel/Hotel	4.34	4.56
Office Building/Post Office	3.58	3.76
Restaurant/Tavern	4.87	5.11
Retail/Bank/Theater/Other	3.58	3.76
Round Table/Market	4.60	4.84
Sewer Unit/Commercial	3.65	3.83
Single Family Residential	3.58	3.76
Two Sewer Units/Business	3.58	3.76
Two Sewer Units/Daycare	3.58	3.76
Brewery	12.81	13.45

Source: McKinleyville Community Services District

Comparative Rates and Charges



- Single family residential monthly charges comparable to neighboring agencies

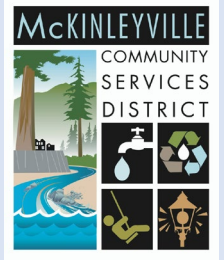


(1) Reflects rate for single-family residential customer with 5/8" water meter using 5 hcf of water per month.

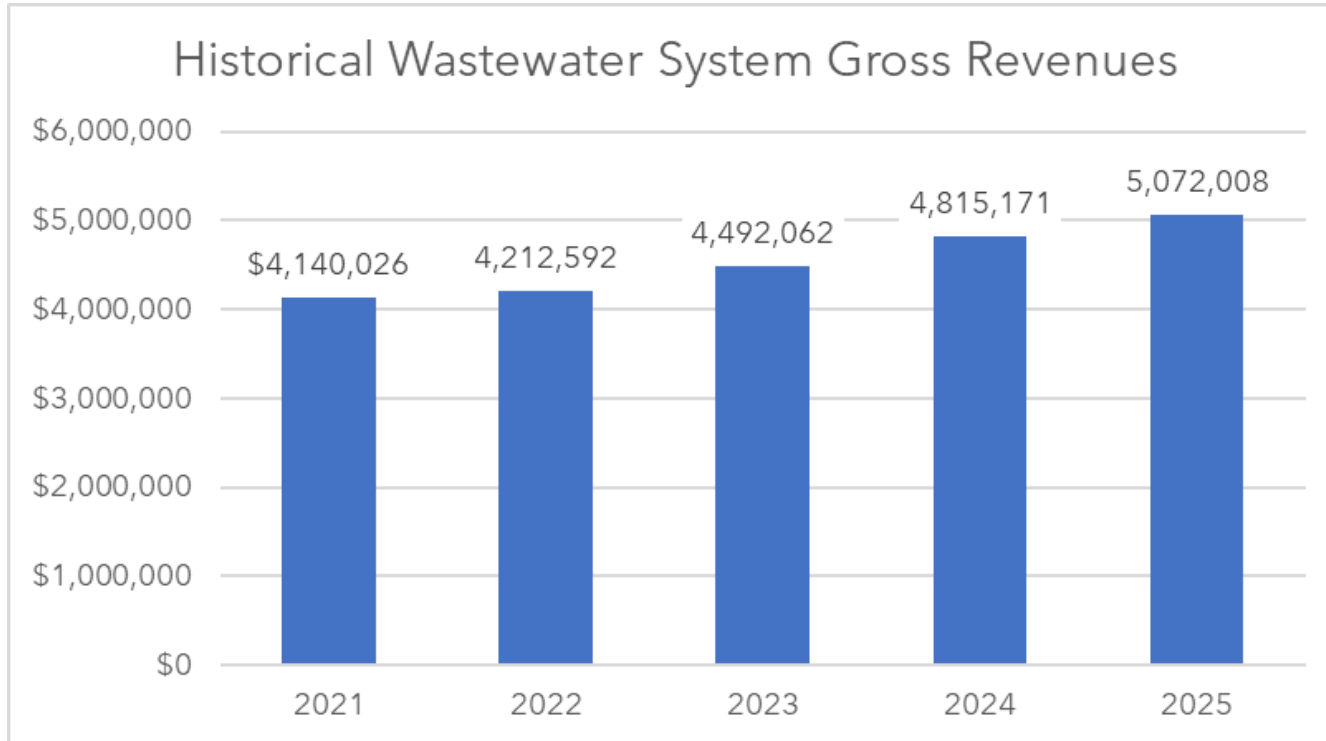
Source: The District. Based on rate information reported by the respective utility systems as of January 1, 2026.

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Wastewater System Financial Profile and CIP



Wastewater System Revenues



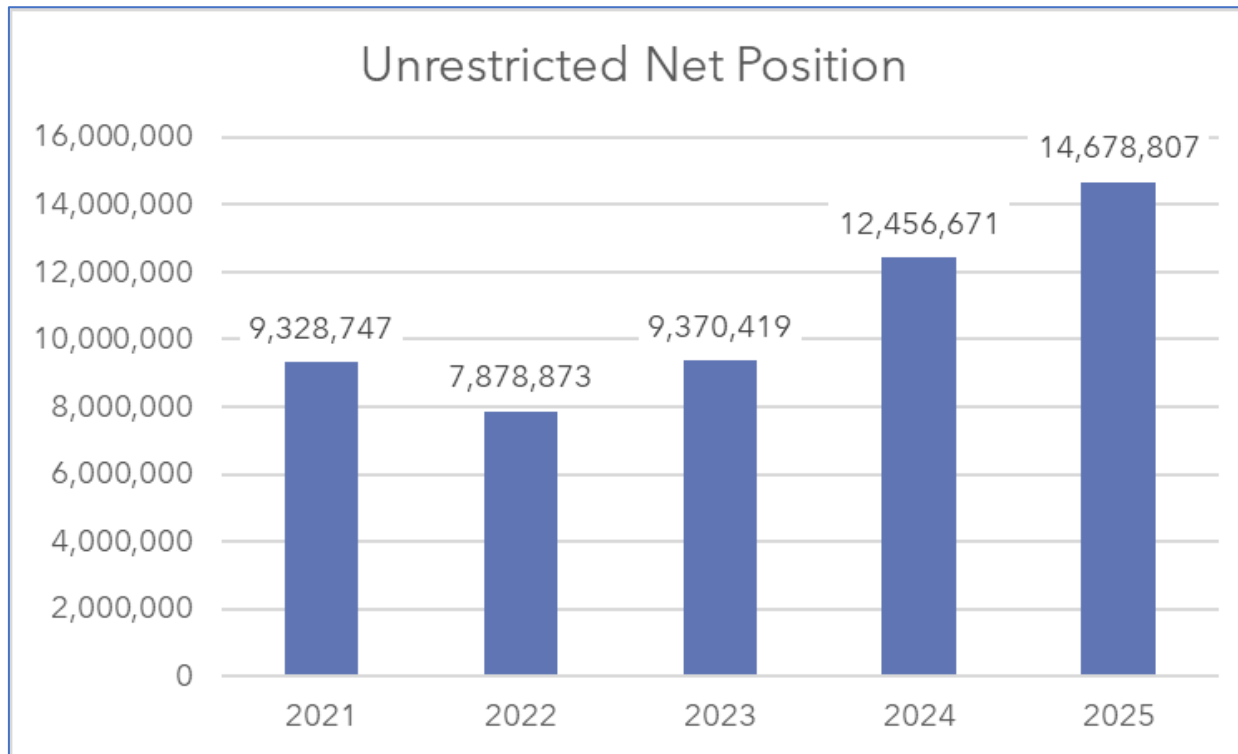
Fiscal Year	Gross Revenues	% Change
2021	\$4,140,026	N/A
2022	4,212,592	1.75%
2023	4,492,062	6.63%
2024	4,815,171	7.19%
2025	5,072,008	5.33%

Source: District.

Wastewater System Reserves



- \$16.7 million unrestricted net position in FY 2024-25, equal to 2,245 days of operating expenses



Source: The District.

Historical Debt Service Coverage



	Audited FY 2021	Audited FY 2022	Audited FY 2023	Audited FY 2024	Audited FY 2025
REVENUES ⁽¹⁾					
Operating Revenues					
Sewer Revenue	\$3,938,438	\$3,999,791	\$4,096,582	\$4,286,859	\$4,402,186
Other Revenues	117,989	144,185	135,215	122,392	120,743
Investment Earnings ⁽²⁾	83,599	68,616	260,265	405,920	549,079
TOTAL REVENUES	\$4,140,026	\$4,212,592	\$4,492,062	\$4,815,171	\$5,072,008
EXPENSES ⁽¹⁾ (excludes depreciation)					
Operating Expenses					
Salaries and Related Expenses	\$663,536	\$665,819	\$736,518	\$891,793	\$947,375
Employee Benefits, net of GASB 68 & 75 ⁽³⁾	522,539	483,256	945,081	638,643	649,541
Services and Supplies	3,126	2,844	886	2,789	10,548
Professional Services	44,822	55,711	55,480	54,713	61,468
Utilities	\$216,511	\$218,874	\$194,417	\$235,419	\$242,390
Insurance Expense	\$52,321	51,495	57,714	\$70,543	\$69,857
Other Operating Expenses	\$370,902	\$362,510	\$427,114	\$447,025	\$405,461
TOTAL EXPENSES	\$1,873,757	\$1,840,509	\$2,417,210	\$2,340,925	\$2,386,640
NET REVENUE FOR DEBT SERVICE	\$2,266,268	\$2,372,082	\$2,074,852	\$2,474,246	\$2,685,368
DEBT SERVICE					
1982 USDA Sewer Revenue Bonds	\$89,250	\$85,250	\$66,625		
2015 State Revolving Fund Loan No. 3	663,032	663,032	663,032	663,032	663,032
2018 State Revolving Fund Microgrid Loan					193,028
2020 Installment Purchase Contract	110,553	116,447	116,333	116,388	116,408
2021B Wastewater Revenue COPs		27,831	193,150	190,900	193,575
Proposed 2026B Wastewater Revenue COPs ⁽⁵⁾					
TOTAL DEBT SERVICE	\$862,835	\$892,560	\$1,039,140	\$970,320	\$1,166,043
DEBT SERVICE COVERAGE RATIO	2.63x	2.66x	2.00x	2.55x	2.30x
REMAINING NET REVENUES	\$1,403,433	\$1,479,522	\$1,035,712	\$1,503,926	\$1,519,325

(1) Sourced from the District's audits.

(2) Investment earnings are net of unrealized gains/losses.

(3) Excludes Pension and OPEB expenses. High levels in FY 2022-23 due to \$418k auditor adjustment to group health insurance.

Projected Debt Service Coverage



	Est. Actuals ⁽¹⁾ FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029	Projected FY 2030
REVENUES ⁽²⁾					
Operating Revenues					
Sewer Revenue	\$4,678,607	\$4,912,537	\$4,912,537	\$4,912,537	\$4,912,537
Other Revenues	179,767	179,767	179,767	179,767	179,767
Investment Earnings	414,175	414,175	414,175	414,175	414,175
TOTAL REVENUES	\$5,272,548	\$5,506,479	\$5,506,479	\$5,506,479	\$5,506,479
EXPENSES ⁽³⁾ (excludes depreciation)					
Operating Expenses					
Salaries and Related Expenses	984,988	1,014,537	1,044,974	1,076,323	1,108,612
Employee Benefits, net of GASB 68 & 75	717,550	739,076	761,249	784,086	807,609
Other Operating Expenses ⁽⁴⁾	863,814	889,728	916,420	943,913	972,230
TOTAL EXPENSES	\$2,566,351	\$2,643,342	\$2,722,642	\$2,804,321	\$2,888,451
NET REVENUE FOR DEBT SERVICE	\$2,706,197	\$2,863,137	\$2,783,837	\$2,702,157	\$2,618,028
DEBT SERVICE					
1982 USDA Sewer Revenue Bonds					
2015 State Revolving Fund Loan No. 3	663,032	663,032	663,032	663,032	663,032
2018 State Revolving Fund Microgrid Loan	193,028	193,029	193,029	193,029	193,028
2020 Installment Purchase Contract	116,395	116,447	116,363	116,444	116,288
2021B Wastewater Revenue COPs	191,175	193,806	191,363	188,813	191,188
Proposed 2026B Wastewater Revenue COPs ⁽⁵⁾		134,446	265,000	232,250	191,250
TOTAL DEBT SERVICE	\$1,163,630	\$1,300,760	\$1,428,787	\$1,393,568	\$1,354,786
DEBT SERVICE COVERAGE RATIO	2.33x	2.20x	1.95x	1.94x	1.93x
REMAINING NET REVENUES	\$1,542,567	\$1,562,377	\$1,355,050	\$1,308,590	\$1,263,242

(1) Based on the District's FY 2025-26 Estimated Actuals. Based on data through Feb. 28, 2026, and projected to a complete year.

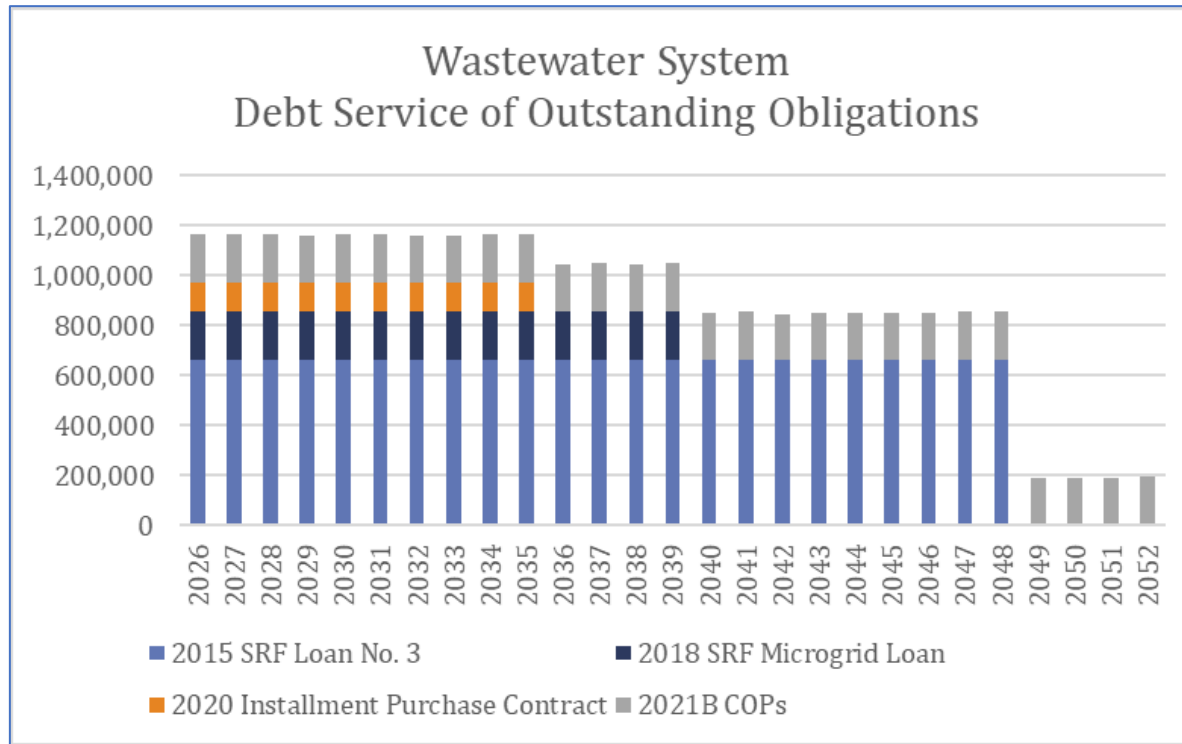
(2) 5% increase in Wastewater Sales projected in FY 2027. All other revenues held constant.

(3) Expenses are projected to increase 3% annually.

(4) Services & supplies, professional services, utilities, and insurance are combined into Other Operating Expenses.

(5) Preliminary.

Wastewater System's Debt Profile



Obligation	Original Par Amount	Outstanding Par Amount	Interest Rate	Final Maturity
2015 SRF Loan No. 3	15,569,506	12,674,873	1.60%	2048
2018 SRF Microgrid Loan	2,484,590	2,370,083	1.80%	2039
2020 Installment Purchase Contract	1,508,500	1,055,400	1.90%	2035
2021B Wastewater Revenue COPs	3,560,000	3,250,000	2.25% - 4.00%	2051

Wastewater System's Capital Needs



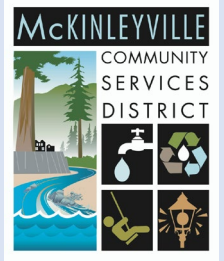
Anticipated improvements over the next five years:

Proposed Improvement	Estimated Cost
Replacement of Highway Sewer Crossings	\$4,000,000
Fischer Lift Station Upgrade	1,250,000
Sewer Main Rehabilitation and Replacement	1,000,000
Sludge Handling	1,000,000

- The District anticipates funding the Wastewater System capital improvement plan with:
 - 2026B COPs
 - Grant proceeds
 - Connection fees
 - Funds on hand

7

2026 COPs



Legal Structure and Terms⁽¹⁾



Security

- Revenue Pledge, Installment payments payable from Net Revenues
- Net Revenues = Gross Revenues less O&M expenses

Rate Covenant

- Net Revenues must be $\geq 120\%$ of annual debt service

Additional Bonds Test

- Parity Bonds allowed
- Net Revenues must be $\geq 120\%$ of debt service on outstanding bonds

Structure

- Tax-exempt fixed rate, structured to achieve
- 2026A COPs structured to achieve level debt service
- 2026B COPs structured to wrap around existing debt
- COPs will not be structured with a debt service reserve fund

(1) Applies to both the 2026A and 2026B COPs. Preliminary.

Sources & Uses and Debt Service⁽¹⁾



[2026A S&U]

[2026A Debt Service]

[2026B Debt Service]

[2026B S&U]

(1) Preliminary.

Financing Schedule⁽¹⁾



Anticipated improvements over the next five years:



(1) Preliminary.

Conclusion



- Effective management with strong strategic and financial policies & procedures
- Historical financial stability
- Strong historical and projected debt service coverage
- Stable customer base that is primarily residential
- Very strong liquidity
 - Water System unrestricted net position of \$9.4 million
 - Wastewater System unrestricted net position of \$14.7 million

Disclaimer



The information contained in this communication is supplemental to the information contained in the offering documents with respect to the referenced municipal securities and does not purport to be comprehensive or definitive. All statements contained herein are qualified in their entirety by reference to the information, including any disclaimers set forth therein, contained in the offering documents including the draft preliminary official statement provided to the recipient of this information, and the “deemed final” official statement and the final official statement to be delivered to potential investors and the recipient of this information in connection with the offering of the municipal securities described herein.

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PRELIMINARY OFFICIAL STATEMENT DATED JUNE __, 2026

**NEW ISSUE
BOOK-ENTRY-ONLY
[BANK QUALIFIED]**

**INSURED WATER SYSTEM CERTIFICATES RATING: S&P “—”
INSURED WASTEWATER SYSTEM CERTIFICATES RATING: S&P “—”
UNDERLYING WATER SYSTEM CERTIFICATES RATING: S&P “—”
UNDERLYING WASTEWATER SYSTEM CERTIFICATES RATING: S&P “—”
See the caption “RATINGS.”**

In the opinion of Kutak Rock LLP, Special Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest with respect to the Certificates (including any original issue discount properly allocable to the owner of a Certificate) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest with respect to the Certificates may affect the federal alternative minimum tax imposed on certain corporations. Special Counsel is also of the opinion that interest with respect to the Certificates is exempt from State of California personal income taxes. [The District has designated the Certificates as “qualified tax-exempt obligations” under Section 265(b)(3) of the Internal Revenue Code of 1986.] For a more detailed description of such opinions of Special Counsel, see the caption “TAX EXEMPTION.”

§ _____*
**McKinleyville Community Services District
Revenue Certificates of Participation
Series 2026A
(Water Project – Bank Qualified)**

§ _____*
**McKinleyville Community Services District
Revenue Certificates of Participation
Series 2026B
(Wastewater Project – Bank Qualified)**

Dated: Date of Delivery

Due: As shown on the inside front cover page

The McKinleyville Community Services District Revenue Certificates of Participation, Series 2026A (Water Project – Bank Qualified) (the “**Water System Certificates**”) are being executed and delivered: (i) to finance certain capital improvements (the “**Water System Project**”) to the Water System of the McKinleyville Community Services District (the “**District**”); and (ii) to pay costs of issuance of the Water System Certificates, including the premium for a municipal bond insurance policy (the “**Water System Insurance Policy**”) to be issued by _____ (“—” or the “**Insurer**”) guaranteeing the payment, when due, of the principal of and interest with respect to the Water System Certificates.

The McKinleyville Community Services District Revenue Certificates of Participation, Series 2026B (Wastewater Project – Bank Qualified) (the “**Wastewater System Certificates**”) and, together with the Water System Certificates, the “**Certificates**”) are being executed and delivered: (i) to finance certain capital improvements (the “**Wastewater System Project**”) and, together with the Water System Project, the “**Projects**”) to the Wastewater System of the District; and (ii) to pay costs of issuance of the Wastewater System Certificates, including the premium for a municipal bond insurance policy (the “**Wastewater System Insurance Policy**”) and, together with the Water System Insurance Policy, the “**Insurance Policies**”) to be issued by the Insurer guaranteeing the payment, when due, of the principal of and interest with respect to the Wastewater System Certificates.

The Certificates are being executed and delivered as fully registered certificates in book-entry form only, initially registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”). Individual purchases of the Certificates will be in the denomination of \$5,000 each or any integral multiple thereof. Interest due with respect to the Water System Certificates is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2027. Interest due with respect to the Wastewater System Certificates is payable semiannually on March 15 and September 15, commencing [March 15, 2027]. Interest and principal with respect to the Certificates shall be payable by U.S. Bank Trust Company, National Association, San Francisco, California, as trustee (the “**Trustee**”) to DTC. See Appendix E.

The Water System Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2026 (the “**Water System Trust Agreement**”), by and among the Trustee, CSDA Finance Corporation (the “**Corporation**”) and the District. The Water System Certificates evidence proportionate interests of the owners thereof in Water System Installment Payments to be made by the District under an Installment Purchase Contract, dated as of July 1, 2026 (the “**Water System Installment Purchase Contract**”), by and between the District and the Corporation. See the caption “SCHEDULE OF WATER SYSTEM INSTALLMENT PAYMENTS AND WATER SYSTEM PARITY OBLIGATIONS.” The Water System Installment Payments are payable from and secured by a pledge of Water System Net Revenues.

The Wastewater System Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2026 (the “**Wastewater System Trust Agreement**”) and, together with the Water System Trust Agreement, the “**Trust Agreements**”), by and among the Trustee, the Corporation and the District. The Wastewater System Certificates evidence proportionate interests of the owners thereof in Wastewater System Installment Payments to be made by the District under an Installment Purchase Contract, dated as of July 1, 2026 (the “**Wastewater System Installment Purchase Contract**”) and, together with the Water System Installment Purchase Contract, the “**Installment Purchase Contracts**”), by and between the District and the Corporation. See the caption “SCHEDULE OF WASTEWATER SYSTEM INSTALLMENT PAYMENTS AND WASTEWATER SYSTEM PARITY OBLIGATIONS.” The Wastewater System Installment Payments are payable from and secured by a pledge of Wastewater System Net Revenues.

The Water System Installment Payments and the Wastewater System Installment Payments are collectively referred to herein as the “**Installment Payments.**”

The obligation of the District to pay the Water System Installment Payments from Water System Net Revenues is on a parity with the obligation of the District to make payments on certain Water System obligations which are currently outstanding in the principal amount of \$5,414,583. See the caption “THE WATER SYSTEM—Outstanding Water System Indebtedness.”

The obligation of the District to pay the Wastewater System Installment Payments from Wastewater System Net Revenues is on a parity with the obligation of the District to make payments on certain Wastewater System obligations which are currently outstanding in the principal amount of \$[_____]. See the caption “THE WASTEWATER SYSTEM—Outstanding Wastewater System Indebtedness.”

The District may incur additional obligations payable from Water System Net Revenues or Wastewater System Net Revenues on a parity with the Water System Installment Payments or Wastewater System Installment Payments, respectively, subject to the terms and conditions of the applicable Installment Purchase Contract. See the caption “SECURITY FOR THE CERTIFICATES—Additional Indebtedness.”

No debt service reserve fund or account has been established in connection with the execution and delivery of the Certificates.

The Wastewater System Net Revenues are not pledged to secure the Water System Installment Payments and the Water System Net Revenues are not pledged to secure the Wastewater System Installment Payments.

THE CERTIFICATES ARE SUBJECT TO PREPAYMENT PRIOR TO MATURITY AS DESCRIBED HEREIN.

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. 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 any such jurisdiction.

The obligation of the District to make the Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the District to make Installment Payments constitute a debt of the District, the Corporation, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. THE CORPORATION IS NOT LIABLE TO MAKE THE INSTALLMENT PAYMENTS.

[The scheduled payment of principal of and interest with respect to the Water System Certificates and the Wastewater Certificates will be guaranteed under separate and distinct municipal bond insurance policies to be issued concurrently with the execution and delivery of the respective series of Certificates by _____. See the caption "CERTIFICATE INSURANCE."]

[INSERT INSURER LOGO]

This cover page contains certain information for quick reference only and is not a summary of this issuance. Investors must read the entire Official Statement, including the section entitled "CERTAIN RISK FACTORS," to obtain information essential to the making of an informed investment decision.

The Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their legality by Kutak Rock LLP, Irvine, California, Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Kutak Rock LLP, Irvine, California, Disclosure Counsel, and by The Mitchell Law Firm, LLP, Eureka, California, District Counsel. Certain legal matters will be passed upon for the Corporation by McMurchie Law Firm, Folsom, California, for the Underwriter by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Underwriter's Counsel, for the Trustee by its counsel and for the Insurer by its counsel. It is anticipated that the Certificates will be available for delivery through the facilities of DTC on or about July 9, 2026.



Dated: June __, 2026

MATURITY SCHEDULE

Base CUSIP® 581719†

\$ _____*

**McKinleyville Community Services District
Revenue Certificates of Participation
Series 2026A
(Water Project – Bank Qualified)**

<i>Maturity Date (August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP®† Suffix</i>
20__	\$	%	%		

\$ _____ % Term Water System Certificates due August 1, 20 __, Yield _____ % Price: _____, CUSIP® Suffix†: _____

\$ _____*

**McKinleyville Community Services District
Revenue Certificates of Participation
Series 2026B
(Wastewater Project – Bank Qualified)**

<i>Maturity Date (September 15)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP®† Suffix</i>
20__	\$	%	%		

\$ _____ % Term Wastewater System Certificates due September 15, 20 __, Yield _____ % Price: _____, CUSIP® Suffix†: _____

* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems. Copyright© CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Corporation, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

McKinleyville CSD



PACIFIC OCEAN

Redwood National Park

McKinleyville

Arcata

Bayside

Eureka

Fortuna

101

209



Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), NGCC, (c) OpenStreetMap contributors, and the GIS User Community

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

BOARD OF DIRECTORS

Dennis Mayo	President
David Couch	Vice President
Scott Binder	Director
James Biteman	Director
Gregory Orsini	Director

STAFF

Patrick Kaspari, P.E., *General Manager*
Samantha Howard, *Finance Director*

SPECIAL SERVICES

General Counsel

The Mitchell Law Firm LLP
Eureka, California

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Bond Counsel and Disclosure Counsel

Kutak Rock LLP
Irvine, California

Trustee

U.S. Bank Trust Company, National Association
San Francisco, California

No dealer, broker, salesperson or other person has been authorized by the Corporation or the District to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation may not be relied upon as having been authorized by the Corporation or the District. This Official Statement does not constitute an offer to sell or a solicitation or an offer to buy, nor shall there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The Underwriter has provided the following sentence for inclusion in this Official Statement: “The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.”

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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,” “project,” “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 the forward-looking statements set forth in this Official Statement. The District is obligated to provide continuing disclosure for certain historical information only. See the caption “CONTINUING DISCLOSURE OBLIGATION.”

WITH RESPECT TO THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE CERTIFICATES DESCRIBED HEREIN TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED IN THIS OFFICIAL STATEMENT AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

The District maintains a website and certain social media accounts. However, information presented on such website and accounts is not a part of this Official Statement, is not incorporated herein by reference and should not be relied upon in making an investment decision with respect to the Certificates.

[CERTIFICATE INSURANCE DISCLOSURE TO COME]

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\$ _____*

**McKinleyville Community Services District
Revenue Certificates of Participation
Series 2026A
(Water Project – Bank Qualified)**

\$ _____*

**McKinleyville Community Services District
Revenue Certificates of Participation
Series 2026B
(Wastewater Project – Bank Qualified)**

INTRODUCTION

General

This Official Statement, which includes the cover page, table of contents and Appendices hereto (this “**Official Statement**”), provides certain information concerning the execution and delivery of the McKinleyville Community Services District Revenue Certificates of Participation, Series 2026A (Water Project – Bank Qualified) (the “**Water System Certificates**”), which evidence proportionate interests of the registered owners thereof in certain installment payments (the “**Water System Installment Payments**”) to be made by the McKinleyville Community Services District (the “**District**”) to CSDA Finance Corporation (the “**Corporation**”) from Net Revenues of the District’s Water System, and the execution and delivery of the McKinleyville Community Services District Revenue Certificates of Participation, Series 2026B (Wastewater Project – Bank Qualified) (the “**Wastewater System Certificates**” and, together with the Water System Certificates, the “**Certificates**”), which evidence proportionate interests of the registered owners thereof in certain installment payments (the “**Wastewater System Installment Payments**”) to be made by the District to the Corporation from Net Revenues of the District’s Wastewater System.

The Water System Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2026 (the “**Water System Trust Agreement**”), by and among U.S. Bank Trust Company, National Association, San Francisco, California, as trustee (the “**Trustee**”), the Corporation and the District. The Water System Certificates evidence proportionate interests of the owners thereof in Water System Installment Payments to be made by the District under an Installment Purchase Contract, dated as of July 1, 2026 (the “**Water System Installment Purchase Contract**”), by and between the District and the Corporation. The Water System Installment Payments will be secured by a pledge of and charge and first priority lien upon all of the Water System Net Revenues on a parity with certain obligations of the Water System that are currently outstanding in the principal amount of \$5,414,583.

The Wastewater System Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2026 (the “**Wastewater System Trust Agreement**”), by and among the Trustee, the Corporation and the District. The Wastewater System Certificates evidence proportionate interests of the owners thereof in Wastewater System Installment Payments to be made by the District under an Installment Purchase Contract, dated as of July 1, 2026 (the “**Wastewater System Installment Purchase Contract**”), by and between the District and the Corporation. The Wastewater System Installment Payments will be secured by a pledge of and charge and first priority lien upon all of the Wastewater System Net Revenues on a parity with certain obligations of the Wastewater System that are currently outstanding in the principal amount of \$[_____].

The Water System Trust Agreement and the Wastewater System Trust Agreement are collectively referred to herein as the “**Trust Agreements**,” the Water System Installment Purchase Contract and the Wastewater System Installment Purchase Contract are collectively referred to herein as the “**Installment Purchase Contracts**” and the Water System Installment Payments and the Wastewater System Installment Payments are collectively referred to herein as the “**Installment Payments**.”

See the caption “SECURITY FOR THE CERTIFICATES.”

* Preliminary; subject to change.

The District will make the Water System Installment Payments to the Corporation in order to purchase the Water System Project (as such term is defined herein) from the Corporation pursuant to the Water System Installment Purchase Contract. Pursuant to the Assignment Agreement dated as of July 1, 2026 (the “**Water System Assignment Agreement**”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee for the benefit of the Water System Certificate Owners the Corporation’s rights and remedies under the Water System Installment Purchase Contract, including its rights to receive Water System Installment Payments.

The District will make the Wastewater System Installment Payments to the Corporation in order to purchase the Wastewater System Project (as such term is defined herein) from the Corporation pursuant to the Wastewater System Installment Purchase Contract. Pursuant to the Assignment Agreement dated as of July 1, 2026 (the “**Wastewater System Assignment Agreement**” and, together with the Water System Assignment Agreement, the “**Assignment Agreements**”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee for the benefit of the Wastewater System Certificate Owners the Corporation’s rights and remedies under the Wastewater System Installment Purchase Contract, including its rights to receive Wastewater System Installment Payments.

The Water System Certificates are being executed and delivered: (i) to finance certain capital improvements to the District’s Water System; and (ii) to pay costs of issuance of the Water System Certificates, including the premium for a municipal bond insurance policy (the “**Water System Insurance Policy**”) to be issued by _____ (“**___**” or the “**Insurer**”) guaranteeing the payment, when due, of the principal of and interest with respect to the Water System Certificates. See the captions “THE WATER SYSTEM PROJECT,” “PLAN OF FINANCE” and “CERTIFICATE INSURANCE.”

The Wastewater System Certificates are being executed and delivered: (i) to finance certain capital improvements to the District’s Wastewater System; and (ii) to pay costs of issuance of the Wastewater System Certificates, including the premium for a municipal bond insurance policy (the “**Wastewater System Insurance Policy**” and, together with the Water System Insurance Policy, the “**Insurance Policies**”) to be issued by the Insurer guaranteeing the payment, when due, of the principal of and interest with respect to the Wastewater System Certificates. See the captions “THE WASTEWATER SYSTEM PROJECT,” “PLAN OF FINANCE” and “CERTIFICATE INSURANCE.”

The District

The District is a community services district that is organized and existing pursuant to the California Community Services District Law (California Government Code Section 61000 *et seq.*). The District is located in northwestern California along the Pacific Ocean coast of Humboldt County, approximately 285 miles north of San Francisco. The District operates a retail water distribution system (the “**Water System**”) and a retail wastewater collection and treatment system (the “**Wastewater System**” and, together with the Water System, the “**Enterprise**”). The District’s Water System provides treated drinking water to approximately 5,852 connections and the District’s Wastewater System provides wastewater collection and treatment services to approximately 5,175 connections. The District is governed by a five-member Board of Directors, elected at large for four-year terms. The District and the Enterprise are described in greater detail under the captions “THE DISTRICT,” “THE WATER SYSTEM” and “THE WASTEWATER SYSTEM.”

Security and Sources of Payment for the Certificates

Water System Certificates. The Water System Certificates evidence a proportionate interest in the right to receive Water System Installment Payments to be made by the District under the Water System Installment Purchase Contract. The obligation of the District to make the Water System Installment Payments is a special obligation payable solely from and secured by a pledge of and first lien (subject to the parity lien of obligations currently outstanding and any obligations hereafter issued and incurred on a parity as to payment and security with the Water System Installment Payments, the “**Water System Parity Obligations**”) on Water System Net

Revenues and all moneys in the Revenue Fund, the Acquisition Fund and the Installment Payment Fund established pursuant to the Water System Installment Purchase Contract and the Water System Trust Agreement and on other funds and accounts established pursuant to the Water System Trust Agreement.

See the caption “THE WATER SYSTEM—Outstanding Water System Indebtedness” for a description of currently outstanding Water System Parity Obligations. See the caption “SECURITY FOR THE CERTIFICATES—Additional Indebtedness” for a description of the terms and conditions under which the District may enter into additional Water System Parity Obligations.

The obligation of the District to make the Water System Installment Payments is absolute and unconditional, whether or not the Water System Project shall be acquired and constructed. Until such time as all Water System Installment Payments have been fully paid by the District and the Water System Certificates are no longer Outstanding (or provision for the payment thereof shall have been made pursuant to the Water System Trust Agreement), the District will not, under any circumstances, discontinue, abate or suspend any Water System Installment Payments required to be made under the Water System Installment Purchase Contract when due, whether or not the Water System, any part thereof or the Water System Project is operating or operable or has been completed, or whether or not the Water System or the Water System Project is condemned, damaged, destroyed or seized or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset, counterclaim, defense, recoupment, abatement, suspension, deferment or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement or covenant contained therein for any cause whatsoever.

Wastewater System Certificates. The Wastewater System Certificates evidence a proportionate interest in the right to receive Wastewater System Installment Payments to be made by the District under the Wastewater System Installment Purchase Contract. The obligation of the District to make Wastewater System Installment Payments is a special obligation payable solely from and secured by a pledge of and first lien (subject to the parity lien of any obligations currently outstanding and hereafter issued and incurred on a parity as to payment and security with the Wastewater System Installment Payments, the “**Wastewater System Parity Obligations**”) on Wastewater System Net Revenues and all moneys in the Revenue Fund, the Acquisition Fund and the Installment Payment Fund established pursuant to the Wastewater System Installment Purchase Contract and the Wastewater System Trust Agreement and on other funds and accounts established pursuant to the Wastewater System Trust Agreement.

See the caption “THE WASTEWATER SYSTEM—Outstanding Wastewater System Indebtedness” for a description of currently outstanding Wastewater System Parity Obligations. See the caption “SECURITY FOR THE CERTIFICATES—Additional Indebtedness” for a description of the terms and conditions under which the District may enter into additional Wastewater System Parity Obligations.

The obligation of the District to make the Wastewater System Installment Payments is absolute and unconditional, whether or not the Wastewater System Project shall be acquired and constructed. Until such time as all Wastewater System Installment Payments have been fully paid by the District and the Wastewater System Certificates are no longer Outstanding (or provision for the payment thereof shall have been made pursuant to the Wastewater System Trust Agreement), the District will not, under any circumstances, discontinue, abate or suspend any Wastewater System Installment Payments required to be made under the Wastewater System Installment Purchase Contract when due, whether or not the Wastewater System, any part thereof or the Wastewater System Project is operating or operable or has been completed, or whether or not the Wastewater System or the Wastewater System Project is condemned, damaged, destroyed or seized or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset, counterclaim, defense, recoupment, abatement, suspension, deferment or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement or covenant contained therein for any cause whatsoever.

No Cross-Collateralization. The Wastewater System Net Revenues are *not* pledged to secure the Water System Installment Payments and the Water System Net Revenues are *not* pledged to secure the Wastewater System Installment Payments.

Parity Obligations

The District currently has outstanding obligations secured by a pledge of Water System Net Revenues and Wastewater System Net Revenues on a parity with the Water System Installment Purchase Contract and the Wastewater System Installment Purchase Contract, respectively. The District may also enter into additional Water System Parity Obligations and Wastewater System Parity Obligations under the terms and conditions that are set forth in the respective Installment Purchase Contracts. See the captions “THE WATER SYSTEM—Outstanding Wastewater System Indebtedness,” “THE WASTEWATER SYSTEM—Outstanding Wastewater System Indebtedness” and “SECURITY FOR THE CERTIFICATES—Additional Indebtedness.”

Rate Covenants

Water System Installment Payments. To the fullest extent permitted by law, the District will fix and prescribe rates and charges in connection with the Water System as a whole which are reasonably expected to be at least sufficient to yield during each Fiscal Year Water System Net Revenues equal to 120% of debt service on the aggregate amount of the Water System Installment Payments and Water System Parity Obligations for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Water System Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this paragraph. For purposes of the foregoing calculation, amounts held by the District in the Water System Rate Stabilization Fund as of the beginning of any Fiscal Year may, at the election of the District, be treated as Water System Net Revenues which are received during such Fiscal Year, in an amount not exceeding 25% of the amount of principal of and interest on all outstanding Water System Installment Payments, and principal of and interest on any Water System Parity Obligations issued or incurred after the date hereof payable from Water System Net Revenues coming due and payable during such Fiscal Year.

So long as the District has complied with its obligations set forth in the paragraph above, the failure of Water System Net Revenues to meet the threshold set forth in the paragraph above at the end of a Fiscal Year shall not constitute a default or an Event of Default provided that the District complies with the paragraph above at the commencement of the succeeding Fiscal Year. See the caption “SECURITY FOR THE CERTIFICATES—Rate Covenants.”

Wastewater System Installment Payments. To the fullest extent permitted by law, the District will fix and prescribe rates and charges in connection with the Wastewater System as a whole which are reasonably expected to be at least sufficient to yield during each Fiscal Year Wastewater System Net Revenues equal to 120% of debt service on the aggregate amount of the Wastewater System Installment Payments and Wastewater System Parity Obligations for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Wastewater System Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this paragraph. For purposes of the foregoing calculation, amounts held by the District in the Wastewater System Rate Stabilization Fund as of the beginning of any Fiscal Year may, at the election of the District, be treated as Wastewater System Net Revenues which are received during such Fiscal Year, in an amount not exceeding 25% of the amount of principal of and interest on all outstanding Wastewater System Installment Payments, and principal of and interest on any Wastewater System Parity Obligations issued or incurred after the date hereof payable from Wastewater System Net Revenues coming due and payable during such Fiscal Year.

So long as the District has complied with its obligations set forth in the paragraph above, the failure of Wastewater System Net Revenues to meet the threshold set forth in the paragraph above at the end of a Fiscal

Year shall not constitute a default or an Event of Default provided that the District complies with the paragraph above at the commencement of the succeeding Fiscal Year. See the caption “SECURITY FOR THE CERTIFICATES—Rate Covenants.”

No Reserve Fund

No debt service reserve fund or will be established or held for the benefit of either series of Certificates under either Trust Agreement or Installment Purchase Contract.

Certificate Insurance

The Insurer has committed to issue, effective as of the date of issuance of the Water System Certificates, the Water System Insurance Policy guaranteeing the payment, when due, of the principal of and interest on the Water System Certificates.

The Insurer has committed to issue, effective as of the date of issuance of the Wastewater System Certificates, the Wastewater System Insurance Policy guaranteeing the payment, when due, of the principal of and interest on the Wastewater System Certificates.

See the caption “CERTIFICATE INSURANCE.” A specimen of the Water System Insurance Policy and the Wastewater System Insurance Policy is set forth in Appendix G. See Appendix A under the caption “TRUST AGREEMENT—Certificate Insurance Provisions” for a description of certain provisions relating to the Insurance Policies.

Installment Payments Not Debt

THE OBLIGATION OF THE DISTRICT TO MAKE THE INSTALLMENT PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE THE INSTALLMENT PAYMENTS CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE DISTRICT, THE CORPORATION, THE STATE OF CALIFORNIA (THE “STATE”) OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OR STATUTES OF THE STATE OF CALIFORNIA OR OTHERWISE.

Continuing Disclosure

Pursuant to the Continuing Disclosure Certificate, to be dated the date of delivery of the Certificates (the “**Continuing Disclosure Certificate**”), executed by the District, the District has covenanted for the benefit of the owners and beneficial owners of the Certificates to provide certain financial information and operating data concerning the District and the System each year to the Municipal Securities Rulemaking Board, acting through its Electronic Municipal Market Access (“**EMMA**”) system and to provide notice to the Municipal Securities Rulemaking Board through EMMA of certain enumerated events, all pursuant to the requirements of Section (b)(5)(i) of Rule 15c2-12 promulgated by the Securities and Exchange Commission, as amended. See the caption “CONTINUING DISCLOSURE OBLIGATION. See also Appendix D for the form of the Continuing Disclosure Certificate.

Other Information and Definitions

The descriptions of the Certificates, the Installment Purchase Contracts, the Trust Agreements, the Assignment Agreements and other documents described in this Official Statement do not purport to be definitive or comprehensive, and all references to such documents are qualified in their entirety by reference to the final form of such documents, which documents are available at the principal corporate trust office of the Trustee in

San Francisco, California. During the period of the offering of the Certificates, copies of such documents will also be available from the Underwriter. See Appendix A for definitions of certain terms used in the Installment Purchase Contracts, the Trust Agreements and this Official Statement which are not otherwise defined.

All of the summaries of statutes, resolutions, opinions, agreements, financial and statistical data and other related reports described in this Official Statement are made subject to the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection by written request mailed to the District at 1656 Sutter Road, McKinleyville, California 95519, Attention: Finance Director.

THE WATER SYSTEM PROJECT

The District intends to apply proceeds of the Water System Certificates to finance the construction, acquisition and installation of water mainline rehabilitations and replacements, replacement of the McCluski Tank 3 water storage reservoir and certain other Water System capital improvements (collectively, the “**Water System Project**”). The expected cost of the Water System Project is approximately \$4.6 million. The District expects to comply with all governmental approval, environmental review, public bidding and other permitting requirements for each component of the Water System Project as required by law, and to complete all components of the Water System Project by mid-2029.

Pursuant to the Water System Installment Purchase Agreement, the District may substitute or add additional projects to the 2025 Project. See Appendix A under the caption “INSTALLMENT PURCHASE CONTRACT—ACQUISITION OF THE PROJECT—Acquisition of the Project.”

THE WASTEWATER SYSTEM PROJECT

The District intends to apply proceeds of the Wastewater System Certificates to finance the construction, acquisition and installation of Wastewater System collection system upgrades, sewer main rehabilitations and replacements, sewer lift station upgrades and certain other Wastewater System capital improvements (collectively, the “**Wastewater System Project**”). The expected cost of the Wastewater System Project is approximately \$3.6 million. The District expects to comply with all governmental approval, environmental review, public bidding and other permitting requirements for each component of the Wastewater System Project as required by law, and to complete all components of the Wastewater System Project by mid-2029.

Pursuant to the Wastewater System Installment Purchase Agreement, the District may substitute or add additional projects to the 2025 Project. See Appendix A under the caption “INSTALLMENT PURCHASE CONTRACT—ACQUISITION OF THE PROJECT—Acquisition of the Project.”

PLAN OF FINANCE

The Water System Certificates are being executed and delivered to (a) finance the Water System Project; and (b) to pay the costs of delivery of the Water System Certificates, including the premium for the Water System Insurance Policy.

The Wastewater System Certificates are being executed and delivered to (a) finance the Wastewater System Project; and (b) to pay the costs of delivery of the Wastewater System Certificates, including the premium for the Wastewater System Insurance Policy.

ESTIMATED SOURCES AND USES OF PROCEEDS

	<i>Water System Certificates</i>	<i>Wastewater System Certificates</i>
SOURCES:		
Principal.....	\$	\$
Plus/Less Net Original Issue Premium/Discount		
Total Sources.....	\$	\$
USES:		
Deposit to applicable Acquisition Fund	\$	\$
Deposit to the applicable Delivery Costs Fund ⁽¹⁾		
Total Uses.....	\$	\$

⁽¹⁾ Includes Underwriter’s discount, fees of Municipal Advisor, Special Counsel and Disclosure Counsel, premiums for the Insurance Policies, printing costs, rating agency fees and certain other delivery costs.

THE CERTIFICATES

General Provisions

The Certificates will be executed and delivered in the form of fully registered certificates in denominations of \$5,000 or any integral multiple thereof.

The Water System Certificates will be dated their date of delivery, will represent interest from such date at the rates per annum set forth on the inside front cover page hereof, payable semiannually on February 1 and August 1 of each year, commencing February 1, 2027, and will mature on August 1 in each of the designated years in the principal amounts shown on the inside front cover page hereof.

The Wastewater System Certificates will be dated their date of delivery, will represent interest from such date at the rates per annum set forth on the inside front cover page hereof, payable semiannually on March 15 and September 15 of each year, commencing [March 15, 2027], and will mature on September 15 in each of the designated years in the principal amounts shown on the inside front cover page hereof.

Both the principal of and interest represented by the Certificates shall be payable in lawful money of the United States of America. Interest with respect to the Certificates shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Certificates will be executed and delivered in fully registered form in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“**DTC**”). DTC will act as securities depository for the Certificates. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Certificates purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Certificates, references herein to the Certificate Owners, Owners or registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners (as such term is defined herein) of the Certificates.

So long as Cede & Co. is the registered owner of the Certificates, principal of and interest with respect to the Certificates are payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See Appendix E.

Prepayment of Certificates

Optional Prepayment.

Water System Certificates. The Water System Certificates maturing on or after August 1, 20__ are subject to prepayment prior to maturity in whole or in part in any integral multiple of \$5,000, at the option of the District on ____ 1, 20__ or any date thereafter, from any available source of funds, at a prepayment price equal to the principal amount of the Water System Certificates to be prepaid from the proceeds of such prepayment, in each case together with accrued interest thereon to the prepayment date, without premium.

Wastewater System Certificates. The Wastewater System Certificates maturing on or after September 15, 20__ are subject to prepayment prior to maturity in whole or in part in any integral multiple of \$5,000, at the option of the District on ____ 15, 20__ or any date thereafter, from any available source of funds, at a prepayment price equal to the principal amount of the Wastewater System Certificates to be prepaid from the proceeds of such prepayment, in each case together with accrued interest thereon to the prepayment date, without premium.

Extraordinary Prepayment.

Water System Certificates. The Water System Certificates are subject to extraordinary prepayment on any February 1 or August 1 upon notice as provided in the Water System Trust Agreement, as a whole or in part (on a pro rata basis) in integral multiples of \$5,000, from prepaid Water System Installment Payments made by the District pursuant to the Water System Installment Purchase Contract from the Net Proceeds received by the District due to a casualty loss or governmental taking of the Water System or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed in the Water System Trust Agreement and in the Water System Installment Purchase Contract, at a prepayment price equal to the sum of the principal amount evidenced thereby plus accrued interest accrued to the date fixed for prepayment of the Water System Certificates, without premium.

Wastewater System Certificates. The Wastewater System Certificates are subject to extraordinary prepayment on any March 15 or September 15 upon notice as provided in the Wastewater System Trust Agreement, as a whole or in part (on a pro rata basis) in integral multiples of \$5,000, from prepaid Wastewater System Installment Payments made by the District pursuant to the Wastewater System Installment Purchase Contract from the Net Proceeds received by the District due to a casualty loss or governmental taking of the Wastewater System or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed in the Wastewater System Trust Agreement and in the Wastewater System Installment Purchase Contract, at a prepayment price equal to the sum of the principal amount evidenced thereby plus accrued interest accrued to the date fixed for prepayment of the Wastewater System Certificates, without premium.

Mandatory Sinking Fund Prepayment.

Water System Certificates. The Water System Certificates maturing on August 1, 20__ are also subject to mandatory sinking fund prepayment in part by lot, on August 1 in each year commencing August 1, 20__, from Water System Installment Payments made by the District pursuant to the Water System Installment Purchase Contract, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on August 1 in the respective years as set forth in the following table:

<i>Sinking Fund Prepayment Date (August 1)</i>	<i>Principal Amount To Be Prepaid</i>
--	---

20__	\$
20__*	

* Final Maturity.

Wastewater System Certificates. The Wastewater System Certificates maturing on September 15, 20__ are also subject to mandatory sinking fund prepayment in part by lot, on September 15 in each year commencing September 15, 20__ from Wastewater System Installment Payments made by the District pursuant to the Wastewater System Installment Purchase Contract, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on September 15 in the respective years as set forth in the following table:

<i>Sinking Fund Prepayment Date (August 1)</i>	<i>Principal Amount To Be Prepaid</i>
--	---

20__	\$
20__*	

* Final Maturity.

Selection of Certificates for Prepayment. Except as provided under the caption “—Mandatory Sinking Fund Prepayment” above, in the event that part, but not all, of a series of the Certificates are to be prepaid, the Certificates of such series to be prepaid shall be selected by the Trustee from maturities designated by the District in writing, and by lot within a maturity.

The District may at any time buy Certificates at public or private sale at a price which, inclusive of brokerage fees, will not exceed the par amount of the Certificates so purchased, plus any applicable premium and any Certificates so purchased shall be tendered to the Trustee for cancellation. Term Certificates so purchased may be credited against sinking fund prepayments as set forth under the caption “—Mandatory Sinking Fund Prepayment” above.

Partial Prepayment of Certificates. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Certificate or Certificates equal to the unprepaid principal amount of the Certificate surrendered.

Notice of Prepayment. When prepayment is authorized or required pursuant to the Trust Agreement, the Trustee will give notice (“**Prepayment Notice**”) of the prepayment of the Certificates being prepaid. Such Prepayment Notice will specify: (a) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid; (b) the date of prepayment; (c) the place or places where the prepayment will be made, including the name and address of any paying agent; (d) the prepayment price; (e) the CUSIP numbers, if any, assigned to the Certificates to be prepaid; (f) in the case of any Certificate to be prepaid in part only, the amount of such Certificate to be prepaid; and (g) the original issue date, interest rate and stated maturity date of each Certificate to be prepaid in whole or in part. Such Prepayment Notice shall further state that on the specified date there shall become due and payable upon each Certificate or portion thereof being prepaid, the prepayment price, together with interest accrued to the prepayment date, and that from and after such date interest with respect thereto shall cease to accrue and be payable. Such notice in respect of extraordinary prepayment shall not be provided unless there has been deposited with the Trustee funds sufficient to pay such prepayment price (except in the case of prepayment resulting from the issuance of refunding obligations). A Prepayment Notice may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Certificates.

Such notice shall be given by the Trustee at least 20 but not more than 45 days prior to the prepayment date, by teletype or other electronic transmission, registered, certified or overnight mail, to DTC or another applicable Depository which shall state the information set forth above, but no defect in said notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for prepayment.

An optional Prepayment Notice may be conditional and state that the District has the right to rescind any optional prepayment by written notice to the Trustee on or prior to the date fixed for prepayment. Any such notice of optional prepayment shall be canceled and annulled prior to the date fixed for prepayment at the District's election, including if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default under the Trust Agreement. The District, the Corporation and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent.

Neither failure to receive any Prepayment Notice nor any defect in such Prepayment Notice so given shall affect the sufficiency of the proceedings for the prepayment of any such other Certificates as to which proper notice was given as provided in the Trust Agreement. Each check or other payment method used by the Trustee for the purpose of prepaying Certificates shall bear the CUSIP number identifying, by issue and maturity, the Certificates being prepaid with the proceeds of such check or other transfer.

Effect of Prepayment. If a Prepayment Notice has been given, and the moneys for the prepayment, including interest to the applicable prepayment date of the Certificates to be prepaid, have been set aside in the Prepayment Account, the portion of Certificates to be prepaid shall become due and payable on said prepayment date, and, upon presentation and surrender thereof at the office or offices specified in said notice, said Certificates shall be paid at the unpaid principal amount and premium, if any, with respect thereto, plus any unpaid and accrued interest to said prepayment date.

If, on said prepayment date, moneys sufficient for the prepayment of all the Certificates to be prepaid, together with interest to said prepayment date, shall be held by the Trustee so as to be available therefor on such prepayment date, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said prepayment date, interest with respect to the portion of Certificates to be prepaid shall cease to accrue and become payable. If said moneys shall not be so available on said prepayment date, interest with respect to such portion of Certificates shall continue to be payable until paid at the same rates as they would have been payable had they not been called for prepayment. All moneys held by or on behalf of the Trustee for the prepayment of particular Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid for two years.

SECURITY FOR THE CERTIFICATES

Pledge

Water System Installment Payments. Pursuant to the Water System Installment Purchase Contract, the District will purchase the Water System Project from the Corporation. As the purchase price for the Water System Project, the District agrees to pay the Water System Installment Payments to the Corporation. The Water System Certificates represent a proportionate interest in the Water System Installment Payments to be made by the District under the Water System Installment Purchase Contract. The Corporation, pursuant to the Water System Assignment Agreement, will assign its rights to receive Water System Installment Payments under the Water System Installment Purchase Contract to the Trustee for the benefit of the Owners of the Water System Certificates.

The obligation of the District to make the Water System Installment Payments under the Water System Installment Purchase Contract is a special obligation payable solely from and secured by a pledge of and first lien (subject to the parity lien of the Water System Parity Obligations) on Water System Net Revenues in addition to all moneys in the Revenue Fund, the Acquisition Fund and the Installment Payment Fund established pursuant to the Water System Installment Purchase Contract and the Water System Trust Agreement and on other funds and accounts established pursuant to the Water System Trust Agreement.

“Water System Net Revenues” means, for any period, all of the Water System Revenues received during such period less the amount required to pay all Water System Maintenance and Operating Costs during such period.

“Water System Revenues” means all gross income and revenue received or receivable by the District from the ownership and operation of the Water System, calculated in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges received by the District for water service, the proceeds of any standby water availability charges or connection fees collected by the District and all other income and revenue howsoever derived by the District from the Water System or arising from the Water System; provided, however, that the following are not Water System Revenues and are not subject to the lien of the Water System Installment Purchase Contract: (a) any specific charges levied for the express purpose of reimbursing others for all or a portion of the cost of the acquisition or construction of specific facilities; (b) customers’ deposits or any other deposits which are subject to refund until such deposits have become the property of the District; (c) grants which are designated by the grantor for a specific purpose and are therefore not available; or (d) Net Proceeds of eminent domain proceedings and casualty insurance maintained by the District with respect to the Water System to the extent that such proceeds are not promptly applied by the District to the repair or replacement of the Water System; provided, however, that Water System Revenues shall be increased by the amounts, if any, transferred in accordance with the Water System Installment Purchase Contract during such Fiscal Year or other period from the Water System Rate Stabilization Fund to the Revenue Fund and shall be decreased by the amount of Water System Revenues, if any, transferred in accordance with the Water System Installment Purchase Contract during such Fiscal Year or other period from the Revenue Fund to the Water System Rate Stabilization Fund. Water System Revenues shall include amounts on deposit in the Revenue Fund which have been previously released from the pledge and lien of the Water System Installment Purchase Contract. Water System Revenues shall also include interest with respect to any Water System Parity Obligations reimbursed to or on behalf of the District by the United States of America pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009), or any future similar program.

“Water System Maintenance and Operation Costs” means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including water purchase costs, all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any), the cost of permits and licenses to operate the Water System and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms hereof; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

“Water System” means all water enterprise system facilities owned by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the water enterprise system, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed excluding all sewer and wastewater system facilities owned by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be part of the sewer and wastewater system.

The obligation of the District to make the Water System Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation. Neither the Water System Certificates nor the obligation of the District to make Water System Installment Payments constitutes a debt or a pledge of the faith and credit of the District, the Corporation, the State of California or any of its political subdivisions within the meaning of the Constitution or statutes of the State of California or otherwise.

Wastewater System Installment Payments. Pursuant to the Wastewater System Installment Purchase Contract, the District will purchase the Wastewater System Project from the Corporation. As the purchase price for the Wastewater System Project, the District agrees to pay the Wastewater System Installment Payments to the Corporation. The Wastewater System Certificates represent a proportionate interest in the Wastewater System Installment Payments to be made by the District under the Wastewater System Installment Purchase Contract. The Corporation, pursuant to the Wastewater System Assignment Agreement, will assign its rights to receive Wastewater System Installment Payments under the Wastewater System Installment Purchase Contract to the Trustee for the benefit of the Owners of the Wastewater System Certificates.

The obligation of the District to make the Wastewater System Installment Payments under the Wastewater System Installment Purchase Contract is a special obligation payable solely from and secured by a pledge of and first lien (subject to the parity lien of the Wastewater System Parity Obligations) on Wastewater System Net Revenues in addition to all moneys in the Revenue Fund, the Acquisition Fund and the Installment Payment Fund established pursuant to the Wastewater System Installment Purchase Contract and the Wastewater System Trust Agreement and on other funds and accounts established pursuant to the Wastewater System Trust Agreement.

“Wastewater System Net Revenues” means, for any period, all of the Wastewater System Revenues received during such period less the amount required to pay all Wastewater System Maintenance and Operating Costs during such period.

“Wastewater System Revenues” means, for each Fiscal Year, all gross income and revenue received or receivable by the District from the ownership or operation of the Wastewater System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including connection fees and charges) received by the District for the services of the Wastewater System, and all other income and revenue howsoever derived by the District from the ownership or operation of the Wastewater System or arising from the Wastewater System, including all income from the deposit or investment of any money in the Revenue Fund, and any refundable deposits made to establish credit, and advances or contributions in aid of construction; provided, however, that Wastewater System Revenues shall be increased by the amounts, if any, transferred in accordance with the Wastewater System Installment Purchase Contract during such Fiscal Year or other period from the Wastewater System Rate Stabilization Fund to the Revenue Fund and shall be decreased by the amount of Wastewater System Revenues, if any, transferred in accordance with the Wastewater System Installment Purchase Contract during such Fiscal Year or other period from the Revenue Fund to the Wastewater System Rate Stabilization Fund. Wastewater System Revenues shall include amounts on deposit in the Revenue Fund which have been previously released from the pledge and lien of the Wastewater System Installment Purchase Contract. Wastewater System Revenues shall also include interest with respect to any Wastewater System Parity Obligations reimbursed to or on behalf of the District by the United States of America pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009), or any future similar program.

“Wastewater System Maintenance and Operation Costs” means the reasonable and necessary costs and expenses paid by the District to maintain and operate the Wastewater System, including but not limited to: (a) costs of treating or disposing of sewage; (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Wastewater System in good repair and working order; and (c) the reasonable administrative costs of the District attributable to the operation and maintenance of the Wastewater System. Maintenance and Operation Costs do not include: (i) debt service payable on obligations

incurred by the District with respect to the Wastewater System, including but not limited to Wastewater System Debt Service Payments and any Wastewater System Parity Obligations; (ii) depreciation, replacement and obsolescence charges or reserves therefor; and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“**Wastewater System**” means the entire wastewater collection, treatment and disposal system owned or operated by the District, including but not limited to all facilities, properties and improvements at any time owned or operated by the District for the collection, treatment and disposal of wastewater within the service area of the District, together with any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the District, including, without limitation, the Wastewater System Project.

The obligation of the District to make the Wastewater System Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation. Neither the Wastewater System Certificates nor the obligation of the District to make Wastewater System Installment Payments constitutes a debt or a pledge of the faith and credit of the District, the Corporation, the State of California or any of its political subdivisions within the meaning of the Constitution or statutes of the State of California or otherwise.

No Cross-Collateralization. The Wastewater System Net Revenues are *not* pledged to secure the Water System Installment Payments and the Water System Net Revenues are *not* pledged to secure the Wastewater System Installment Payments.

Rate Covenants

Water System Installment Payments. To the fullest extent permitted by law, the District will fix and prescribe rates and charges in connection with the Water System as a whole which are reasonably expected to be at least sufficient to yield during each Fiscal Year Water System Net Revenues equal to 120% of debt service on the aggregate amount of the Water System Installment Payments and Water System Parity Obligations for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Water System Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this paragraph. For purposes of the foregoing calculation, amounts held by the District in the Wastewater System Rate Stabilization Fund as of the beginning of any Fiscal Year may, at the election of the District, be treated as Water System Net Revenues which are received during such Fiscal Year, in an amount not exceeding 25% of the amount of principal of and interest on all outstanding Water System Installment Payments and principal of and interest on any Water System Parity Obligations issued or incurred after the date hereof payable from Water System Net Revenues coming due and payable during such Fiscal Year.

So long as the District has complied with its obligations set forth in the paragraph above, the failure of Water System Net Revenues to meet the threshold set forth in the paragraph above at the end of a Fiscal Year shall not constitute a default or an Event of Default provided that the District complies with the paragraph above at the commencement of the succeeding Fiscal Year.

Wastewater System Installment Payments. To the fullest extent permitted by law, the District will fix and prescribe rates and charges in connection with the Wastewater System as a whole which are reasonably expected to be at least sufficient to yield during each Fiscal Year Wastewater System Net Revenues equal to 120% of debt service on the aggregate amount of the Wastewater System Installment Payments and Wastewater System Parity Obligations for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Wastewater System Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this paragraph. For purposes of the foregoing calculation, amounts held by the District in the Wastewater System Rate Stabilization Fund as of the beginning

of any Fiscal Year may, at the election of the District, be treated as Wastewater System Net Revenues which are received during such Fiscal Year, in an amount not exceeding 25% of the amount of principal of and interest on all outstanding Installment Payments and principal of and interest on any Parity Obligations issued or incurred after the date hereof payable from Wastewater System Net Revenues coming due and payable during such Fiscal Year.

So long as the District has complied with its obligations set forth in the paragraph above, the failure of Wastewater System Net Revenues to meet the threshold set forth in the paragraph above at the end of a Fiscal Year shall not constitute a default or an Event of Default provided that the District complies with the paragraph above at the commencement of the succeeding Fiscal Year.

Revenue Funds

Water System. All of the Water System Revenues, together with any interest earned thereon, shall, so long as any Water System Certificates remain Outstanding under the Water System Trust Agreement, be deposited as received by the District in the Water System Revenue Fund, which fund the District has covenanted and agreed to maintain under the Water System Installment Purchase Contract so long as any Water System Certificates remain Outstanding under the Water System Trust Agreement.

Wastewater System. All of the Wastewater System Revenues, together with any interest earned thereon, shall, so long as any Wastewater System Certificates remain Outstanding under the Wastewater System Trust Agreement, be deposited as received by the District in the Wastewater System Revenue Fund, which fund the District has covenanted and agreed to maintain under the Wastewater System Installment Purchase Contract so long as any Wastewater System Certificates remain Outstanding under the Wastewater System Trust Agreement.

Installment Payments

Water System Installment Payments. On each January 15 and July 15 next preceding each February 1 and August 1 (each, a “**Water System Interest Payment Date**”), the District shall deposit with the Trustee, for deposit in the Water System Installment Payment Fund, from amounts legally available therefor on deposit in the Water System Revenue Fund, a sum equal to the interest component becoming due and payable with respect to the Outstanding Water System Certificates on the next succeeding Water System Interest Payment Date, plus an amount of the principal component of the Water System Certificates becoming due and payable with respect to the Outstanding Water System Certificates on such Water System Interest Payment Date. The Trustee shall deposit the money contained in the Water System Installment Payment Fund at the following respective times in the following respective accounts in the following order of priority in the manner hereinafter provided, each of which fund and account the Trustee has agreed to establish and maintain so long as any Water System Certificates are Outstanding, and the money in each of such funds shall be disbursed only for the purposes and uses authorized in the Water System Trust Agreement:

(a) **Interest Account.** The Trustee, on or before each Water System Interest Payment Date, shall deposit in the Interest Account that amount of money constituting the components of Water System Installment Payments representing the interest due and unpaid or becoming due and payable to but not including such Water System Interest Payment Date. No deposit shall be made into the Interest Account if the amount contained therein is at least equal to the component of Water System Installment Payments representing the interest becoming due and payable upon all Outstanding Water System Certificates on each succeeding Water System Interest Payment Date within the then current Water System Certificate Year. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest evidenced and represented by such Water System Certificates to but not including their respective Water System Interest Payment Dates or any other date on which the Water System Certificates may be prepaid in accordance with the Water System Trust Agreement.

(b) *Principal Account.* The Trustee, on or before each August 1, shall deposit in the Principal Account that amount of money constituting the components of Water System Installment Payments representing the principal to become due and unpaid or becoming due and payable on such August 1. No deposit shall be made into the Principal Account if the amount contained therein is at least equal to the components of Water System Installment Payments representing the principal to become due and unpaid or becoming due and payable on such Water System Interest Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by such Water System Certificates on the principal payment date.

(c) *Prepayment Account.* The Trustee on the prepayment date specified in a certificate of the District filed with the Trustee at the time that any prepayment is paid to the Trustee pursuant to the Water System Installment Purchase Contract, shall deposit in the Prepayment Account the amount of such prepayment. All money in the Prepayment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and any applicable premium evidenced and represented by such Water System Certificates to be prepaid on their respective prepayment dates.

Wastewater System Installment Payments. On each March 8 and September 8 next preceding each March 15 and September 15 (each, a “**Wastewater System Interest Payment Date**”), the District shall deposit with the Trustee, for deposit in the Wastewater System Installment Payment Fund, from amounts legally available therefor on deposit in the Wastewater System Revenue Fund, a sum equal to the interest component becoming due and payable with respect to the Outstanding Wastewater System Certificates on the next succeeding Wastewater System Interest Payment Date, plus an amount of the principal component of the Wastewater System Certificates becoming due and payable with respect to the Outstanding Wastewater System Certificates on such Wastewater System Interest Payment Date. The Trustee shall deposit the money contained in the Wastewater System Installment Payment Fund at the following respective times in the following respective accounts in the following order of priority in the manner hereinafter provided, each of which fund and account the Trustee has agreed to establish and maintain so long as any Wastewater System Certificates are Outstanding, and the money in each of such funds shall be disbursed only for the purposes and uses authorized in the Wastewater System Trust Agreement:

(a) *Interest Account.* The Trustee, on or before each Wastewater System Interest Payment Date, shall deposit in the Interest Account that amount of money constituting the components of Wastewater System Installment Payments representing the interest due and unpaid or becoming due and payable to but not including such Wastewater System Interest Payment Date. No deposit shall be made into the Interest Account if the amount contained therein is at least equal to the component of Wastewater System Installment Payments representing the interest becoming due and payable upon all Outstanding Wastewater System Certificates on each succeeding Wastewater System Interest Payment Date within the then current Wastewater System Certificate Year. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest evidenced and represented by such Wastewater System Certificates to but not including their respective Wastewater System Interest Payment Dates or any other date on which the Wastewater System Certificates may be prepaid in accordance with the Wastewater System Trust Agreement.

(b) *Principal Account.* The Trustee, on or before each September 15, shall deposit in the Principal Account that amount of money constituting the components of Wastewater System Installment Payments representing the principal to become due and unpaid or becoming due and payable on such September 15. No deposit shall be made into the Principal Account if the amount contained therein is at least equal to the components of Wastewater System Installment Payments representing the principal to become due and unpaid or becoming due and payable on such Wastewater System Interest Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by such Wastewater System Certificates on the principal payment date.

(c) *Prepayment Account.* The Trustee on the prepayment date specified in a certificate of the District filed with the Trustee at the time that any prepayment is paid to the Trustee pursuant to the

Wastewater System Installment Purchase Contract, shall deposit in the Prepayment Account the amount of such prepayment. All money in the Prepayment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and any applicable premium evidenced and represented by such Wastewater System Certificates to be prepaid on their respective prepayment dates.

In no event shall Water System Installment Payments be used to make payments on the Wastewater System Certificates and in no event shall Wastewater System Installment Payments be used to make payments on the Water System Certificates.

No Reserve Fund

No debt service reserve fund or will be established or held for the benefit of either series of Certificates under either Trust Agreement or Installment Purchase Contract.

Insurance

Each of the Installment Purchase Contracts require the District to procure and maintain insurance on the Enterprise with commercial insurers or through participation in a joint powers insurance authority, in such amounts, with such deductibles and against such risks (including accident to or destruction of the Enterprise) as are usually insurable in connection with similar enterprises.

In the event of any damage to or destruction of the applicable system caused by the perils covered by such insurance, the proceeds of such insurance shall be applied either: (a) to the repair, reconstruction or replacement of the damaged or destroyed portion of the applicable system; or (b) if the repair, reconstruction or replacement of the damaged or destroyed portion of the applicable system is not essential to the efficient operation of the applicable system and the maintenance of Water System Net Revenues or Wastewater System Net Revenues, as applicable, to prepay, on a pro rata basis across maturities, the applicable series of Certificates and any outstanding Water System Parity Obligations or Wastewater System Parity Obligations, as applicable. The District shall cause such repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and be properly completed as expeditiously as possible, and shall pay out of the proceeds of such insurance all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the applicable system shall be free and clear of all liens and claims. If the proceeds received by reason of any such loss shall exceed the costs of such repair, reconstruction or replacement, the excess shall be applied to the prepayment of Water System Installment Payments or Wastewater System Installment Payments, as applicable, as provided in the applicable Installment Purchase Contract.

Alternatively, if the proceeds of such insurance are sufficient to enable the District to retire all outstanding Water System Parity Obligations or Wastewater System Parity Obligations, as applicable, and the applicable series of Certificates and all other amounts due hereunder and under the applicable Trust Agreement, the District may elect not to repair, reconstruct or replace the damaged or destroyed portion of the applicable system, and thereupon such proceeds shall be applied to the prepayment of the Water System Installment Payments or Wastewater System Installment Payments, as applicable, as provided in the respective Installment Purchase Contracts and to the payment of all other amounts due hereunder and under the applicable Trust Agreement, and as otherwise required by the documents pursuant to which such Water System Parity Obligations and Wastewater System Parity Obligations, as applicable were issued.

In lieu of obtaining insurance coverage as required by the Water System Installment Purchase Contract or Wastewater System Installment Purchase Contract, as applicable, such coverage may be maintained by the District in the form of self-insurance so long as the District certifies to the Trustee and the Corporation that: (a) the District has segregated amounts in a special insurance reserve meeting the requirements of the respective Installment Purchase Contract; (b) an Insurance Consultant certifies annually, on or before May 1 of each year in which self-insurance is maintained, in writing to the Trustee and the Corporation that the District's general

insurance reserves are actuarially sound and are adequate to provide the necessary coverage; and (c) such reserves are held in a separate trust fund by an independent trustee.

Parity Obligations

Water System. The Water System Parity Obligations are described under the caption “THE WATER SYSTEM—Outstanding Water System Indebtedness.” Such Water System Parity Obligations are payable from and secured by a pledge of and first lien (subject to the parity lien of any obligations currently outstanding and hereafter issued and incurred on a parity therewith) on Water System Net Revenues. Additional Water System Parity Obligations may be issued or incurred as described under the caption “—Additional Indebtedness.”

Wastewater System. The Wastewater System Parity Obligations are described under the caption “THE WASTEWATER SYSTEM—Outstanding Wastewater System Indebtedness.” Such Wastewater System Parity Obligations are payable from and secured by a pledge of and first lien (subject to the parity lien of any obligations currently outstanding and hereafter issued and incurred on a parity therewith) on Wastewater System Net Revenues. Additional Wastewater System Parity Obligations may be issued or incurred as described under the caption “—Additional Indebtedness.”

Additional Indebtedness

Water System Parity Obligations. So long as any Water System Certificates are Outstanding, the District shall not issue or incur any obligations payable from Water System Net Revenues or the Revenue Fund on a senior or superior basis to the Water System Installment Payments. The District may at any time issue Water System Parity Obligations payable from Water System Net Revenues on a parity with the Water System Installment Payments to provide financing for the Water System in such principal amount as shall be determined by the District. The District may issue or incur any such Water System Parity Obligations subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Water System Parity Obligations:

- (a) no Event of Default shall have occurred and be continuing; and
- (b) the Water System Net Revenues, calculated in accordance with Generally Accepted Accounting Principles, either: (A) as shown by the books of the District for the latest Fiscal Year, as verified by a certificate of the District; or (B) as shown by the books of the District for any more recent 12-month period selected by the District ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Water System Parity Obligation is authorized, as verified by a certificate or opinion of an Independent Certified Public Accountant employed by the District, plus in either case (at the option of the District) the Additional Revenues relating to the Water System, shall be at least equal to 120% of the amount of Maximum Annual Debt Service relating to the Water System.

The provisions of clause (b) above shall not apply to any Water System Parity Obligations if: (A) all of the proceeds of which (other than proceeds applied to pay costs of issuing such Water System Parity Obligations and to make a deposit to any reserve fund established with respect to such Water System Parity Obligations) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium, if any, on any Outstanding Water System Certificates or on any outstanding Water System Parity Obligations; (B) at the time of the incurring of such Water System Parity Obligations, the District certifies in writing that maximum annual debt service on the refunding Water System Parity Obligations will not exceed Maximum Annual Debt Service on the Outstanding Water System Certificates or Water System Parity Obligations being refunded; and (C) the final maturity of the refunding Water System Parity Obligations is not later than the final maturity of the refunded Water System Certificates or Water System Parity Obligations.

The District may at any time execute contracts or issue bonds or other indebtedness payable from Water System Net Revenues or the Water System Revenue Fund payable on a subordinated basis to the payment of the Water System Installment Payments.

Wastewater System Parity Obligations. So long as any Wastewater System Certificates are Outstanding, the District shall not issue or incur any obligations payable from Wastewater System Net Revenues or the Wastewater System Revenue Fund on a senior or superior basis to the Wastewater System Installment Payments. The District may at any time issue Wastewater System Parity Obligations payable from Wastewater System Net Revenues on a parity with the Wastewater System Installment Payments to provide financing for the Wastewater System in such principal amount as shall be determined by the District. The District may issue or incur any such Wastewater System Parity Obligations subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Wastewater System Parity Obligations:

(a) no Event of Default shall have occurred and be continuing; and

(b) the Wastewater System Net Revenues, calculated in accordance with Generally Accepted Accounting Principles, either: (A) as shown by the books of the District for the latest Fiscal Year, as verified by a certificate of the District; or (B) as shown by the books of the District for any more recent 12-month period selected by the District, as verified by a certificate or opinion of an Independent Certified Public Accountant employed by the District, plus in either case (at the option of the District) the Additional Revenues relating to the Wastewater System, shall be at least equal to 120% of the amount of Maximum Annual Debt Service relating to the Wastewater System.

The provisions of clause (b) above shall not apply to any Wastewater System Parity Obligations if: (A) all of the proceeds of which (other than proceeds applied to pay costs of issuing such Wastewater System Parity Obligations and to make a deposit to any reserve fund established with respect to such Wastewater System Parity Obligations) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium, if any, on any Outstanding Wastewater System Certificates or on any outstanding Wastewater System Parity Obligations; (B) at the time of the incurring of such Wastewater System Parity Obligations, the District certifies in writing that maximum annual debt service on the refunding Wastewater System Parity Obligations will not exceed Maximum Annual Debt Service on the Outstanding Wastewater System Certificates or Wastewater System Parity Obligations being refunded; and (C) the final maturity of the refunding Wastewater System Parity Obligations is not later than the final maturity of the refunded Wastewater System Certificates or Wastewater System Parity Obligations.

The District may at any time execute contracts or issue bonds or other indebtedness payable from Wastewater System Net Revenues or the Wastewater System Revenue Fund payable on a subordinate basis to the payment of the Wastewater System Installment Payments.

Rate Stabilization Funds

Water System. The District will establish a special fund designated as the “**Water System Rate Stabilization Fund**” to be held by the District in trust, which fund the District has agreed and covenanted to maintain and to hold separate and apart from other funds so long as any Water System Installment Payments remain unpaid. Money may be transferred by the District from the Water System Revenue Fund to the Water System Rate Stabilization Fund and shall be held in the Water System Rate Stabilization Fund and applied in accordance with the Water System Installment Purchase Contract as follows:

All Water System Revenues remaining in the Water System Revenue Fund on February 1 and August 1 of each year, after withdrawing all of the sums required to be withdrawn therefrom by the Treasurer for the payment of Water System Maintenance and Operation Costs and Water System Installment Payments, or in connection with any Water System Parity Obligations, may be withdrawn by the Treasurer for expenditure for any lawful purpose of the District. From time to time the District may deposit in the Water System Rate

Stabilization Fund, from remaining Water System Net Revenues or other available funds of the District, such amounts as the District shall determine. All interest or other earnings upon deposits in the Water System Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Water System Revenues.

The District may withdraw all or any portion of the amounts on deposit in the Water System Rate Stabilization Fund and transfer such amounts to the Water System Revenue Fund for application in accordance with the Water System Installment Purchase Contract or, in the event that all or a portion of the Water System Installment Payments are discharged in accordance with the Water System Installment Purchase Contract, transfer all or any portion of such amounts for application in accordance with the Water System Installment Purchase Contract. Amounts transferred from the Water System Rate Stabilization Fund to the Water System Revenue Fund during or within 270 days after a Fiscal Year may be taken into account as Water System Revenues for purposes of the calculations of the Water System rate covenant in such Fiscal Year. See the caption “—Rate Covenants—Water System Installment Payments.”

Wastewater System. The District will establish a special fund designated as the “**Wastewater System Rate Stabilization Fund**” to be held by the District in trust, which fund the District has agreed and covenanted to maintain and to hold separate and apart from other funds so long as any Wastewater System Installment Payments remain unpaid. Money may be transferred by the District from the Wastewater System Revenue Fund to the Wastewater System Rate Stabilization Fund and shall be held in the Wastewater System Rate Stabilization Fund and applied in accordance with the Wastewater System Installment Purchase Contract as follows:

All Wastewater System Revenues remaining in the Wastewater System Revenue Fund on March 15 and September 15 of each year, after withdrawing all of the sums required to be withdrawn therefrom by the Treasurer for the payment of Wastewater System Maintenance and Operation Costs and Wastewater System Installment Payments, or in connection with any Wastewater System Parity Obligations, may be withdrawn by the Treasurer for expenditure for any lawful purpose of the District. From time to time the District may deposit in the Wastewater System Rate Stabilization Fund, from remaining Wastewater System Net Revenues or other available funds of the District, such amounts as the District shall determine. All interest or other earnings upon deposits in the Wastewater System Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Wastewater System Revenues.

The District may withdraw all or any portion of the amounts on deposit in the Wastewater System Rate Stabilization Fund and transfer such amounts to the Wastewater System Revenue Fund for application in accordance with the Wastewater System Installment Purchase Contract or, in the event that all or a portion of the Wastewater System Installment Payments are discharged in accordance with the Wastewater System Installment Purchase Contract, transfer all or any portion of such amounts for application in accordance with the Wastewater System Installment Purchase Contract. Amounts transferred from the Wastewater System Rate Stabilization Fund to the Wastewater System Revenue Fund during or within 270 days after a Fiscal Year, may be taken into account as Wastewater System Revenues for purposes of the calculations of the Wastewater System rate covenant in such Fiscal Year. See the caption “—Rate Covenants—Water System Installment Payments.”

SCHEDULE OF WATER SYSTEM INSTALLMENT PAYMENTS AND WATER SYSTEM PARITY OBLIGATIONS

Set forth in the following table is a schedule of annual Water System Installment Payments (assuming no prepayments) and payments on Water System Parity Obligations.

<i>Year Ending June 30</i>	<u><i>Water System Installment Payments</i></u>			<i>Water System Parity Obligations⁽¹⁾</i>	<i>Total</i>
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>		
2027	\$	\$	\$	\$[]	\$
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
2048					
2049					
2050					
2051					
2053					
2053					
2054					
2055					
2056					
TOTAL	\$	\$	\$	\$	\$

⁽¹⁾ See the caption "THE WATER SYSTEM—Outstanding Water System Indebtedness."
Source: Fieldman, Rolapp & Associates, Inc.

SCHEDULE OF WASTEWATER SYSTEM INSTALLMENT PAYMENTS AND WASTEWATER SYSTEM PARITY OBLIGATIONS

Set forth in the following table is a schedule of annual Wastewater System Installment Payments (assuming no prepayments) and payments on Wastewater System Parity Obligations.

<i>Year Ending June 30</i>	<u><i>Wastewater System Installment Payments</i></u>			<i>Wastewater System Parity Obligations⁽¹⁾</i>	<i>Total</i>
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>		
2027	\$	\$	\$	\$[]	\$
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
2048					
2049					
2050					
2051					
2053					
2053					
2054					
2055					
2056					
TOTAL	\$	\$	\$	\$	\$

⁽¹⁾ See the caption “THE WATER SYSTEM—Outstanding Wastewater System Indebtedness.”
Source: Fieldman, Rolapp & Associates, Inc.

CERTIFICATE INSURANCE

[TO COME FROM BOND INSURER].

THE DISTRICT

General

The District is a community services district that is organized and existing pursuant to the California Community Services District Law (California Government Code Section 61000 *et seq.*). The District is located in northwestern California along the Pacific Ocean coast of Humboldt County (the “**County**”), approximately 285 miles north of San Francisco. The District’s 12,140 acre service area has an estimated population of approximately 17,000 and comprises certain unincorporated areas of the County. Land use within the District consists primarily of single family and multi-family residential development and a small commercial area. See the caption “—Land Use and Service Area.”

The District was formed in 1970 for the purpose of operating the Water System and the Wastewater System. The Water System currently provides treated drinking water to approximately 5,852 connections and the Wastewater System currently provides wastewater collection and treatment services to approximately 5,175 connections.

The Water System’s sole source of water consists of purchases from the District’s wholesale water supplier, Humboldt Bay Municipal Water District (“**HBMWD**”). In turn, HBMWD’s sole source of supply consists of water from the Mad River that is collected at Ruth Lake Reservoir, a 48,030 acre foot capacity reservoir which is located in Trinity County approximately 90 miles southwest of the District’s service area. See the caption “THE WATER SYSTEM—Water System Supply – Humboldt Bay Municipal Water District.” The District’s Water System infrastructure includes seven storage tanks with a total capacity of approximately 9.75 million gallons, three booster stations to move water to different elevations within the District’s four pressure zones and approximately 91 miles of water transmission and distribution mains, as well as related control and telemetering systems.

Wastewater System infrastructure includes approximately 73 miles of sewer mains, five sewer lift stations and the Wastewater Management Facility, a 3.08 million gallon per day (“**mgd**”) secondary wastewater treatment plant that is owned and operated by the District. Treated wastewater from the Wastewater Management Facility is discharged to the Mad River or to two percolation ponds adjacent to the Mad River, depending on the time of year. See the caption “THE WASTEWATER SYSTEM—Wastewater Management Facility.”

Since its inception, the District’s powers have been expanded to include a street lighting system in 1972, parks and recreational activities in 1985 and a public library in 1995 (collectively, the “**Other Services**”). Revenues generated by the Other Services are *not* pledged to the Water System Certificates or the Wastewater System Certificates, and operation and maintenance costs of the Other Services do *not* constitute Water System Maintenance and Operation Costs or Wastewater System Maintenance and Operation Costs.

Land Use and Service Area

The District includes a mixture of urban and rural land uses with a projected growth rate of approximately 0.62 percent per year. The District’s service area includes urban development areas with single family and multi-family residences, a commercial town center, rural areas and undeveloped forest and timberland. A United States Coast Guard Air Station and a federal courthouse are also located within the service area. In addition, a regional airport, the California Redwood Coast-Humboldt County Airport, which is served by three airlines and has daily connections to Los Angeles, San Francisco, Seattle, Las Vegas and Denver, among other destinations, is located within the service area. The airport also includes a developed commercial area.

The urban and residential areas of the District have seen gradual infill over the past 20 years. The District’s service area is not expected to expand beyond the current service area boundary due to the local terrain and topography, and there are a limited number of vacant parcels within the service area. The District expects to be able to serve such parcels as they are developed gradually over time. Currently there are no plans for expansion of the service area, the annexation of additional customers or significant industrial development within the service area.

Governance and Management

Board of Directors. The District is governed by a five-member Board of Directors (the “**Board**”), the members of which are elected at large to staggered four-year terms. The names, current term expiration dates and occupations of the current Board members are set forth below.

<i>Board of Directors Member</i>	<i>Expiration of Term</i>	<i>Occupation</i>
Dennis Mayo, President	December 2026	Ranch Owner
David Couch, Vice President	December 2026	Retired Water/Wastewater Executive
Scott Binder, Director	December 2028	Senior Center Director
James Biteman, Director	December 2026	Retired Chemical Engineer/Professor
Gregory Orsini, Director	December 2028	Retired District General Manager

Senior Management.

General Manager. Patrick Kaspari, P.E., has served as the District’s General Manager since 2020. In his capacity as General Manager, Mr. Kaspari oversees the day-to-day operations of the District. Prior to coming to the District, he worked for an engineering consulting firm for over two decades, and he has over three decades of water and wastewater design and operations experience, including serving as HBMWD’s District Engineer for a decade. He has a long relationship with the District, having worked on the design and construction of several projects, such as the Ramey Pump Station Upgrade, water and sewer master planning efforts for replacement of the District’s water and sewer infrastructure, water tank projects, the Wastewater Treatment Facility’s Microgrid project and the Highway 101 Sewer Crossing project. Mr. Kaspari earned a Bachelor of Science degree in Chemical Engineering from the University of North Dakota and a Master of Science degree in Engineering, with a Water Resources emphasis, from the University of California at Berkeley. He is a licensed Professional Engineer in Civil Engineering in California.

Finance Director. Samantha Howard has served as the District’s Finance Director since 2024. Prior to coming to the District, Ms. Howard worked as a bank branch manager. She has a Bachelor of Science degree in Business Administration and a Certificate in Business Information Systems, both from Southern Oregon University. Ms. Howard holds a Graduate Accounting Certificate and is pursuing a Masters in Business Administration from the University of Phoenix. Ms. Howard is also working toward obtaining a Certified Management Accountant certification.

Management Policies. The District has adopted several policies which are designed to ensure the prudent and effective management of District operations, including a Debt Management Policy, a Financial Reserves Policy and an Investment Policy. Further information about these policies is set forth below.

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

- The purposes for which debt may be incurred;

- The types of debt that may be issued;
- The relationship of the debt to, and integration with, the District's capital improvement program or budget;
- Policy goals related to the District's planning goals and objectives; and
- Debt management practices, including the investment of proceeds, compliance with continuing disclosure undertakings and other post-issuance compliance matters.

Financial Reserves Policy. The goal of the District's Financial Reserves Policy is to ensure that the District has sufficient funding for its operating, capital and debt service needs, even in the event of unforeseen circumstances. In order to meet this goal, the District undertakes a regular review of its utility rates and capacity fee structures. The District categorizes its reserves as Restricted (legally restricted to a particular purpose) or Designated (designated by the Board for a particular purpose, but not legally restricted to that purpose and subject to redesignation by the Board) or Working Capital (available to meet cash flow needs).

Working Capital reserves must be maintained at a level that is never less than the following liabilities: (i) compensated absences; (ii) customer and subdivision deposits; (iii) the District's Operating Reserve; and (iv) one year of capital project expenditures on a pay-as-you-go basis.

The District maintains a Compensated Absences Reserve within the Working Capital balance which is used to pay for vacation and sick leave during each fiscal year, as required. The total amount retained in the Compensated Absences Reserve will equal the totals of the compensated absences liability accounts by fund, which are calculated annually as part of the District's Fiscal Year-end process.

The Customer Deposits Fund is also included in the Working Capital balance and is used to refund customer deposits on a regular monthly cycle per District policy. Customer deposit refunds are verified every month and deposit totals for subdivisions are tracked in a separate liability account. Enough cash should be held to cover subdivision deposits and monthly customer deposit refunds as well as the entire Customer Deposit Balance.

The PayGo Capital Projects Reserve allows the District to pay for approved capital projects of less than \$500,000 without incurring additional debt. The Board has recommended a \$1,000,000 cumulative limit across all Funds (Water, Wastewater and Parks) to be held for this purpose. This limitation encourages prudent, staggered timing of capital projects so that a healthy balance is maintained in the District's Working Capital reserves.

The District's Operating Reserve is intended to act as a short-term line of credit for the District, covering unanticipated timing gaps between expenditures and revenues or unanticipated necessary expenditures. The Operating Reserve will be calculated at thirty days of total District expenditures, based on the currently approved budget. The District may draw from the Repair and Replacement Reserve to supplement the Operating Reserve if needed for an individual project.

Capacity fees constitute a Restricted reserve to be used to fund the expansion of the District's capacity to provide water and wastewater services to ratepayers. The collection of capacity fees must be reviewed at least every five years with a capacity fee study to ensure that changes in the District's capacity needs are accounted for in the way capacity fees are collected and used through buildout. The draw from this Reserve will be calculated annually according to the percentage capacity increase from completed capital projects.

The Repair and Replacement Reserve serves to accumulate and track funds for long-term capital projects that cost more than the Pay-Go Capital Projects Reserve limit (\$500,000) and have no other designated funding source such as a grant or a dedicated rate stream.

The Catastrophe Reserve consists of funds that may be drawn to pay for operations during a catastrophic event, and to begin repair of the Water and Wastewater Systems and other District assets after such an event.

Unanticipated catastrophic spikes in expenditures or drops in revenue from any unforeseeable event would also be included in this category. The Catastrophe Reserve funding amount is based on operating expenditures and a District risk assessment. The District requires that a regular risk assessment and expenditure analysis be completed every five years.

The District also maintains a reserve trust under Internal Revenue Code Section 115 for the payment of post-employment benefit liabilities. See the caption “—Other Post-Employment Benefits.”

Investment Policy. The District invests its funds in accordance with its Investment Policy, which is reviewed and ratified annually by the Board. The Investment Policy: (a) describes the District’s investment policies and procedures and internal controls; (b) establishes guidelines for the prudent investment of the District’s funds; and (c) lists and describes suitable investments. The goals of the Investment Policy are protection of District funds by limiting credit and interest rate risks, providing liquidity for District needs and providing a market rate of return on District investments.

The District’s investment policy is intended to provide a guideline for the prudent investment of surplus cash, reserves, trust funds, and restricted moneys and to outline a policy for maximizing the efficiency of the District’s cash management system in compliance with Section 53646 of the Government Code of California. The policy applies to all financial assets of the District as accounted for in the audited financial statements, other than proceeds of long-term debt. In accordance with the strategic goal of fiscal responsibility, the primary objectives of the District’s investment activities, in order of priority, are: safety of principal through the mitigation of both credit and market risk; maintenance of the liquidity necessary to meet cash flow needs; and, lastly, return on investment. The District reviews the investment policy periodically and may adjust the policy as investment objectives change.

In accordance with Section 53600 *et seq.* of the California Government Code, idle cash management and investment transactions are the responsibility of the Finance Director. Under the District’s Investment Policy, eligible investments are generally limited to: (i) the Local Agency Investment Fund, which is operated by the California State Treasurer (“LAIF”); (ii) the California Cooperative Liquid Assets Securities System, a joint powers authority (“CLASS”); (iii) the Investment Trust of California, a joint powers authority (“CalTRUST”); and (iv) the Humboldt County Treasury Pool.

As of February 28, 2026, the District’s funds were invested as follows:

**McKinleyville Community Services District
Summary of Investments**

<i>Investment Type</i>	<i>Market Value</i>	<i>Book Value</i>	<i>Percentage of Market Value</i>
LAIF	\$ 159,246	\$ 158,899	0.68%
CLASS	23,167,418	23,167,418	98.42
CalTRUST	-	-	-
Humboldt County Treasury Pool	<u>213,690</u>	<u>213,506</u>	<u>0.91</u>
TOTAL	\$23,540,353	\$23,539,823	100.00%

Source: District.

Funds are invested in the following order of priority:

- Safety of Principal;
- Liquidity; and
- Return on Investment.

The District's internal controls include the following elements, which are to be reviewed annually by an external auditor: (1) control of collusion by employees working in conjunction to commit fraud; (2) separation of transaction authority/performance from accounting and recordkeeping responsibility; (3) custodial safekeeping of securities with an independent third party; (4) avoidance of physical delivery of securities; (5) clear delegation of authority; (6) written confirmation of telephone transactions for investments and wire transfers; (7) development of a wire transfer agreement with the lead bank or party custodian; and (8) conducting securities transactions on a delivery versus payment basis.

The Finance Director provides a quarterly report to the Board showing the type of investment, date of maturity, amount invested, current market value, rate of interest and other such information as may be requested by the Board.

See Note 2 to the District's audited financial statements set forth in Appendix F for further information with respect to the District's Investment Policy.

Strategic Plan. Under the District's 2024-2029 Strategic Plan, the District seeks to accomplish the following goals:

- Measure District success;
- Generate focused work plans;
- Adopt comprehensive, goal-oriented budgets; and
- Communicate District values and direction to the community.

Of relevance to the Water and Wastewater System, the District will undertake the following tasks during the Strategic Plan period:

- Attract and retain high quality employees at every level;
- Manage both planned and unplanned shifts in the workforce through robust employee training and development strategies as well as on-going succession planning; and
- Complete prioritized and funded capital projects identified in the Strategic Plan and identify a long-term financing plan for capital projects on the horizon.

Employees

For Fiscal Year 2026, the District has 31 full-time employees and 48 part-time and seasonal employees, 44 of whom provide parks and recreation services. None of the District's employees are members of a union and the District has never experienced a strike, slowdown or work stoppage.

Budget Process

The District begins its budget process in or about January of each year with an evaluation of estimated operating results in the then-current Fiscal Year compared to budgeted numbers. Priorities for the following Fiscal Year are then established and budget figures are developed and refined in the ensuing months. After a public hearing, the District adopts a budget on or before June 30 of each year for the following Fiscal Year commencing July 1. In connection with the adoption of the operating budget, the Board of Directors considers whether changes to its schedule of water and wastewater rates are required in order to implement budgetary priorities. The budget also includes the District's capital improvement plan and means of financing the plan.

The operating budgets for Fiscal Years 2026 and 2027 were approved on June 4, 2025 and June [3], 2026, respectively.

Significant Accounting Policies

The District accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to public agencies (“GAAP”). Generally, the District recognizes revenues and expenses on the full accrual basis of accounting, meaning that revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period in which they are incurred, regardless of when the related cash flows take place. However, in certain cases, GAAP requires or permits moneys that are collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses that are paid or incurred in one Fiscal Year to be recognized as expenses in a subsequent Fiscal Year. See Note 1 to the financial statements that are set forth in Appendix F. Except as otherwise expressly noted herein, all financial information that has been derived from the District’s audited financial statements reflects the application of GAAP.

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Each of the Water System and the Wastewater System is accounted for in a separate enterprise fund. Enterprise funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs expenses, including depreciation of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges); or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

For additional District accounting policies, see the notes to the financial statements in Appendix F.

Financial Statements

C.J. Brown & Company, CPAs, Cypress, California (the “Auditor”), audited the financial statements of the District for the Fiscal Year ended June 30, 2025. The Auditor’s letter dated February 4, 2026 is set forth at the beginning of the Financial Section of such financial statements. The Auditor’s examination was made in accordance with generally accepted auditing standards and Governmental Auditing Standards issued by the Comptroller General of the United States. See Appendix F.

The summary of the Water System and Wastewater System operating results that are set forth under the captions “THE WATER SYSTEM—Water System Historical Debt Service Coverage” and “THE WASTEWATER SYSTEM—Wastewater System Historical Debt Service Coverage” are derived from the above-described financial statements and audited financial statements for prior Fiscal Years (excluding certain non-cash items and after certain other adjustments), and are qualified in its entirety by reference to such statements, including the notes thereto.

The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the District.

Employee Pension Plan

Accounting and financial reporting by state and local government employers for defined benefit pension plans is governed by Governmental Accounting Standards Board (“GASB”) Statement No. 68 (“GASB 68”), which includes the following elements: (i) unfunded pension liabilities are included on the employer’s balance

sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer’s actual contribution amounts; and (iii) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. GASB 68 affects the District’s accounting and reporting requirements, but it does not change the District’s pension plan funding obligations.

The District participates in a Miscellaneous Plan to fund pension benefits for Water System and Wastewater System employees. The pension plan is part of a multi-agency pool and is administered by the California Public Employees Retirement System (“CalPERS”), which maintains agent multiple-employer public employee defined benefit pension plans for municipal employees Statewide. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries and acts as a common investment and administrative agent for participating public entities within the State, including the District. CalPERS plan benefit provisions and all other requirements are established by State statute and the Board.

District employees are subject to different benefit levels based on their hire date. Benefit provisions as of July 1, 2025 for District employees are set forth below.

**McKinleyville Community Services District
CalPERS Pension Plan – Summary of Benefit Provisions**

	<i>Employees Hired Before January 1, 2013</i>	<i>Employees Hired On or After January 1, 2013 (Not Prior CalPERS Members)</i>
Benefit Formula	2.0% @ age 55	2.0% @ age 62
Benefit Vesting	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Minimum Retirement Age	50-55	52-62
Monthly Benefits as % of Eligible Compensation	1.43%-2.42%	1.0%-2.5%
Employee Normal Cost Rate	7.0% ⁽¹⁾	6.25% ⁽²⁾
Employer Normal Cost Rate ⁽³⁾	11.94%	7.96%

⁽¹⁾ The District pays 100% of the employee contribution for employees hired before January 1, 2013.

⁽²⁾ The District does not make any portion of the employee contribution for employees hired on or after January 1, 2013.

⁽³⁾ Changes annually based on CalPERS actuarial valuation.

Source: District.

Contributions to the District’s pension plan consist of: (a) contributions from plan participants (i.e., employees); and (b) contributions by the District.

District employees who were hired on or after January 1, 2013 and were not previously in a CalPERS plan are subject to the California Public Employees’ Pension Reform Act of 2013 (“AB 340”), which was signed into law in 2012. Benefits for participants who are subject to AB 340 are calculated on the highest average annual compensation over a consecutive 36-month period. Employees must pay at least 50% of the total normal cost rate and pensionable income is capped as noted below. In addition, retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit.

**McKinleyville Community Services District
Pensionable Income Caps for Calendar Year 2026**

	<i>Employees Hired Before January 1, 2013 (Non-AB 340 Employees)</i>	<i>Employees Hired On or After January 1, 2013 (AB 340 Employees)</i>
Maximum Pensionable Income	\$360,000	\$191,679
Maximum Pensionable Income if also Participating in Social Security	N/A	159,733

Source: District.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of AB 340 are expected to reduce the District's unfunded pension liability and potentially reduce District contribution levels in the long term.

The District is required to contribute the actuarially determined remaining amounts necessary to fund benefits for its members after employee contributions are accounted for. Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. The total minimum required employer contribution is the sum of: (i) the plan's employer normal cost rate, which funds pension benefits for current employees for the upcoming Fiscal Year (expressed as a percentage of payroll); plus (ii) the employer unfunded accrued liability contribution amount, which funds pension benefits that were previously earned by current and former employees (billed monthly).

For Fiscal Year 2025, the required employer normal cost rates as a percentage of payroll were 11.88% for non-AB 340 Miscellaneous Plan employees and 7.87% for AB 340 Miscellaneous Plan employees. For Fiscal Year 2026, the required employer normal cost rates as a percentage of payroll are 11.94% for non-AB 340 Miscellaneous Plan employees and 7.96% for AB 340 Miscellaneous Plan employees.

For Fiscal Years 2024 and 2025, the total required employer payment of the normal cost and the unfunded accrued liability for the District's Miscellaneous plan (including amounts attributable to employees engaged in providing the Other Services) was \$371,742 and \$422,896, respectively. For Fiscal Year 2026, the total required employer payment of the normal cost and the unfunded accrued liability for the District's Miscellaneous plan (including amounts attributable to employees engaged in providing the Other Services) is budgeted at \$389,131.

The District's required contributions to CalPERS fluctuate each year and, as noted, include a normal cost component and a component that is equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the District's required contributions to CalPERS in future years. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions. CalPERS earnings reports for Fiscal Years 2015 through 2025 report investment gains (and losses) of approximately 2.4%, 0.6%, 11.2%, 8.6%, 6.7%, 4.7%, 21.3%, (6.1%), 6.1%, 9.3% and 11.6%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the District.

CalPERS' discount rate was lowered from 7.00% to 6.80% in fall 2021. Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 who were not previously CalPERS members will also see their contribution rates rise under AB 340.

Portions of the above disclosures are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. The District has not independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.

The annual comprehensive financial reports of CalPERS are available on CalPERS’ Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS’ most recent actuarial valuation reports and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The District, the Corporation, the Municipal Advisor and the Underwriter cannot guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

The District’s Miscellaneous pension plan had a total net pension liability of \$2,950,971 (including amounts attributable to employees engaged in providing the Other Services) for Fiscal Year 2025 (as of the measurement date of June 30, 2024). The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The District’s total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts. For Fiscal Years 2024 and 2025, the District incurred Miscellaneous pension plan pension expenses of \$141,683 and \$198,841, respectively (including amounts attributable to employees engaged in providing the Other Services).

In addition to its contributions directly to CalPERS each year, the District has elected to fund additional amounts to a trust that has been established under Internal Revenue Code Section 115 (the “**Pension Benefits Trust**”). The Pension Benefits Trust is irrevocable and holds funding contributions for the District pending future remittance to CalPERS, which will pay all retiree benefit payments.

A summary of principal assumptions and methods used to determine the total pension liability for the District’s pension plan for Fiscal Year 2025 (as of the measurement date of June 30, 2024) is shown below.

**McKinleyville Community Services District
Actuarial Assumptions for CalPERS Miscellaneous Plan**

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
<i>Actuarial Assumptions:</i>	
Discount Rate	6.80%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Investment Rate of Return	6.80% net of pension plan investment and administrative expenses; includes projected inflation rate of 2.30%
Mortality Rate Table ⁽¹⁾	Derived using CalPERS’ membership data for all funds

⁽¹⁾ The mortality table was developed based on CalPERS-specific membership data for all Funds. The probabilities of mortality are based on the CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

Source: District.

The recent funding history of the District’s Miscellaneous pension plan, including AB 340 and non-AB 340 employees, is as follows:

**McKinleyville Community Services District
CalPERS Pension Plan Funding History**

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Market Value of Assets⁽¹⁾</i>	<i>Unfunded Accrued Liability⁽²⁾</i>	<i>Funded Ratio⁽³⁾</i>	<i>Annual Covered Payroll</i>
06/30/2020	\$ 9,035,308	\$6,499,638	\$2,535,670	71.9%	\$1,568,718
06/30/2021	10,203,383	8,514,370	1,689,013	83.4	1,420,009
06/30/2022	10,863,698	7,834,091	3,029,607	72.1	1,588,899
06/30/2023	11,822,649	8,534,870	3,287,779	72.2	1,744,234
06/30/2024	12,729,070	9,491,976	3,237,094	74.6	1,926,453

⁽¹⁾ Reflects District’s share of market value of assets in multi-agency pool in which District participates.

⁽²⁾ Calculated by subtracting the Market Value of Assets from the Accrued Liability.

⁽³⁾ Calculated by dividing the Market Value of Assets by the Accrued Liability.

Source: District.

The table below presents the unfunded accrued liability of the District’s Miscellaneous pension plans, calculated using the discount rate applicable to Fiscal Year 2025 (6.80%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.80%) or 1 percentage point higher (7.80%) than the Fiscal Year 2025 rate:

**McKinleyville Community Services District
Sensitivity of CalPERS Miscellaneous Plan Unfunded Accrued Liability to Changes in Discount Rate**

	<i>Discount Rate – 1% (5.80%)</i>	<i>Applicable Discount Rate (6.80%)</i>	<i>Discount Rate + 1% (7.80%)</i>
<i>Unfunded Accrued Liability</i>	\$5,080,168	\$3,237,094	\$1,718,110

Source: District.

The District’s projections of Operation and Maintenance Costs shown under the captions “THE WATER SYSTEM—Water System Projected Debt Service Coverage” and “THE WASTEWATER SYSTEM—Wastewater System Projected Debt Service Coverage” do not assume further unusual increases in pension funding expenses. However, future changes in pension funding policies and assumptions, including those related to assumed rates of investment return and inflation, could trigger increases in the District’s annual required contributions, and such increases could be material to the finances of the Enterprise. No assurance can be provided that such expenses will not increase significantly in the future. The District does not expect that any increased funding of pension obligations will have a material adverse effect on the ability of the District to make the Installment Payments.

For additional information relating to the District’s pension plan, see Note 8 to the District’s audited financial statements set forth in Appendix F.

Other Post-Employment Benefits

The District, through an agent single-employer defined benefit healthcare plan that is administered by a third party, provides certain post-employment medical benefits other than pensions (“OPEB”) to retired employees. Benefits vary by hire date and continue to dependents, including surviving spouses. Retirees are eligible for OPEB if they retire directly from the District by at least age 50 with 5 years of service. Employees hired before January 1, 2017 receive 100% District-paid healthcare coverage. Employees hired on or after January 1, 2017 receive 100% of the Preferred Provider Organization rate. Dental benefits are not covered. As of June 30, 2025, 9 inactive employees or beneficiaries received OPEB payments and there were 27 active employees participating in the OPEB plan, for a total plan membership of 36.

The contribution requirements of OPEB plan members and the District are established and may be amended by the Board. Currently, contributions are not required from District employees and the District is making OPEB payments as they come due.

The District has established a trust under Internal Revenue Code Section 115 (the “**OPEB Trust**”) to assist in funding its OPEB liability. The OPEB Trust, which is administered by the California Employers’ Retiree Benefit Trust, holds funding contributions from the District pending future remittance to the administrator of the OPEB plan, which will pay the associated benefits. Future contributions will be transferred to the OPEB Trust at the District’s discretion. The funds held in the OPEB Trust are legally protected from the claims of the general creditors of the District. Contributions to the OPEB Trust and earnings on those contributions are irrevocable.

The District made a \$250,000 contribution to the OPEB Trust in Fiscal Year 2026 and has budgeted to make a \$250,000 contribution to the OPEB Trust in Fiscal Year 2027. As of June 30, 2025, the fair market value of the assets in the OPEB Trust was approximately \$2,963,355. Additional information on the OPEB Trust can be found in Note 7 to the District’s audited financial statements set forth in Appendix F.

In Fiscal Years 2024 and 2025, the District made net contributions of \$157,889 and \$259,179, respectively, to fund its OPEB obligations. The District has budgeted net contributions of \$262,942 and \$303,187 to fund its OPEB obligations in Fiscal Years 2026 and 2027, respectively.

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

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB plan, and the net OPEB obligation for the last five Fiscal Years are set forth below. The District notes that a small portion of the net OPEB obligation is attributable to the Other Services.

**McKinleyville Community Services District
Net OPEB Obligation**

<i>Fiscal Year Ended June 30</i>	<i>Annual OPEB Costs</i>	<i>Percentage of Annual OPEB Costs Contributed</i>	<i>Net OPEB Obligation (Asset)</i>
2021	\$526,898	100%	\$10,010,085
2022	618,445	100	6,942,623
2023	408,820	100	6,831,080
2024	362,716	100	6,216,831
2025	357,413	100	5,930,394

⁽¹⁾ Excludes assets held in Pension Benefits Trust, in accordance with GASB Implementation Guide No. 2017-1. Such amounts will be included in the calculation of the net OPEB liability when they are delivered to the OPEB administrator.

Source: District.

As of June 30, 2025, the District’s OPEB plan was 49.97% funded. The actuarial accrued liability for benefits was \$5,930,394 and the actuarial value of assets was \$2,963,354, resulting in an unfunded actuarial accrued liability (the “**OPEB UAL**”) of \$2,967,040. The covered payroll (annual payroll of active employees covered by the OPEB plan) was \$2,057,429 and the ratio of the OPEB UAL to the covered payroll was 144.21%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement and mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress set forth below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**McKinleyville Community Services District
OPEB Plan – Schedule of Funding Progress⁽¹⁾**

<i>Valuation Date</i>	<i>Actuarial Accrued Liability (a)</i>	<i>Actuarial Value of Assets (b)</i>	<i>OPEB UAL (a) – (b)</i>	<i>Funded Ratio (b) / (a)</i>	<i>Annual Covered Payroll (c)</i>	<i>OPEB UAL as Percentage of Annual Covered Payroll (a) – (b) / (c)</i>
06/30/2021	\$10,010,085	\$ -	\$10,010,085	0.00%	1,389,995	720.15%
06/30/2022	6,942,623	-	6,942,623	0.00	1,548,839	448.25
06/30/2023	6,831,080	2,554,128	4,276,952	37.39	1,836,084	232.94
06/30/2024	6,216,831	2,713,123	3,503,708	43.64	2,096,253	167.14
06/30/2025	5,930,394	2,967,040	2,963,354	50.03	2,057,429	144.21

Source: District.

Changes in the net liability for the District’s OPEB plan were as follows.

**McKinleyville Community Services District
Changes in OPEB Plan Liability**

	<i>Increase / (Decrease)</i>		
	<i>Total OPEB Plan Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net OPEB Plan Liability / (Asset)</i>
Balance at June 30, 2024	\$6,216,831	\$2,713,123	\$3,503,708
Balance at June 30, 2025	<u>5,930,394</u>	<u>2,963,354</u>	<u>2,967,040</u>
Net Changes for period from July 1, 2024 through June 30, 2025	\$ (286,437)	\$ 250,231	\$ (536,668)

Source: District.

The following table presents the net liability of the District’s OPEB plan, calculated using the discount rate applicable to Fiscal Year 2025 (5.34%), as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.34%) or 1 percentage point higher (6.34%) than the Fiscal Year 2025 rate:

McKinleyville Community Services District
Sensitivity of the OPEB Plan Net Liability to Changes in the Discount Rate

	<i>Discount Rate – 1% (4.34%)</i>	<i>Applicable Discount Rate (5.34%)</i>	<i>Discount Rate + 1% (6.34%)</i>
Plan’s Net Liability/(Asset)	\$3,791,144	\$2,967,040	\$2,283,968

Source: District.

The District’s projections of Operation and Maintenance Costs shown under the captions “THE WATER SYSTEM—Water System Projected Debt Service Coverage” and “THE WASTEWATER SYSTEM—Wastewater System Projected Debt Service Coverage” do not assume further unusual increases in OPEB funding expenses. However, future changes in OPEB funding policies and assumptions, including those related to assumed rates of investment return and inflation, could trigger increases in the District’s annual required contributions, and such increases could be material to the finances of the Enterprise. No assurance can be provided that such expenses will not increase significantly in the future. The District does not expect that any increased funding of OPEB will have a material adverse effect on the ability of the District to make the Installment Payments.

For additional information relating to the District’s OPEB plan, see Note 7 to the District’s audited financial statements set forth in Appendix F.

Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District is a member of the Special District Risk Management Authority (the “SDRMA”), a joint powers authority that is comprised of dozens California special districts to arrange and administer programs for the pooling of self-insured losses and to purchase excess insurance from commercial insurers. Through the SDRMA, the District maintains the following coverages:

- Liability (general, automobile and employee and public officials errors and omissions): \$5,000,000 per occurrence;
- Employee Dishonesty coverage (\$1,000,000);
- Workers Compensation: statutory limits; Employer’s Liability limits of \$5,000,000;
- Public Officials Personal Liability (\$500,000 per occurrence);
- Property (replacement costs coverage): \$1,000,000,000 pooled limit; and
- Boiler and Machinery: replacement cost up to \$100,000,000 per occurrence.

Certain portions of the Enterprise, including underground pipelines, valves and water meters, are not covered by the District’s property insurance. See the caption “CERTAIN RISK FACTORS—Natural Calamities—Seismic.”

No assurance can be given as to the adequacy of the insurance maintained now or in the future by the District to fund necessary repairs or replacement of any portion of the Enterprise, and the District does not have any obligation under the Installment Purchase Contracts to maintain earthquake coverage or other policies in the current coverage amounts. Significant damage to the Enterprise could affect the District’s ability to generate

sufficient Water System Net Revenues or Wastewater System Net Revenues to pay the Water System Installment Payments or Wastewater System Installment Payments, respectively, when due.

The District has not settled any claims that exceeded its insurance coverage in the past three years.

See the caption “SECURITY FOR THE CERTIFICATES—Insurance” for a description of insurance coverages that are required to be maintained while the Certificates are outstanding.

Cybersecurity

The District relies on computers and technology to conduct its operations. The District faces cybersecurity threats from time to time, including, but not limited to, hacking, viruses, malware and other forms of technology attacks. Recently, there have been significant cybersecurity incidents affecting municipal agencies, including ransomware attacks targeting Los Angeles Unified School District and the San Bernardino County Sheriff’s Office, a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore’s 911 system, an attack on the Colorado Department of Transportation’s computers, an attack that resulted in the temporary closure of the Port of Los Angeles’ largest terminal and an attack on a water treatment facility in Oldsmar, Florida.

The District’s cybersecurity protections include, but are not limited to the following: endpoint and server security including Endpoint Detection and Response, managed threat response (with the District’s Security Operations Center monitoring its network at all times), an email security gateway, endpoint encryption, a network firewall, endpoint and server patch management, least privilege account security, multifactor authentication, secure remote access via a virtual private network and simulated phishing campaigns and training.

To date, the District has not experienced a cybersecurity incident resulting in a data breach or material disruption of operations. As with all organizations, no system can be made completely immune from cyberattacks. The District continues to strengthen its technical defenses, user training and incident response capabilities to minimize the likelihood and impact of potential future events.

Note that despite the efforts of the District, no assurances can be given that the District’s efforts to manage cyber threats and attacks will be successful or that an such attack will not materially impact the operations or finances of the District or the Enterprise.

Billing and Collection Procedures

The District is on a monthly billing cycle for Enterprise service charges, with water and wastewater charges billed at the same time on a single itemized bill. Payment is deemed delinquent if any portion of the bill (whether for water or wastewater service) is unpaid thirty days from the date printed on the bill. If the bill is not paid in full within sixty days after the date of delinquency, service may be discontinued. A \$50 reconnection charge and penalties will be levied in accordance with the District’s rules and regulations and collected prior to renewing service following shutoff.

Water service may be terminated by the District in compliance with the notice and other requirements of State law for any of the following reasons: delinquency in payment of any residential water service rate or charge in accordance with District policy; delinquency in payment of any commercial or other nonresidential water service rate or charge; unauthorized taking of water or the taking of water in excess of the amount paid for; the failure of the customer to maintain facilities in suitable condition to prevent water waste; the existence of an unprotected cross connection on the customer’s premises or the lack of adequate backflow protection at the service connection; or any violation of the District’s rules and regulations governing water or wastewater service.

The District also collects property taxes to fund the Other Services (primarily parks and recreation). Pursuant to Section 61115 of the California Government Code, the Board may provide that any water or wastewater charges, delinquencies and penalties may be collected on the County tax roll in the same manner as property taxes. In the event the Board takes such action, the General Manager of the District, on or before August 10 of each year following the Board's determination, will file with the County Auditor a copy of a final report adopted by the Board detailing the affected and delinquent parcels. To date, the District has not placed any delinquencies and penalties of its customers on the County tax roll.

The District has not had any material charges considered uncollectible in the past several years. As of February 3, 2026, approximately 277 water and wastewater accounts were delinquent in the total amount of \$101,237. Most customers pay their delinquencies in full prior to shutoff.

THE WATER SYSTEM

Overview

As of January 1, 2026, the District provided water service to approximately 5,606 residential and 245 commercial and other connections. See Table II under the caption “—Summary of Operations.” On average, approximately 80% of the District's total water demand is from residential users. Substantially all of the District's customers are billed based on individually metered water usage.

The District's Water System infrastructure includes seven storage tanks with a total capacity of approximately 9.75 million gallons, three booster stations to move water to different elevations within the District's four pressure zones and approximately 91 miles of water transmission and distribution mains, as well as related control and telemetering systems.

The Water System's sole source of water consists of purchases from the District's wholesale water supplier, HBMWD. In turn, HBMWD's sole source of supply consists of water from the Mad River that is collected at Ruth Lake Reservoir, a 48,030 acre foot capacity reservoir which is located in Trinity County approximately 90 miles southwest of the District's service area. See the caption “—Water System Supply – Humboldt Bay Municipal Water District.”

HBMWD diverts water from its one million gallon tank under the Mad River to the District's Grant A. Ramey Pump Station at North Bank and Azalea Roads. Water is then pumped to storage tanks at McCluski Hill, Cochran Road and Norton Road. The District's seven storage tanks have a combined capacity of 9.75 million gallons, approximately a 190-hour supply.

The District also maintains an emergency intertie to the water system of the nearby City of Arcata.

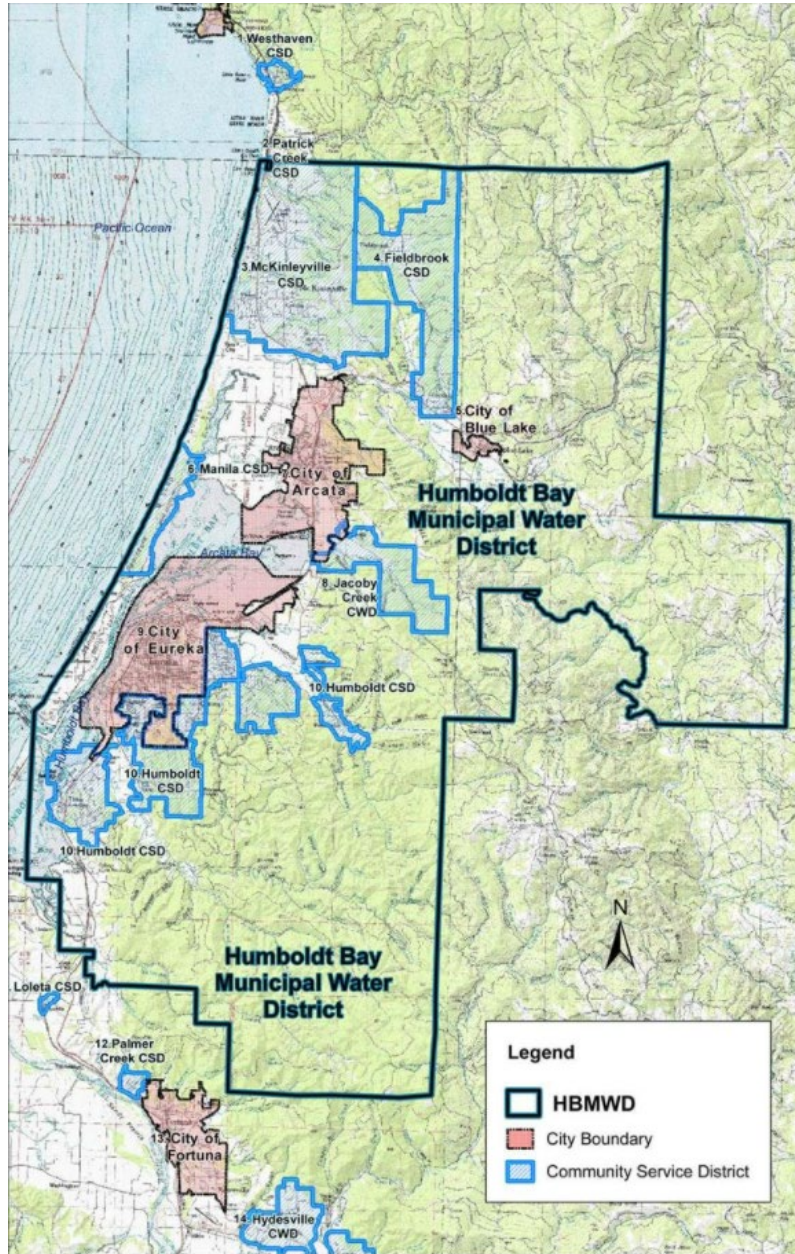
Water System Supply – Humboldt Bay Municipal Water District

General. HBMWD operates a regional water system and provides wholesale service to the District and other retail water suppliers in the County. HBMWD currently provides treated, potable water for domestic and business use to seven municipalities (wholesale customers), as well as approximately 200 retail customers. HBMWD is the District's sole source of water supply.

HBMWD holds appropriative water rights permits from the State Water Resources Control Board (the “SWRCB”) through the year 2029 for surface water storage and diversion. HBMWD's water rights permits authorize it to store and divert a combined 75 mgd (approximately 84,000 acre feet per year) from the Mad River. This amount represents 8.5% of the average annual runoff (approximately 982,600 acre feet per year) of the Mad River basin for the period from 1963 to 2020 (as measured by the United States Geological Service at Gage Station 1148100 on the Mad River near the City of Arcata).

HBMWD has been in discussions with the SWRCB with respect to the extension of its water rights permits beyond 2029 for the past several years.

The graphic below depicts the retail services map for HBMWD which includes the District.



HBMWD anticipates having more than enough water supply to serve existing and future customers, even during drought years. HBMWD's source of water, Ruth Lake Reservoir, has filled multiple times during drought years and supplies a consistent, reliable source of water, thereby reducing any challenges to water supply availability. Ruth Lake Reservoir impounds only about 3% of the Mad River watershed and fills at a very rapid rate in normal rainfall years. On average, approximately 11 mgd is delivered to HBMWD municipal/district customers and entitlement is limited by actions taken during water shortage emergencies. Of the delivered water, a peak flow rate of 2.6 mgd is committed to serve the District's customers.

HBMWD operates two separate and distinct water systems: a domestic water system which supplies treated drinking water and an industrial system which supplies untreated raw water to large industrial users for industrial purposes. HBMWD's system consists of the following facilities:

- R. W. Matthews Dam, which impounds Ruth Lake Reservoir in southern Trinity County;
- Gosselin Hydro-Electric Power House at R. W. Matthews Dam;
- Diversion, pumping and control facilities adjacent to the Mad River near Essex at the John R. Winzler Operations and Control Center;
- Storage and treatment facilities; and
- Two separate and distinct pipeline systems which deliver treated drinking water or untreated raw water to HBMWD's customers.

R. W. Matthews Dam impounds runoff from the upper quarter of the Mad River basin, an area of approximately 121 square miles. The capacity of Ruth Lake Reservoir, impounded by Matthews Dam, is 48,030 acre-feet.

A portion of the water stored in Ruth Lake Reservoir is released each summer and fall in order to satisfy HBMWD's downstream diversion requirements and maintain minimum bypass flow requirements in the Mad River below the community of Essex in the District's service area. Although HBMWD impounds water at Ruth Lake Reservoir and diverts water at Essex, the operations do not significantly affect the natural flow regime in the Mad River. There are several reasons for this, described as follows.

The total volume of water impounded and diverted by HBMWD represents a small percentage of the natural yield of the Mad River watershed, which is primarily fed by significant annual precipitation (over 30 inches per year on average). The Mad River's average annual discharge into the Pacific Ocean is just over 1,000,000 acre feet. Ruth Lake Reservoir, in its entirety, represents less than 5% of the total average annual runoff from the Mad River basin. The total 48,030 acre foot capacity of Ruth Lake Reservoir is not drawn down each year, so the amount of winter season runoff captured in the reservoir is an even smaller percentage of the total runoff. With respect to diversions, the current withdrawal rate at Essex averages 10 mgd (approximately 11,000 acre feet per year), which is only 1% of the total annual average runoff of the Mad River watershed. This diversion is accomplished by extracting riverbed water from the underlying aquifer via wells known as the Ranney Collectors at Essex. The sands and gravel of the aquifer provide a natural filtration process. In summer months, HBMWD supplements this process through disinfection (by means of chlorination) prior to delivery of water to the District. In winter months, additional filtration is provided by an in-line filtration facility which reduces occasional turbidity (cloudiness). The full diversion capacity of 75 mgd (or approximately 84,000 acre feet per year) is just 8% of the total annual average runoff of the watershed. The balance of the capacity above that diverted via the Ranney Collectors can be pumped from a screened surface diversion, also at Essex.

HBMWD may restrict water use for retail customers if Ruth Lake Reservoir falls below 65% of capacity and accumulated rainfall in the surrounding area is 70% or less of the historical average (49 inches). Such restrictions were implemented only once, in 1977.

Climate Change. HBMWD's dam, reservoir and diversion facilities are not currently believed to be at risk due to factors associated with climate change such as sea level rise or changes in precipitation levels. Water supplies could be affected by changing precipitation patterns. However, predictions of precipitation pattern changes associated with global circulation models project that the Pacific Northwest (including the northwest coast of California) will receive *increased* rainfall, while the southwestern United States, including Southern California, will likely become drier. In an analysis completed in 2015, HBMWD identified a water supply delivery level of at least 36 mgd (Compared to the 10 mgd delivered in 2015) that would be sustainable even under continuous hydrologic conditions similar to those experienced during the 1976-77 drought, which is the drought of record for the area. Even this is a conservative assessment, as it also assumes that diversions occur directly at R. W. Matthews Dam, rather than 75 miles downstream at Essex, where intervening accretions in

river flow would provide even more water supply available for diversion. See the caption “CERTAIN RISK FACTORS—Climate Change” for a discussion of risks associated with climate change.

Wholesale Water Contracts. HBMWD has long-term contracts with its wholesale customers that govern wholesale rates, charges and conditions of service. HBMWD has 20-year water supply contracts, effective July 1, 2017, in place with the following wholesale municipal customers: City of Arcata, City of Blue Lake, City of Eureka, Fieldbrook-Glendale Community Services District, Humboldt Community Services District, Manila Community Services District and the District. See the caption “—District Contract with HBMWD for Wholesale Supply of Municipal Water” for a discussion of the terms of the HBMWD-District water supply contract.

All operating, maintenance and capital costs associated with the regional water system are paid for by HBMWD’s wholesale customers. HBMWD’s rate structure is based on “Price Factor” formulas which allocate, in proportional shares, HBMWD’s operating, maintenance and capital costs to each of HBMWD’s wholesale customers. The retail water rates paid by the District’s customers are intended to recover the District’s share of HBMWD operating, maintenance and capital costs charged to the District.

The following table sets forth the annual water supply and demand projections for the District.

TABLE I
McKinleyville Community Services District
Annual Supply and Demand Projections

	<i>2025</i>	<i>2030</i>	<i>2035</i>	<i>2040</i>
Water Source Supply (in millions of gallons)	949	949	949	949
Projected District Demand (in millions of gallons)	471	492	517	541

Source: McKinleyville Community Services District 2020 Urban Water Management Plan.

District Contract with HBMWD for Wholesale Supply of Municipal Water. The District and HBMWD have entered into a Contract for Supply of Municipal Water, dated as of July 1, 2017 (the “**Water Supply Contract**”). The Water Supply Contract provides for wholesale water service to the District as a customer of HBMWD. The Water Supply Contract took effect on July 1, 2017 and remains in effect until June 30, 2037. The District has the right to extend the term of the Water Supply Contract for an additional period of up to ten years, to and including June 30, 2047 provided that the District gives notice in writing of its exercise of this option no later than December 31, 2036.

During the term of the Water Supply Contract, HBMWD agrees to provide water to the District and the District agrees to purchase water in accordance with the terms and conditions of the Water Supply Contract as well as HBMWD Ordinance 16 for Establishing Rates, Charges and Conditions of Service for Water Sales to Municipal Water Customers (“**HBMWD Ordinance 16**”), which is incorporated therein.

HBMWD Ordinance 16 provides for and establishes the rates, charges and conditions of service for water sales to the District until June 30, 2037 or such later date as the Water Supply Contract may terminate. HBMWD Ordinance 16 outlines the price factors as well as revenue credits applicable to customers of HBMWD. The price factor amounts charged to the District include a fair share portion of the costs of operation, maintenance, repair and replacement of the water facilities of HBMWD as well as a fair share portion of the costs of construction, operation, maintenance, repair and replacement of the water treatment facilities of HBMWD.

Water Quality

General. The District’s primary water source is potable water purchased from HBMWD. The water that HBMWD provides to the District is derived from the riverbed aquifer underlying the Mad River which is

treated to potable water standards prior to delivery to the District. See the caption “—Water System Supply – Humboldt Bay Municipal Water District.” To the District’s knowledge, this supply meets all regulatory standards for potable water, including the federal Safe Drinking Water Act and regulations promulgated by the SWRCB’s Division of Drinking Water (the “**Division**”) under Title 22 of the California Code of Regulations.

Both HBMWD and the District regular test their water supplies to ensure compliance with applicable regulatory standards. Compliance monitoring for the District’s water supplies is conducted in weekly, monthly, quarterly, annual, 3-year, 6-year and 9-year sampling cycles. The District currently meets all compliance requirements, including the employment of a Chief System Operator certified as an SWRCB Division of Drinking Water Distribution Operator Level 3 or higher to oversee all regulatory compliance procedures and reporting.

The District notes that, on October 8, 2024, the United States Environmental Protection Agency (the “**EPA**”) issued a final rule requiring drinking water systems across the country to identify and replace lead pipes within ten years. The rule also requires more rigorous testing of drinking water and lowers the threshold at which action is required to protect the public from lead exposure in water. The District has inventoried its water supply and distribution system and does not have any lead pipes that need to be replaced.

PFAS. In 2019, the Division lowered the Notification Levels (the “**NLs**”) for Perfluorooctanoic acid (“**PFOA**”) and Perfluorooctanesulfonic acid (“**PFOS**”) to 5.1 and 6.5 parts per trillion (“**PPT**”), respectively. NLs are non-regulatory, precautionary health-based measures for concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment. In 2020, the Division lowered the Response Level (the “**RL**”) for PFOA and PFOS from 70 PPT, combined, to 10 and 40 PPT, respectively. RLs are non-regulatory, precautionary health-based measures that are set at higher levels than NLs and represent thresholds at which the Division recommends that water systems remove a water source from use or treat it.

PFOA and PFOS are fluorinated organic chemicals which are part of a family of synthetic compounds referred to as per- and polyfluoroalkyl substances (“**PFAS**”). PFAS are water and lipid resistant substances that were previously used in a variety of manufacturing processes and industrial applications. They are often present in water supplies which are impacted by wastewater treatment plant effluent or active or former military installations. The District understands that recent technological advances have enabled scientists to detect PFAS compounds at very low concentrations.

On April 10, 2024, the EPA adopted regulations setting mandatory limits on PFOA and PFOS. The limits set by the EPA are stricter than those adopted by the Division and may require operational changes and additional expenditures by water utilities that do not already remove PFAS from their potable supplies. The EPA’s regulations set Maximum Contaminant Levels (“**MCLs**”) for PFOA and PFOS at 4 PPT each. Three other types of PFAS (known as PFNA, PFHxS and GenX) are subject to MCLs of 10 PPT. The EPA’s regulations require drinking water supplies to meet the new standards within five years, and the EPA is making nearly \$1 billion in funding available through the 2021 Bipartisan Infrastructure Law to implement PFAS testing and treatment by public water systems. In addition, on September 17, 2025, the United States Department of Justice submitted a court filing on behalf of the EPA as part of ongoing litigation related to the designation of PFOA and PFOS as hazardous substances under federal environmental law.

As described under the caption “—Water System Supply – Humboldt Bay Municipal Water District,” HBMWD’s water source is aquifers underlying the Mad River, which is not known to be impacted by PFAS.

The District does not anticipate that implementation of the above-described regulations by the Division and the EPA will have a material adverse effect on the operation of the Water System or the costs thereof. Periodic testing of the District’s water supplies has not revealed the presence of PFAS in measurable amounts to date. The projected operating results which are set forth under the caption “THE WATER SYSTEM—Water System Projected Debt Service Coverage” do not reflect significant increases in water treatment or other Water System operating costs to meet State or federal regulations relating to PFAS.

Drought Declarations

State Orders. On January 17, 2014, the State Governor declared a drought state of emergency (the “**Declaration**”) with immediate effect. The Declaration included an order encouraging certain large water suppliers (including the District) to implement local water shortage contingency plans (“**WSCPs**”). On April 7, 2017, after significant improvement in water supply conditions across California, the Governor issued Executive Order B-40-17, which rescinded mandatory conservation measures for most California counties (including the County).

In 2018, the Governor signed Senate Bill 606 and Assembly Bill 1668 into law. These bills laid out a new long-term water use framework for urban water suppliers and called for the SWRCB to adopt implementing regulations for the following: (i) indoor residential water use; (ii) outdoor residential water use; (iii) landscape irrigation; and (iv) water loss. On July 3, 2024, the SWRCB adopted the required implementing regulations, which went into effect on January 1, 2025 and will be enforced beginning in 2027.

On October 19, 2021, the Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. On March 28, 2022, the Governor requested that all water users voluntarily reduce water use by 20%. These declarations encouraged water agencies to draw upon supplies other than surface water and to implement their WSCPs. Pursuant to these declarations, the SWRCB adopted regulations to prohibit wasteful water use by certain water suppliers (including the District). The District notes that the State, including the District’s service area, experienced significant precipitation in the winter and early spring of 2023, and that, pursuant to Executive Order N-5-23 adopted on March 24, 2023, many of the restrictions in the above-described declarations were lifted.

The District’s WSCP complies with the requirements of State law and is described below under the subcaption “—Water Shortage Contingency Plan.”

The drought of 1976-77 was the only declared water supply emergency within the District’s service area. During that event, Ruth Lake Reservoir was at 52% of normal average volume and rainfall in the Ruth Lake Reservoir area was at 42% of the historical average. The drought came to an end with heavy rains during November 1977. Even during this drought, the District did not experience water supply restrictions and the District’s supplies were sufficient to meet normal demand without restrictions.

The District’s Urban Water Management Plan indicates that the driest three-year period in its history was 1990-92. During this period, the conditions to declare a water shortage emergency did not exist, there were no restrictions on water supplied by HBMWD and District water supplies were sufficient to meet normal demand without restrictions.

Water Shortage Contingency Plan. The District’s WSCP, which is known as the Water Conservation Program, calls for the District to address water supply shortages in stages. The WSCP will be implemented upon the declaration of a water shortage by the Board. The District has also adopted drought surcharges which can be implemented at Board discretion during Stages 3 through 6 of the WSCP. See the caption “—Water System Rates and Charges—Adopted Rates and Charges.” Under the WSCP, the District will respond to a water shortage in stages as follows.

Stage 1 – (10% water use reduction target): voluntary water conservation measures are in place; efficient indoor devices such as low-flow shower heads and toilets and faucet aerators are required to be installed.

Stage 2 – (20% water use reduction target): Stage 1 measures are in place; shutoff nozzles on hoses are required to be installed; washing of automobiles, trailers and boats without shutoff nozzles is prohibited; all water leaks must be promptly repaired; the District will request that ornamental landscape features not be irrigated.

Stage 3 – (30% water use reduction target): Stage 1 and 2 measures are in place; outdoor irrigation of ornamental landscapes or turf with potable water is only allowed on Sundays, Tuesdays, Thursdays and Saturdays; irrigation runoff that flows onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots or structures is prohibited; use of potable water in a fountain or other decorative water feature, except where the water is part of a recirculation system, is prohibited; washing sidewalks, driveways, parking areas, tennis courts, patios or other exterior paved areas except by public agency for the purpose of public safety is prohibited.

Stage 4 – (40% water use reduction target): Stage 1, 2 and 3 measures are in place; watering any portion of a golf course other than the tees and greens except where private well or recycled water supply is used is prohibited; fire hydrant water unless authorized by the District, except by fire protection agencies for fire suppression purposes, or for other authorized uses such as storm drain maintenance, and street sweeping purposes is prohibited; water/sewer flushing and fire flow testing are authorized only if coordinated and performed at the same time; water leaks must be repaired.

Stage 5 – (50% water use reduction target): Stage 1, 2, 3 and 4 measures are in place; outdoor irrigation is prohibited unless total water use is reduced by 50% from the same billing period from the previous calendar year (if prior to declaration of the most recent water shortage emergency); water leaks must be repaired within 24 hours after discovery; lodging establishments must offer patrons the option to forgo the daily laundering of towels, sheets, and linens; planting any new landscaping is prohibited; watering any residential lawn, or any commercial or industrial area lawn maintained for aesthetic purposes, at any time of the day or night during the period of March 1 through September 30 is prohibited; use of water for any outdoor washing purpose, is prohibited; washing of cars, boats, trailers or other vehicles is prohibited except with recycled water at an automated commercial car wash; use of water for street cleaning and dust control with potable water is prohibited; filling or topping off any swimming pools, outdoor spas, wading pools and ornamental water features is prohibited; use of water from a fire hydrant except for fighting fires and human consumption is prohibited.

Stage 6 – (50%+ water use reduction target): Stage 1, 2, 3, 4 and 5 measures are in place; outdoor and agricultural irrigation are prohibited and water leaks must be repaired immediately.

The District has covenanted in the Installment Purchase Contracts to set Enterprise rates and charges in amounts that it expects to be sufficient to pay the Installment Payments from Net Revenues. See the caption “SECURITY FOR THE CERTIFICATES—Rate Covenants.” The projected Water System operating results that are set forth under the caption “THE WATER SYSTEM—Water System Projected Debt Service Coverage” do not reflect implementation of the WSCP or drought surcharges in the current or next four Fiscal Years.

The District does not currently expect that the implementation of the WSCP and/or drought surcharges in the future will have a material adverse effect on its ability to pay the Installment Payments from Net Revenues. As discussed under the caption “—Water System Rates and Charges,” the District’s rate structure consists of variable and fixed rate components. Decreased water consumption is partially offset by a decrease in related variable costs such as water purchases, while fixed water charges cover a portion of the Water System’s fixed operating and maintenance costs.

If a water shortage should arise in the future, legal issues exist as to whether different California Water Code provisions or State regulations will be invoked to manage the allocation of water. Any curtailment pursuant to State orders could necessitate an increase in the District’s water rates. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” for a discussion of certain restrictions on the District’s ability to raise water rates.

Summary of Operations

The District provides potable water to the following water use sectors: single family residential, multi-family residential, commercial, sales/transfers to another agency, institutional and government, bulk water sales, and landscape water. The District does not sell raw or recycled water to customers.

In 2025, average daily demand for the Water System was 1.23 million gallons, with the maximum daily demand being 2.00 million gallons. Water demand is expected to increase incrementally in the coming years as infill development occurs within the District’s service area. See the caption “THE DISTRICT—Land Use and Service Area.”

Table II summarizes the operation of the Water System for the past five Fiscal Years.

TABLE II
McKinleyville Community Services District
Water System Summary of Operations
(as of June 30)

	2021	2022	2023	2024	2025
Treated Water Entitlement ⁽¹⁾⁽²⁾	29.1	29.1	29.1	29.1	29.1
Potable Water Sold ⁽³⁾	1,318	1,187	1,133	1,164	1,155
Number of Service Connections ⁽⁴⁾					
Residential	5,505	5,537	5,562	5,592	5,606
Commercial	<u>248</u>	<u>247</u>	<u>247</u>	<u>241</u>	<u>246</u>
Total Number of Service Connections	5,753	5,784	5,809	5,833	5,852
Population	16,262	16,913	17,152	17,302	17,453
Cost of HBMWD Water ⁽⁵⁾	\$736.84	\$753.59	\$770.99	\$801.50	\$858.13

⁽¹⁾ In acre feet per day.

⁽²⁾ May not be equal to actual water deliveries from HBMWD.

⁽³⁾ In acre feet.

⁽⁴⁾ Excludes temporary meters.

⁽⁵⁾ In dollars per acre foot.

Source: District.

Water Demand and Deliveries

The District records the volume of water delivered through the Water System. Over the past 10 years, the Water System has delivered, on average, 450 million gallons of potable water per Fiscal Year. The average daily demand is approximately 1.23 million gallons.

Table III summarizes the District’s water deliveries for the most recent ten Fiscal Years and the projected water deliveries for Fiscal Year 2026. Approximately 80% of Water System deliveries are to single family and multi-family residential customers.

TABLE III
McKinleyville Community Services District
Historical Water System Deliveries

<i>Fiscal Year</i> <i>(Ended June 30)</i>	<i>Water</i> <i>Delivered⁽¹⁾</i>
2016	1,210
2017	1,195
2018	1,257
2019	1,177
2020	1,315
2021	1,318
2022	1,187
2023	1,133
2024	1,164
2025	1,155
2026 ⁽²⁾	1,182

⁽¹⁾ In acre feet.
⁽²⁾ Estimated.
Source: District.

See Table VI under the caption “—Historical Water Sales Gross Revenues” for a description of historical water sales revenues. The District estimates that potable water delivered for the current Fiscal Year will be approximately 450 million gallons and, based on projected infill development within the District boundaries, the District anticipates that total water system demand will be approximately 541 million gallons per year beginning in Fiscal Year 2040.

Water System Rates and Charges

General. The District periodically reviews water rates to determine if they are sufficient to cover operation and maintenance costs, capital improvement expenditures and debt service requirements and establish reasonable reserves. The District typically conducts this review, together with a review of the Water System capital improvement program, every five years. The Water System’s rates and charges are set by the Board and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body.

The monthly charge for water service to a customer is calculated by adding: (1) a fixed monthly charge based on the size of the customer’s water meter; and (2) a commodity charge based on the amount of water consumed by the customer and a “pass-through” charge based on the amount of water consumed by the customer. The pass-through charge is the wholesale rate charged by HBMWD to the District, expressed on a per-hundred cubic feet (“**hcf**”) basis. The pass-through charge is automatically adjusted each time a change in the wholesale cost from HBMWD becomes effective. The District believes that its fixed charges roughly cover its fixed costs and that its current commodity charges roughly cover its variable costs.

New customers must pay a connection fee at the time a building permit is issued, or when a developer’s water construction plans for a housing tract are approved by the District. The fees vary depending on the size of meter needed to serve the property.

Adopted Rate Plan. On November 2, 2022, the Board adopted Water System rates for calendar years 2023 through 2027 (the “**Adopted Rate Plan**”). There can be no assurance that the Board will not repeal or modify the rates that are set forth in the Adopted Rate Plan in the future or that the District’s ratepayers will not approve an initiative to repeal or modify all or part of the Adopted Rate Plan.

The District currently anticipates commissioning a new rate study in or about early 2027 to evaluate water rates for the period from 2028-2032. The projected operating results which are set forth under the caption “—Projected Water System Debt Service Coverage” assume Water System rate increases in accordance with the Adopted Rate Plan and additional annual rate increases of approximately [2.45%] in calendar years 2028 through 2030 which have not yet been adopted. All rate increases are subject to Board approval and the notice, hearing and protest provisions of Proposition 218, and there can be no assurance that the rate increases which are projected for calendar years 2028 through 2030 will be approved as described herein. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

Adopted Rates and Charges. The District’s water rates and charges include: (1) a fixed monthly charge; (2) a commodity charge based on water consumed; and (3) a drought surcharge.

(1) Fixed Monthly Charge. Fixed monthly water service charges based on water meter size under the Adopted Rate Plan are set forth below.

(2) Commodity Charge. The District imposes commodity charges per hcf of water used in each monthly billing cycle. Rates differ by tier, with Tier 1 (0-8 hcf) rates reflecting average indoor water use and Tier 2 (8+ hcf) rates reflecting above average indoor or outdoor use. Commodity charges under the Adopted Rate Plan are set forth below.

(3) Drought Surcharge. In the event that the District activates Stages 3, 4, 5 or 6 of its WSCP (as discussed under the caption “—Drought Declarations—Water Shortage Contingency Plan”), the Board may elect to impose drought surcharges on water consumption in order to ensure the stability of Water System finances as customers conserve water. The drought surcharges that were adopted under the Adopted Rate Plan are set forth below and would be payable per hcf of water used *in addition to* the commodity charges that described above. To date, the Board has not imposed drought surcharges under the Adopted Rate Plan.

Table IV
McKinleyville Community Services District
Water System Rates and Charges

Fixed Monthly Water Service Charges

<i>Meter Size</i>	<i>1/1/2026</i>	<i>1/1/2027</i>
5/8"	\$ 24.13	\$ 25.10
3/4"	33.50	34.85
1"	52.24	54.34
1.5"	99.08	103.06
2"	155.29	161.54
3"	286.46	297.97
4"	473.83	492.88
6"	942.27	980.15
8"	1,504.40	1,564.87

Water Commodity Charges

<i>Water Use Tier</i>	<i>1/1/2026</i>	<i>1/1/2027</i>
Tier 1 (0-8 hcf)	\$2.92	\$3.04
Tier 2 (8+ hcf)	3.91	4.07
HBMWD Pass-Through Charge	2.03	⁽¹⁾

Drought Surcharges⁽²⁾

<i>Water Use Tier</i>	<i>1/1/2026</i>	<i>1/1/2027</i>
Tier 1 (0-8 hcf)	\$0.56	\$0.58
Tier 2 (8+ hcf)	0.67	0.70

⁽¹⁾ The amount of this charge is expected to be determined in or about November 2026 when HBMWD provides its 2027 wholesale rates to the District. See the caption “—Water System Supply – Humboldt Bay Municipal Water District.”

⁽²⁾ Payable per hcf *in addition to* water commodity charges.

Source: District.

Rate Comparison. The following table set forth a comparison of Water System rates to those of other neighboring utility systems.

Table V
McKinleyville Community Services District
Water System Rate Comparison

<i>Utility System</i> ⁽¹⁾	<i>Water Rates</i> ⁽²⁾
City of Ukiah	\$72.20
City of Willits	68.31
City of Eureka	63.70
Humboldt Community Services District	61.09
City of Fort Bragg	56.86
City of Arcata	47.98
The District	38.73
City of Fortuna	38.66

⁽¹⁾ Based on rate information reported by the respective utility systems as of January 1, 2026.

⁽²⁾ Reflects rate for a single-family residential customer with a 5/8" water meter using 5 hcf of water per month.

Source: District.

Historical Water Sales Gross Revenues

The table below shows the District’s annual Water System Gross Revenues for the five most recent Fiscal Years, including revenues from water sales and service charges and other Water System revenues. Water System Gross Revenues reflect water deliveries as well as adopted rates and charges. See the captions “—Water Demand and Deliveries” and “—Water System Rates and Charges.”

TABLE VI
McKinleyville Community Services District
Historical Water System Gross Revenues

<i>Fiscal Year</i> <i>(Ended June 30)</i>	<i>Water System</i> <i>Gross Revenues</i>	<i>%</i> <i>Change</i>
2021	\$4,000,025	N/A%
2022	3,849,901	(3.75) ⁽¹⁾
2023	4,007,971	4.11
2024	4,242,268	5.35
2025	4,394,319	3.58

⁽¹⁾ Decrease reflects conservation by District customers as a result of State efforts to encourage reduced consumption during Statewide drought.

Source: District.

Service Connections

Service connections to the Water System range in diameter from 5/8” to 8”. All water production and consumption is metered. The table below presents a summary of Water System service connections for the last five Fiscal Years. The District estimates that connections will increase only marginally over the current and next four Fiscal Years. See the caption “THE DISTRICT—Land Use and Service Area.”

TABLE VII
McKinleyville Community Services District
Water System Connections

<i>Fiscal Year (Ended June 30)</i>	<i>Residential Connections</i>	<i>Commercial Connections</i>	<i>Total Connections</i>
2021	5,505	248	5,753
2022	5,537	247	5,784
2023	5,562	247	5,809
2024	5,592	241	5,833
2025	5,606	246	5,852

Source: District.

Principal Customers

The table below sets forth the ten largest customers of the Water System based on estimated consumption as of June 30, 2025. The top ten water users accounted for approximately 7.48% of total water consumption in Fiscal Year 2025 and 4.69% of total Water System Gross Revenues in Fiscal Year 2025.

TABLE VIII
McKinleyville Community Services District
Ten Largest Water System Customers
(as of June 30, 2025)

<i>Customer</i>	<i>Customer Class</i>	<i>Water Consumption</i> ⁽¹⁾	<i>Percent of Total</i> ⁽²⁾	<i>Water System Gross Revenues</i>	<i>Percent of Total</i> ⁽³⁾
CUSTOMER NO. 1	Residential	7,890	1.75%	\$48,894	1.10%
CUSTOMER NO. 2	Residential	4,749	1.06	28,005	0.63
CUSTOMER NO. 3	Commercial	3,712	0.83	23,632	0.53
CUSTOMER NO. 4	Residential	3,514	0.78	21,245	0.48
CUSTOMER NO. 5	Residential	3,257	0.72	19,130	0.43
CUSTOMER NO. 6	Residential	2,469	0.55	15,304	0.35
CUSTOMER NO. 7	Residential	2,196	0.49	15,276	0.34
CUSTOMER NO. 8	Residential	2,475	0.55	14,049	0.32
CUSTOMER NO. 9	Residential	2,017	0.45	12,834	0.29
CUSTOMER NO. 10	Residential	<u>1,353</u>	<u>0.30</u>	<u>9,209</u>	<u>0.21</u>
Totals		33,632	7.48%	\$207,577	4.69%

⁽¹⁾ In hcf.

⁽²⁾ Based on total of approximately 449,750 hcf delivered in Fiscal Year 2025.

⁽³⁾ Based on total Fiscal Year 2025 Water System Gross Revenues (net of refunds, rebates, uncollectible debts and adjustments in favor of customers) of \$4,428,404.

Source: District.

Outstanding Water System Indebtedness

The following Water System Parity Obligations are payable from Water System Net Revenues on a parity with the Water System Installment Payments.

Davis-Grunsky Act Agreement. In 1971, the District entered into an agreement (the “**Davis-Grunsky Act Agreement**”) with the State of California for the purpose of financing Water System improvements. The Davis-Grunsky Act Agreement is currently outstanding in the principal amount of \$1,027,116 and bears interest at the rate of 2.50% per annum. The District is obligated to levy taxes or special assessments to repay the Davis-Grunsky Act Agreement should it not have sufficient Water System Net Revenues to make the scheduled payments. The Davis-Grunsky Act Agreement matures in 2033.

ARRA Agreement. In 2010, the District entered into an agreement (the “**ARRA Agreement**”) with the California Energy Resources Conservation and Development Commission for the purpose of financing Water System improvements. The ARRA Agreement is currently outstanding in the principal amount of \$18,941 and bears interest at the rate of 1.00% per annum. The ARRA Agreement matures in 2027.

I-Bank Agreement. In 2011, the District entered into an agreement (the “**I-Bank Agreement**”) with the California Infrastructure and Economic Development Bank for the purpose of financing Water System improvements. The I-Bank Agreement is currently outstanding in the principal amount of \$368,976 and bears interest at the rate of 3.37% per annum. The I-Bank Agreement matures in 2030.

2021 Water Installment Purchase Contract. In 2021, the District entered into an Installment Purchase Contract (the “**2021 Water Installment Purchase Contract**”) with the Corporation for the purpose of financing Water System improvements. The 2021 Water Installment Purchase Contract is currently outstanding in the principal amount of \$4,000,000 and bears interest at rates of between 2.25% and 4.00% per annum. The 2021 Water Installment Purchase Contract matures in 2051.

Capital Improvement Plan

General. The District is continually making improvements to the Water System to maintain operations, accommodate new connections and maintain compliance with federal and State mandates. In addition, the District has been progressing its plans related to systematically replacing water infrastructure. The District has also been aggressively pursuing grant funds to replace specific components of the system, including the existing mainline connection to HBMWD and water storage tanks.

In 2022, the District completed a master planning effort for the water distribution system. The master planning effort included an analysis of all pipelines, service laterals, blow-off assemblies and valves (including isolation, air release and pressure reducing valves) in the District’s water distribution system. The majority of the system was installed in 1973 and the master planning effort assessed the existing system pipes and pump stations, identified areas of near-term concern and planned for the replacement of the identified sections of the mainlines and pump stations. The District is currently carrying out priority projects identified through the master planning effort.

Current Capital Improvement Plan. The District anticipates funding the Water System capital improvement plan by applying the proceeds of the Water System Certificates, grant proceeds to the extent received, connection fees received for new connections to the Water System and Water System Gross Revenues remaining after the payment of Water System Parity Obligations and the Water System Installment Purchase Contract. The following are major Water System improvements anticipated over the next five years.

**McKinleyville Community Services District
Summary of Water System Capital Improvements**

<i>Proposed Improvement</i>	<i>Estimated Cost</i>
Mad River Crossing Emergency Supply Project	\$4,250,000
Replacement of McCluski Water Storage Tanks	4,000,000
Recoating of Existing Water Storage Tanks	1,000,000
Water Main Rehabilitation and Replacement	1,000,000

Source: District.

Water System Historical Debt Service Coverage

The following table shows revenues, expenses and debt service coverage for the Water System for the prior five Fiscal Years. These results have been derived from the audited financial statements of the District but exclude certain receipts which are not included as Water System Gross Revenues under the Water System Installment Purchase Contract, depreciation and other non-cash items and include certain other adjustments.

McKinleyville Community Services District Water System Historical Debt Service Coverage (Fiscal Year Ended June 30)

	2021	2022	2023	2024	2025
Water System Gross Revenues					
Water System Revenues ⁽¹⁾	\$4,000,025	\$3,849,907	\$4,007,971	\$4,242,268	\$4,394,319
Other Service Charges	132,508	146,915	122,046	136,244	107,070
Investment Earnings ⁽²⁾	48,234	47,357	221,549	351,400	326,446
Total Water System Revenues	<u>\$4,180,767</u>	<u>\$4,044,179</u>	<u>\$4,351,566</u>	<u>\$4,729,912</u>	<u>\$4,827,835</u>
Water System Maintenance and Operation Costs					
Water Purchase	\$1,147,401	\$1,218,070	\$1,230,774	\$1,278,435	\$1,298,741
Salaries and Related Expenses	544,665	552,521	610,632	713,739	801,505
Employee Benefits ⁽³⁾	408,629	349,879	794,827	501,375	533,620
Services and Supplies	16	133	76	20,432	28,861
Professional Services	58,637	56,300	52,439	57,305	61,415
Utilities	66,113	69,877	80,145	108,857	105,141
Insurance Expense	52,321	51,526	52,870	60,037	69,857
Other Operating Expenses	286,074	320,214	323,293	338,000	269,320
Total Operating Expenses	<u>\$2,563,856</u>	<u>\$2,618,520</u>	<u>\$3,145,056</u>	<u>\$3,078,180</u>	<u>\$3,168,460</u>
Water System Net Revenues	\$1,616,911	\$1,425,659	\$1,206,510	\$1,651,732	\$1,659,375
Debt Service on Water System Parity Obligations					
Davis-Grunsky Act Agreement	\$ 141,279	\$ 141,278	\$ 141,278	\$ 141,279	\$ 141,278
ARRA Agreement	12,390	12,390	12,332	12,332	12,332
I-Bank Agreement	70,018	68,116	68,088	68,058	68,026
2021 Water Installment Purchase Contract	-	-	233,811	233,800	235,300
Total Debt Service on Water System Parity Obligations	<u>\$ 223,687</u>	<u>\$ 221,784</u>	<u>\$ 455,509</u>	<u>\$ 455,469</u>	<u>\$ 456,936</u>
Remaining Water System Net Revenues	\$1,393,224	\$1,203,875	\$ 751,001	\$1,196,263	\$1,202,439
Debt Service Coverage	7.23x	6.43x	2.65x	3.63x	3.63x

(1) Decrease in Fiscal Year 2022 reflects decrease in grant revenue and contributed construction funds.

(2) Reflects investment earnings allocated to Water System. Differs from audited financial statements because the above numbers are net of unrealized gains and losses.

(3) Differs from audited financial statements because the above numbers are net of GASB 68 and 75 adjustments. See the captions "THE DISTRICT—Employee Pension Plan" and "THE DISTRICT—Other Post-Employment Benefits." Fiscal Year 2023 amount reflects auditor adjustment to group health insurance costs in the amount of approximately \$353,000.

Source: District.

Water System Projected Debt Service Coverage

Estimated projected operating results for the Water System for the current and next four Fiscal Years, reflecting certain significant assumptions concerning future events and circumstances (including those set forth in the footnotes to the table), are set forth below. All of such assumptions are material in the development of the District's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

McKinleyville Community Services District Water System Projected Debt Service Coverage (Fiscal Year Ending June 30)

	2026 ⁽¹⁾	2027	2028	2029	2030
Water System Gross Revenues					
Water System Revenues ⁽²⁾	\$4,762,047	\$4,952,529	\$4,952,529	\$4,952,529	\$4,952,529
Other Service Charges ⁽³⁾	113,777	113,777	113,777	113,777	113,777
Investment Earnings ⁽³⁾⁽⁴⁾	224,794	224,794	224,794	224,794	224,794
Total Water System Revenues	<u>\$5,100,618</u>	<u>\$5,291,100</u>	<u>\$5,291,100</u>	<u>\$5,291,100</u>	<u>\$5,291,100</u>
Water System Maintenance and Operation Costs					
Water Purchase ⁽⁵⁾	\$1,345,525	\$1,385,891	\$1,427,468	\$1,470,292	\$1,514,401
Salaries and Related Expenses ⁽⁵⁾	880,826	907,250	934,468	962,502	991,377
Employee Benefits ⁽⁵⁾	653,653	673,263	693,460	714,264	735,692
Other Operating Expenses ⁽⁵⁾⁽⁶⁾	662,283	682,152	702,616	723,695	745,405
Total Operating Expenses	<u>\$3,542,287</u>	<u>\$3,648,556</u>	<u>\$3,758,012</u>	<u>\$3,870,753</u>	<u>\$3,986,875</u>
Water System Net Revenues	\$1,558,331	\$1,642,545	\$1,533,088	\$1,420,348	\$1,304,225
Debt Service on Water System Parity Obligations					
Davis Grunsky Act Agreement	\$ 141,278	\$ 141,279	\$ 141,279	\$ 141,278	\$ 141,279
ARRA Agreement	12,332	6,343	-	-	-
I-Bank Agreement	67,997	63,685	68,949	68,950	68,949
2021 Water Installment Purchase Contract	236,600	237,700	233,700	234,600	235,300
2026 Water Installment Purchase Contract*	-	131,160	302,000	298,500	299,875
Total Debt Service on Water System Parity Obligations*	<u>\$ 458,207</u>	<u>\$ 580,167</u>	<u>\$ 745,928</u>	<u>\$ 743,328</u>	<u>\$ 745,403</u>
Remaining Water System Net Revenues*	\$1,100,124	\$1,062,378	\$ 787,160	\$ 677,020	\$ 558,823
Debt Service Coverage*	3.40x	2.83x	2.06x	1.91x	1.75x

⁽¹⁾ Based on Fiscal Year 2026 actual amounts through February 2026 and estimates from March through June 2026.

⁽²⁾ Assumes implementation of the Adopted Rate Plan as described under the caption "—Water System Rates and Charges—Adopted Rate Plan" with no rate increases projected for Fiscal Years 2028 through 2030.

⁽³⁾ Projected to remain at Fiscal Year 2026 amount.

⁽⁴⁾ Reflects projected investment earnings expected to be allocated to Water System.

⁽⁵⁾ Projected to increase by approximately 3% per annum.

⁽⁶⁾ Includes items placed in Services and Supplies, Professional Services, Utilities and Insurance Expense line items in the Water System Historical Debt Service Coverage table.

Source: District.

* Preliminary; subject to change.

THE WASTEWATER SYSTEM

Overview

In 1978, the District worked with the County to form an assessment district to fund the construction of a sewer collection system for a 4,000 acre area running from McCluski Hill on the south to Airport Road on the north. Initially, the District collected wastewater from 1,600 customers and pumped it to the nearby City of Arcata for treatment at that City's facilities. In 1983, the District secured grant funding and a low interest loan to construct the District's own treatment facility for wastewater (the Wastewater Management Facility). The Wastewater Management Facility currently has a 3.08 mgd secondary treatment capacity and was most recently upgraded in 2019. The Wastewater System collects wastewater throughout the District's service area, which is primarily residential.

As of January 1, 2026, the District provided wastewater collection and treatment service to approximately 5,024 residential and 190 commercial and other connections.

The Wastewater System includes approximately 73 miles of sewer mains and five sewer lift stations and treats an annual flow of just over 1 million gallons.

Environmental Compliance

The District sets uniform requirements for the discharge of wastewater into the collection and treatment system, which enables the District to comply with water quality requirements set by the Regional Water Quality Control Board, North Coast Region (the "**Regional Board**"), and applicable effluent limitations, national standards of performance, toxic and pre-treatment effluent standards and other discharge criteria which are required or authorized by State or Federal law. The District meets or exceeds all permit requirements established in its existing National Pollution Discharge Elimination System ("**NPDES**") permit.

The present secondary treated effluent discharge requirements for the Wastewater Management Facility are established by the Regional Board, which enforces all federal and State discharge requirements. The Regional Board administers NPDES regulations promulgated by the EPA and Division 7 of the California Water Code and regulations adopted thereunder. The District's NPDES permit (Permit No. CA0024490; Waste Discharge Order No. R1-2024-0023) went into effect on August 1, 2024 and expires on July 31, 2029. The District is operating in compliance with the terms of its NPDES permit.

On May 2, 2006, the SWRCB issued General Waste Discharge Requirements for Sanitary Sewer Systems, Water Quality Order No. 2006-0003 (the "**General Order**"). The General Order requires public agencies that own sanitary sewer systems comprised of more than one mile of pipes or sewer lines to develop sanitary sewer management plans ("**SSMPs**") and report all sanitary sewer overflows. The District is currently enrolled under the SWRCB's latest reissue of the General Order, Water Quality Order No. 2022-0103-DWQ. The latest General Order, adopted on December 6, 2022, retains the previously existing minimum system size requirements and sanitary sewer spill reporting requirements and establishes auditing and updating timelines for each SSMP. The District's current SSMP was certified on November 3, 2025.

Wastewater Management Facility

The Wastewater Management Facility is located on a 68.4 acre parcel, with approximately 34 acres presently being used for the treatment facilities, an 18-acre wooded buffer and a 16-acre open parcel to the south. In addition, there is a public access nature trail contained within the wooded buffer zone that is 1.5 miles long.

The Wastewater Management Facility is an advanced secondary disinfected treatment process facility with an average dry weather design flow of 1.37 mgd and a wet weather peak capacity of 3.08 mgd. The Wastewater Management Facility consists of a headworks screening, an in-basin extended aeration system and

secondary clarification facilities. The Wastewater Management Facility also includes two primary oxidation ponds (11.2 acres), two secondary oxidation ponds (5.5 acres) and two finishing treatment marshes (5.6 acres), for a total pond area of 22.3 acres. The biological treatment capacity of the ponds is 1.18 mgd and the hydraulic capacity of the disinfection facilities (chlorine contact chamber) is estimated at 3.3 mgd (2,300 gallons per minute) at peak flow.

Treated wastewater is discharged to the Mad River during winter months when the river flow rate surpasses 200 cubic feet per second. During summer months (May 15 through September 30) and low flow periods of the Mad River, treated wastewater is discharged into two percolation ponds located adjacent to the river and is irrigated on dairy pastures in southwest McKinleyville. The irrigated areas include 80 acres of the Fischer Irrigation Site (at the corner of Fischer Road and School Road) and 93 acres at the East and West Pialorsi Ranch site (east and west of Fischer Road).

Wastewater System Rates and Charges

General. The District periodically reviews wastewater rates to determine if they are sufficient to cover operation and maintenance costs, capital improvement expenditures and debt service requirements and establish reasonable reserves. The District typically conducts this review, together with a review of the Wastewater System capital improvement program, every five years. The Wastewater System's rates and charges are set by the Board and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body.

The monthly charge for wastewater service to a customer is calculated by adding: (1) a fixed monthly charge that is set at the same level for all customers; and (2) a commodity charge that varies based on water consumed and customer type. The District believes that its fixed charges roughly cover its fixed costs and that its commodity charges roughly cover its variable costs.

New customers must pay a connection fee at the time a building permit is issued, or when a developer's wastewater construction plans for a housing tract are approved by the District. The fees vary depending on the property's share of the cost of the sewer main and facilities of the connecting property, which is determined as if the property had been assessed when the facilities were initially constructed.

Adopted Rate Plan. On November 2, 2022, the Board adopted the Adopted Rate Plan, which established Wastewater System rates for calendar years 2023 through 2027. There can be no assurance that the Board will not repeal or modify the rates that are set forth in the Adopted Rate Plan in the future or that the District's ratepayers will not approve an initiative to repeal or modify all or part of the Adopted Rate Plan.

The District currently anticipates commissioning a new rate study in or about early 2027 to evaluate water rates for the period from 2028-2032. The projected operating results which are set forth under the caption "—Projected Wastewater System Debt Service Coverage" assume Wastewater System rate increases in accordance with the Adopted Rate Plan and additional annual rate increases of approximately 2.83% in calendar years 2028 through 2030 which have not yet been adopted. All rate increases are subject to Board approval and the notice, hearing and protest provisions of Proposition 218, and there can be no assurance that the rate increases which are projected for calendar years 2028 through 2030 will be approved as described herein. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

Adopted Rates and Charges. The District's wastewater rates and charges include: (1) a fixed monthly charge; and (2) a commodity charge.

(1) **Fixed Monthly Charge.** Fixed monthly wastewater service charges which are the same for all customers under the Adopted Rate Plan are set forth below.

(2) Commodity Charge. The District imposes commodity charges per hcf of water used in each monthly billing cycle. Rates differ by customer type. Commodity charges under the Adopted Rate Plan are set forth below.

Table IX
McKinleyville Community Services District
Wastewater System Rates and Charges

Fixed Monthly Wastewater Service Charges

<i>Customer Type</i>	<i>1/1/2026</i>	<i>1/1/2027</i>
All	\$40.93	\$42.98

Wastewater Commodity Charges

<i>Customer Type</i>	<i>1/1/2026</i>	<i>1/1/2027</i>
Two Sewer Units/Commercial	\$ 3.58	\$ 3.76
Apartment/Multi-Unit (Per Unit)	3.58	3.76
Bakery	4.87	5.11
Barber/Beauty Shop	3.58	3.76
Car Wash	3.33	3.50
Church and Residence	3.58	3.76
Church	3.58	3.76
Coast Guard Station/Airport	3.58	3.76
Dialysis Clinic	3.52	3.70
Fire Station/School	3.40	3.57
Gas Station (No Market)	3.65	3.83
Laundromat	3.43	3.60
Market	4.88	5.12
Metered Septage Vault	4.06	4.12
Mobile Home	3.58	3.76
Motel/Hotel	4.34	4.56
Office Building/Post Office	3.58	3.76
Restaurant/Tavern	4.87	5.11
Retail/Bank/Theater/Other	3.58	3.76
Round Table/Market	4.60	4.84
Sewer Unit/Commercial	3.65	3.83
Single Family Residential	3.58	3.76
Two Sewer Units/Business	3.58	3.76
Two Sewer Units/Daycare	3.58	3.76
Brewery	12.81	13.45

Source: District.

Rate Comparison. The following table set forth a comparison of Wastewater System rates to those of other neighboring utility systems.

Table X
McKinleyville Community Services District
Wastewater System Rate Comparison

<i>Utility System</i> ⁽¹⁾	<i>Wastewater Rates</i> ⁽²⁾
Humboldt Community Services District	\$91.51
City of Arcata	88.95
City of Willits	84.66
City of Ukiah	81.31
City of Eureka	70.04
City of Fort Bragg	67.33
City of Fortuna	61.72
The District	56.03

⁽¹⁾ Based on rate information reported by the respective utility systems as of January 1, 2026.

⁽²⁾ Reflects rate for a single-family residential customer with a 5/8" water meter using 5 hcf of water per month.

Source: District.

Historical Wastewater System Sales Revenues

The table below shows the District’s annual Wastewater System Gross Revenues for the five most recent Fiscal Years, including service charges and other revenues. Wastewater System Gross Revenues reflect Wastewater System usage, which can be affected by precipitation events and conservation efforts, as well as adopted rates and charges. See the caption “—Wastewater System Rates and Charges.”

TABLE XI
McKinleyville Community Services District
Historical Wastewater System Gross Revenues

<i>Fiscal Year</i> <i>(Ended June 30)</i>	<i>Wastewater System</i> <i>Gross Revenues</i>	<i>%</i> <i>Change</i>
2021	\$3,938,438	N/A%
2022	3,999,791	1.53
2023	4,096,582	2.42
2024	4,286,859	4.64
2025	4,402,186	2.62

Source: District.

Service Connections

The table below presents a summary of Wastewater System service connections for the last five Fiscal Years. The District estimates that connections and Wastewater System average daily flow will increase only

marginally over the current and next four Fiscal Years. See the caption “THE DISTRICT—Land Use and Service Area.”

TABLE XII
McKinleyville Community Services District
Wastewater System Connections

<i>Fiscal Year (Ended June 30)</i>	<i>Residential Connections</i>	<i>Commercial Connections</i>	<i>Total Connections</i>
2021	5,352	201	5,553
2022	5,352	202	5,554
2023	5,356	202	5,558
2024	4,987	190	5,177
2025	4,989	186	5,175

Source: District.

Principal Customers

The table below sets forth the ten largest customers of the Wastewater System based on Wastewater System Gross Revenues as of June 30, 2025. The top ten Wastewater System customers accounted for approximately 7.87% of total Wastewater System Gross Revenues in Fiscal Year 2025.

TABLE XIII
McKinleyville Community Services District
Ten Largest Wastewater System Customers
(as of June 30, 2025)

<i>Customer</i>	<i>Customer Class</i>	<i>Wastewater System Gross Revenues</i>	<i>Percent of Total⁽¹⁾</i>
CUSTOMER NO. 1	Residential	\$ 84,641	1.91%
CUSTOMER NO. 2	Residential	53,697	1.21
CUSTOMER NO. 3	Commercial	39,585	0.90
CUSTOMER NO. 4	Residential	35,138	0.79
CUSTOMER NO. 5	Residential	33,138	0.75
CUSTOMER NO. 6	Residential	26,911	0.61
CUSTOMER NO. 7	Commercial	24,138	0.55
CUSTOMER NO. 8	Commercial	18,625	0.42
CUSTOMER NO. 9	Residential	16,512	0.37
CUSTOMER NO. 10	Residential	<u>15,426</u>	<u>0.35</u>
Totals		\$347,810	7.87%

⁽¹⁾ Based on total Fiscal Year 2025 Wastewater System Gross Revenues (net of refunds, rebates, uncollectible debts and adjustments in favor of customers) of \$4,421,391.

Source: District.

Outstanding Wastewater System Indebtedness

The following Wastewater System Parity Obligations are payable from Wastewater System Net Revenues on a parity with the Wastewater System Installment Payments.

SRF Agreement No. 3. In 2015, the District entered into an agreement (as amended, “**SRF Agreement No. 3**”) with the SWRCB for the purpose of financing Wastewater System improvements. SRF Agreement No. 3 is currently outstanding in the principal amount of \$12,674,873 and bears interest at the rate of 1.60% per annum. SRF Agreement No. 3 matures in 2047.

SRF Microgrid Agreement. In 2018, the District entered into an agreement (the “**SRF Microgrid Agreement**”) with the SWRCB for the purpose of financing Wastewater System improvements. The SRF Microgrid Agreement is currently outstanding in the principal amount of \$2,370,083 and bears interest at the rate of 1.80% per annum. The SRF Microgrid Agreement matures in 2034.

2020 Installment Sale Agreement. In 2020, the District entered into an agreement (the “**2020 Installment Sale Agreement**”) with CSDA Finance Corporation for the purpose of financing Wastewater System improvements. The 2020 Installment Sale Agreement is currently outstanding in the principal amount of \$1,055,400 and bears interest at the rate of 1.90% per annum. The 2020 Installment Sale Agreement matures in 2035.

2021 Wastewater Installment Purchase Contract. In 2021, the District entered into an Installment Purchase Contract (the “**2021 Wastewater Installment Purchase Contract**”) with the Corporation for the purpose of financing Wastewater System improvements. The 2021 Wastewater Installment Purchase Contract is currently outstanding in the principal amount of \$3,250,000 and bears interest at rates of between 2.25% and 4.00% per annum. The 2021 Wastewater Installment Purchase Contract matures in 2051.

Capital Improvement Plan

The District is continually making improvements to the Wastewater System to maintain operations, accommodate new connections, and maintain compliance with federal and State mandates. In addition, the District has been progressing its plans related to improvement and replacement of sewer infrastructure.

Master Planning. The District completed a 20-year Wastewater Facilities Plan in January 2012 (the “Wastewater Facilities Plan”). The Wastewater Facilities Plan identified a series of upgrades to the District’s existing Wastewater treatment plant including portion of the effluent disposal system. The improvements will address the needs for the facility through the year 2030.

In 2022, the District completed a master planning effort for the wastewater collection system. The master planning effort included an analysis of system pipes and pump stations, identifying areas of near-term concern and planning for the replacement of the identified sections of the sewer collection mains and pump stations in the District’s wastewater collection system. The majority of the system was installed in 1978 and the master planning effort assessed the existing system pipes and pump stations, identified areas of near-term concern and planned for the replacement of the identified sections of the mainlines and pump stations. The District is currently carrying out priority projects identified through the master planning effort.

Current Capital Improvement Plan. The District anticipates funding the Wastewater System capital improvement plan by applying the proceeds of the Wastewater System Certificates, grant proceeds to the extent received, connection fees received for new connections to the Wastewater System and Wastewater System Gross Revenues remaining after the payment of Wastewater System Parity Obligations and the Wastewater System Installment Purchase Contract. The following are major Wastewater System improvements anticipated over the next five years.

**McKinleyville Community Services District
Summary of Wastewater System Capital Improvements**

<i>Proposed Improvement</i>	<i>Estimated Cost</i>
Replacement of Highway Sewer Crossings	\$4,000,000
Fischer Lift Station Upgrade	1,250,000
Sewer Main Rehabilitation and Replacement	1,000,000
Sludge Handling	1,000,000

Source: District.

Wastewater System Historical Debt Service Coverage

The following table shows revenues, expenses and debt service coverage for the Wastewater System for the prior five Fiscal Years. These results have been derived from the audited financial statements of the District but exclude certain receipts which are not included as Wastewater System Gross Revenues under the Wastewater System Installment Purchase Contract, depreciation and other non-cash items and include certain other adjustments.

**McKinleyville Community Services District
Wastewater System Historical Debt Service Coverage
(Fiscal Year Ended June 30)**

	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>
Wastewater System Gross Revenues					
Wastewater Service Revenues	\$3,938,438	\$3,999,791	\$4,096,582	\$4,286,859	\$4,402,186
Other Service Charges	117,989	144,185	135,215	122,392	120,743
Investment Earnings ⁽¹⁾	<u>83,599</u>	<u>68,616</u>	<u>260,265</u>	<u>405,920</u>	<u>549,079</u>
Total Wastewater System Revenues	<u>\$4,140,026</u>	<u>\$4,212,592</u>	<u>\$4,492,062</u>	<u>\$4,815,171</u>	<u>\$5,072,008</u>
Wastewater System Maintenance and Operation Costs					
Salaries and Related Expenses	\$ 663,536	\$ 665,819	\$ 736,518	\$ 891,793	\$ 947,375
Employee Benefits ⁽²⁾	522,539	483,256	945,081	638,643	649,541
Services and Supplies	3,126	2,844	886	2,789	10,548
Professional Services	44,822	55,711	55,480	54,713	61,468
Utilities	216,511	218,874	194,417	235,419	242,390
Insurance Expense	52,321	51,495	57,714	70,543	69,857
Other Operating Expenses	<u>370,902</u>	<u>362,510</u>	<u>427,114</u>	<u>447,025</u>	<u>405,461</u>
Total Operating Expenses	<u>\$1,873,757</u>	<u>\$1,840,509</u>	<u>\$2,417,210</u>	<u>\$2,340,925</u>	<u>\$2,386,640</u>
Wastewater System Net Revenues	\$2,266,268	\$2,372,082	\$2,074,852	\$2,474,246	\$2,685,368
Debt Service on Wastewater System Parity Obligations					
USDA Revenue Bonds ⁽³⁾	\$ 89,250	\$ 85,250	\$ 66,625	\$ -	\$ -
SRF Agreement No. 3	663,032	663,032	663,032	663,032	663,032
SRF Microgrid Agreement	-	-	-	-	193,028
2020 Installment Sale Agreement	110,553	116,447	116,333	116,388	116,408
2021 Wastewater Installment Purchase Contract	<u>-</u>	<u>27,831</u>	<u>193,150</u>	<u>190,900</u>	<u>193,575</u>
Total Debt Service on Wastewater System Parity Obligations	<u>\$ 862,835</u>	<u>\$ 892,560</u>	<u>\$1,039,140</u>	<u>\$ 970,320</u>	<u>\$1,166,043</u>
Remaining Wastewater System Net Revenues	403,433	\$1,479,522	\$1,035,712	\$1,503,926	\$1,519,325
Debt Service Coverage	2.63x	2.66x	2.00x	2.55x	2.30x

⁽¹⁾ Reflects investment earnings allocated to Wastewater System. Differs from audited financial statements because the above numbers are net of unrealized gains and losses.

⁽²⁾ Differs from audited financial statements because the above numbers are net of GASB 68 and 75 adjustments. See the captions “THE DISTRICT—Employee Pension Plan” and “THE DISTRICT—Other Post-Employment Benefits.” Fiscal Year 2023 amount reflects auditor adjustment to group health insurance costs in the amount of approximately \$418,000.

⁽³⁾ These obligations matured in Fiscal Year 2023.

Source: District.

Wastewater System Projected Debt Service Coverage

Estimated projected operating results for the Wastewater System for the current and next four Fiscal Years, reflecting certain significant assumptions concerning future events and circumstances (including those set forth in the footnotes to the table), are set forth below. All of such assumptions are material in the

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

**McKinleyville Community Services District
Wastewater System Projected Debt Service Coverage
(Fiscal Year Ending June 30)**

	2026 ⁽¹⁾	2027	2028	2029	2030
Wastewater System Gross Revenues					
Wastewater Service Revenues ⁽²⁾	\$4,678,607	\$4,912,537	\$4,912,537	\$4,912,537	\$4,912,537
Other Service Charges ⁽³⁾	179,767	179,767	179,767	179,767	179,767
Investment Earnings ⁽³⁾⁽⁴⁾	<u>414,175</u>	<u>414,175</u>	<u>414,175</u>	<u>414,175</u>	<u>414,175</u>
Total Wastewater System Revenues	<u>\$5,272,548</u>	<u>\$5,506,479</u>	<u>\$5,506,479</u>	<u>\$5,506,479</u>	<u>\$5,506,479</u>
Wastewater System Maintenance and Operation Costs					
Salaries and Related Expenses ⁽⁵⁾	\$ 984,988	\$1,014,537	\$1,044,974	\$1,076,323	\$1,108,612
Employee Benefits ⁽⁵⁾	717,550	739,076	761,249	784,086	807,609
Other Operating Expenses ⁽⁵⁾⁽⁶⁾	<u>863,814</u>	<u>889,728</u>	<u>916,420</u>	<u>943,913</u>	<u>972,230</u>
Total Operating Expenses	<u>\$2,566,351</u>	<u>\$2,643,342</u>	<u>\$2,722,642</u>	<u>\$2,804,321</u>	<u>\$2,888,451</u>
Wastewater System Net Revenues	\$2,706,197	\$2,863,137	\$2,783,837	\$2,702,157	\$2,618,028
Debt Service on Wastewater System Parity Obligations					
SRF Agreement No. 3	\$ 663,032	\$ 663,032	\$ 663,032	\$ 663,032	\$ 663,032
SRF Microgrid Agreement	193,028	193,029	193,029	193,029	193,028
2020 Installment Sale Agreement	116,395	116,447	116,363	116,444	116,288
2021 Wastewater Installment Purchase Contract	191,175	193,806	191,363	188,813	191,188
2026 Wastewater Installment Purchase Contract*	<u>-</u>	<u>134,446</u>	<u>265,000</u>	<u>232,250</u>	<u>191,250</u>
Total Debt Service on Wastewater System Parity Obligations*	<u>\$1,163,630</u>	<u>\$1,300,760</u>	<u>\$1,428,787</u>	<u>\$1,393,568</u>	<u>\$1,354,786</u>
Remaining Wastewater System Net Revenues*	\$1,542,567	\$1,562,377	\$1,355,050	\$1,308,590	\$1,263,242
Debt Service Coverage*	2.33x	2.20x	1.95x	1.94x	1.93x

(1) Based on Fiscal Year 2026 actual amounts through February 2026 and estimates from March through June 2026.

(2) Assumes implementation of the Adopted Rate Plan as described under the caption “—Wastewater System Rates and Charges— Adopted Rate Plan” with no rate increases projected for Fiscal Years 2028 through 2030.

(3) Projected to remain at Fiscal Year 2026 amount.

(4) Reflects projected investment earnings expected to be allocated to Wastewater System.

(5) Projected to increase by approximately 3% per annum.

(6) Includes items placed in Services and Supplies, Professional Services, Utilities and Insurance Expense line items in the Wastewater System Historical Debt Service Coverage table.

Source: District.

* Preliminary; subject to change.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIII B

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

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

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

The District is of the opinion that its charges for water and wastewater service do not exceed the costs that it reasonably bears in providing such services and therefore are not subject to the limits of Article XIII B. See the caption “SECURITY FOR THE CERTIFICATES—Rate Covenants” for a description of the District’s covenants to set rates and charges for the water service and wastewater service provided by the Enterprise.

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (“**Proposition 218**”) was approved by the voters of the State at the November 5, 1996 general election. Proposition 218 added Articles XIII C and XIII D to the State Constitution. According to the “Title and Summary” of Proposition 218 prepared by the State Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

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

Article XIII D requires that any agency which imposes or increases any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a

result, because fees for water service and wastewater service are a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fees or charges may be limited by a majority protest.

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

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

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) (the “**SJC Case**”) upholding tiered water rates under Proposition 218 provided that the tiers correspond to the actual cost of furnishing service at a given level of usage, including the capital costs of improvements to provide additional increments of water. The opinion included a finding that the City of San Juan Capistrano did not make any attempt to calculate the actual costs of providing water at various tier levels. The District’s current rate structure includes tiered rates based on usage. The District believes that its current water rates comply with the *SJC Case* decision because charges applicable to each tier reflect actual costs.

Article XIIC. Article XIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the *Bighorn Case* that the provisions of Article XIIC applied to rates and fees charged for domestic water use. In the *Bighorn Case*, the Court noted that its decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On August 3, 2020, the State Supreme Court issued an opinion in *Wilde v. City of Dunsmuir* (2020) 9 Cal. 5th 1105 holding that taxpayers do not have the right under Proposition 218 to challenge water rates by referendum, and the District does not believe that Article XIIC grants to the voters within the District the power (whether by initiative under Article XIIC or otherwise, or by referendum, which is not authorized under Article XIIC) to repeal or reduce rates and charges for water or wastewater service in a manner that would interfere with the contractual obligations of the District or the obligation of the District to maintain and operate the Enterprise. However, there can be no assurance as to the availability of particular remedies adequate to protect the Beneficial Owners of the Certificates. Remedies that are available to Beneficial Owners of the Certificates in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. So long as the Certificates are held in

book-entry form, DTC (or its nominee) will be the sole registered owner of the Certificates and the rights and remedies of the Certificate Owners will be exercised through the procedures of DTC.

In addition to the specific limitations on remedies which are contained in the applicable documents themselves, the rights and obligations with respect to the Certificates, the Trust Agreement and the Installment Purchase Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Special Counsel (the form of which is attached as Appendix C), will be similarly qualified.

Proposition 218

On November 2, 2010, State voters approved Proposition 26. Proposition 26 amends Article XIII C to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The District does not believe that the enactment of Proposition 26 affects its ability to charge for services provided by the Enterprise under the exception set forth in clause (2) above.

Future Initiatives

Articles XIII B, XIII C and XIII D and Proposition 26 were adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the District's revenues or ability to increase revenues.

CERTAIN RISK FACTORS

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

Accuracy of Assumptions

To estimate the Water System Net Revenues and Wastewater System Revenues which will be available to pay the Water System Installment Payments and Wastewater System Installment Payments, respectively, the District has made certain assumptions with regard to various matters, including but not limited to future development within the District, the rates and charges to be imposed in future years, the expenses associated with operating the Enterprise and the interest rate at which funds will be invested. The District believes these assumptions to be reasonable, but to the extent that any of such assumptions fail to materialize, the Water System Net Revenues and Wastewater System Revenues which will be available to pay the Water System Installment Payments and Wastewater System Installment Payments, respectively will, in all likelihood, be less than those projected herein. See the captions “THE WATER SYSTEM—Water System Projected Debt Service Coverage” and “THE WATER SYSTEM—Water System Projected Debt Service Coverage.”

In particular, if the Board defers or makes changes to the rate increases which are scheduled to go into effect under the Adopted Rate Plan or does not adopt rate increases as projected herein, Water System Net Revenues and Wastewater System Net Revenues will differ materially from those shown herein. See the captions “THE WATER SYSTEM—Water System Rates and Charges,” “THE WASTEWATER SYSTEM—Wastewater System Rates and Charges” and “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

The District may choose, however, to maintain compliance with the rate covenants set forth in the Installment Purchase Contracts in part by means of contributions from available reserves or resources. In such event, Water System Net Revenues or Wastewater System Net Revenues may generate amounts which are less than 1.20 times debt service in any given Fiscal Year. See the caption “SECURITY FOR THE CERTIFICATES—Rate Covenants.”

Decreased Demand and Revenues

There can be no assurance that the local demand for water and wastewater service will be maintained at levels described in this Official Statement. Reductions in the level of demand could require an increase in rates or charges in order to produce Water System Net Revenues or Wastewater System Net Revenues, respectively, sufficient to comply with the District’s rate covenant in the respective Installment Purchase Contracts. Such rate increases could increase the likelihood of nonpayment under the respective Installment Purchase Contracts and could also further decrease demand. Demand for water services could be reduced as a result of hydrological conditions, conservation efforts (including in response to drought), an economic downturn (including as a result of the COVID-19 pandemic) or other factors. Furthermore, there can be no assurance that governmental entities with regulatory authority over the Enterprise will not adopt further restrictions on operation of the Enterprise.

Increased Expenses and Costs

There can be no assurance that Maintenance and Operation Costs of the Water System or Wastewater System will be consistent with the levels described in this Official Statement. Operation and Maintenance Costs may vary with labor costs (including costs related to pension liabilities and the costs of retaining qualified personnel with the proper certifications to operate Enterprise facilities), wastewater treatment costs, energy costs, regulatory compliance costs and other factors. Changes in technology, increases in the cost of energy or other expenses would reduce Water System Net Revenues and Wastewater System Net Revenues, respectively, and could require substantial increases in rates or charges in order to comply with the rate covenant in the respective Installment Purchase Contracts. Such rate increases could increase the likelihood of nonpayment under the respective Installment Purchase Contracts and could also decrease demand. In addition, each of the Water System and the Wastewater System is subject to significant regulatory provisions, and costs associated with complying with newly adopted federal and State requirements may materially increase Maintenance and Operation Costs in the future.

Future Parity Obligations

Although the District has covenanted in the respective Installment Purchase Contracts not to issue additional obligations payable from respective Water System Net Revenues or Wastewater System Net Revenues on a senior basis to the respective Certificates, the Installment Purchase Contracts permit the issuance by the District of certain indebtedness which may have a lien upon the Water System Net Revenues or Wastewater System Net Revenues, respectively, which are on a parity basis to the lien which secures the respective Certificates, if certain coverage tests are met. See the caption “SECURITY FOR THE CERTIFICATES—Parity Obligations.” These coverage tests involve, to some extent, projections of Net Revenues.

If Parity Obligations are issued, debt service coverage for the Certificates will be diluted below what it otherwise would be subject to under the coverage tests. Moreover, there is no assurance that the assumptions which form the basis of projections of Net Revenues, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future respective Net Revenues may be less than projected, and the actual amount of respective Net Revenues may be insufficient to provide for the payment of principal of and interest with respect to the respective series of Certificates, and such additional Parity Obligations of the respective systems.

Rate Covenant Not a Guarantee

The Water System Installment Payments, which secure the Water System Certificates, are payable from Water System Net Revenues and the Wastewater System Installment Payments, which secure the Wastewater System Certificates, are payable from Wastewater System Net Revenues. See the caption “SECURITY FOR THE CERTIFICATES.” The District’s ability to make the Installment Payments depends on its ability to generate Water System Net Revenues and Wastewater System Net Revenues at the levels required by the applicable Installment Purchase Contract. Although the District has covenanted in the Installment Purchase Contracts to impose rates and charges as more particularly described under the caption “SECURITY FOR THE CERTIFICATES—Rate Covenants,” and although the District expects that sufficient Water System Net Revenues and Wastewater System Net Revenues to pay the applicable Certificates will be generated through the imposition and collection of such rates and charges, there can be no assurance that the imposition and collection of such rates and charges will actually result in the generation of Water System Net Revenues and Wastewater System Net Revenues at such levels. Among other matters, the availability of and demand for water and changes in law and government regulations could adversely affect the amount of Water System Net Revenues or Wastewater System Net Revenues realized by the District. The failure to generate sufficient Water System Net Revenues and Wastewater System Net Revenues to pay the applicable Certificates does not constitute a default or Event of Default under the Trust Agreements or the Installment Purchase Contracts, provided that the District has set rates and charges at levels that it reasonably expects will generate sufficient Water System Net Revenues and Wastewater System Net Revenues at the beginning of each Fiscal Year.

No Cross-Collateralization

Although information about both the Water System and the Wastewater System is presented in this Official Statement, there is no cross-collateralization of the security for the Water System Certificates or the Wastewater System Certificates. Specifically: (a) the Water System Installment Payments, which secure the Water System Certificates, are payable solely from Water System Net Revenues; and (b) the Wastewater System Installment Payments, which secure the Wastewater System Certificates, are payable solely from Wastewater System Net Revenues. Excess Water System Net Revenues will not be available (and are not permitted by State law to be applied) to pay the Wastewater System Installment Payments in the event of a shortfall in Wastewater System Net Revenues, nor will excess Wastewater System Net Revenues be available (and they are not permitted by State law to be applied) to pay the Water System Installment Payments in the event of a shortfall in Water System Revenues. Therefore, investors should assess the credit strength of each of the Water System and the Wastewater System independently. See “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

Limited Recourse on Default

If the District defaults on its obligation to pay principal of and interest with respect to the Certificates, the Trustee has the right to accelerate the total unpaid principal amounts of such Certificates. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient Water System Net Revenues or Wastewater System Net Revenues, as applicable, to pay the accelerated debt service on such Certificates.

Limitations on Remedies Available; Bankruptcy

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

The opinion to be delivered by Special Counsel concurrently with the execution and delivery of the Certificates will be subject to such limitations and the various other legal opinions to be delivered concurrently with the execution and delivery of the Certificates will be similarly qualified. See Appendix B. In the event that the District fails to comply with its covenants under the Installment Purchase Contracts or fails to pay the respective Installment Payments, which secure the payments of principal and interest with respect to the applicable Certificates, there can be no assurance of the availability of remedies adequate to protect the interest of the Owners of the Certificates.

Statutory and Regulatory Impact

Laws and regulations governing the operations of the Water System and Wastewater System are enacted and promulgated by government agencies on the federal, State and local levels. Compliance with these laws and regulations may be costly and, as more stringent standards are developed, these costs will likely increase. In addition, claims against the District for violations of regulations with respect to its facilities and services could be significant. Such claims are payable from Water System Gross Revenues, Wastewater System Gross Revenues or other legally available sources.

The District is also subject to various other factors that could adversely impact Water System Net Revenues or Wastewater System Net Revenues. For example, because the District bills customers for water and wastewater services on the same bill, the District's shutoff of a water connection may increase delinquencies for both the Water System and the Wastewater System in the future.

No assurance can be given that the cost of compliance with laws and regulations will not materially adversely affect the ability of the District to generate Water System Net Revenues or Wastewater System Net Revenues, respectively, in the amounts required by the respective Installment Purchase Contracts, despite the District's obligation to set rates and charges as set forth under the caption "SECURITY FOR THE CERTIFICATES—Rate Covenant." See the caption "—Rate Covenant Not a Guarantee."

Natural Calamities

General. From time to time, the District is subject to natural calamities, including, but not limited to, earthquake, flood, sea level rise, tsunami, high winds, wildfire, pandemic and drought, that may adversely affect

infrastructure and economic activity in the District, and which could have a negative impact on Enterprise revenues. There can be no assurance that the occurrence of any natural calamity would not cause substantial damage or interference to the Water System, the Wastewater System or the revenues or either system.

Although the District maintains insurance for damage to the Enterprise as described under the caption “THE DISTRICT—Insurance,” there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers. Furthermore, significant portions of the Enterprise, including underground pipelines, valves and water meters, are not covered by property casualty insurance. Damage to such portions of the Enterprise as a result of natural disasters could result in uninsured losses to the District.

Drought. Although the District generally receives ample annual precipitation and has not experienced significant drought conditions since 1976-77, the District maintains a WSCP that can be implemented in the event of drought. See the captions “THE WATER SYSTEM—Water System Supply – Humboldt Bay Municipal Water District—Climate Change” and “THE WATER SYSTEM—Drought Declarations.” Nevertheless, there can be no assurance that drought conditions will not affect the District and its water supplies and revenues in the future. See the caption “—Climate Change” below.

Seismic. Areas throughout the State, including the areas around the District, are subject to seismic events from time to time. Three major faults, including the San Andreas fault, the Mendocino fracture zone and the southern end of the Cascade subduction zone, all meet near the District’s service area in what is known as a “triple junction.” Other known faults in the County include the Mad River Fault and the Little Salmon Fault, and there may be additional faults which are currently unmapped. There is potential for destructive ground shaking during the occurrence of a major seismic event. In addition, land along fault lines may be subject to liquefaction during the occurrence of such an event, meaning that the land exhibits the properties of a fluid. If a seismic event were to occur in or around the District, Enterprise facilities could be damaged, which could result in decreased revenues and/or increased costs. In addition, the customers of the respective systems could be adversely impacted, resulting in reduced revenues.

Enterprise facilities are designed either to withstand a probable seismic event or to minimize the potential repair time in the event of damage. In addition, the District has undertaken a vulnerability assessment which ranks critical infrastructure by importance, builds redundancy into operations and includes contingency plans for potential damage to assets as well as succession plans for critical staff. The effects of lesser magnitude events are expected to be temporary, localized and readily repairable, and historically the Enterprise has not sustained major damage or experienced extended service interruptions due to seismic activity. However, there can be no assurance that future events will not result in significant damage to infrastructure and property in the future.

The District does not currently maintain earthquake damage coverage through its insurance policies and there is no obligation to maintain such insurance in the future under the Installment Purchase Contracts. See the captions “SECURITY FOR THE CERTIFICATES—Insurance” and “THE DISTRICT—Insurance.”

Wildfire. The eastern portion of the District’s service area is heavily forested with timber land. Parts of the District’s service area have been designated by the Office of the State Fire Marshal as being in “High” and “Moderate” Fire Hazard Severity Zones and the service area is near areas that have been designated as being in a “Very High” Fire Hazard Severity Zone. Wildfires have occurred in recent years in and near the District’s service area, including the August Complex Fire in 2020 and the Hill Fire in 2024. To date, none of such fires have affected Enterprise infrastructure or improvements on property of the District’s customers. However, there can be no assurance that fires will not damage property within the boundaries of the District in the future. In addition, wildfires, even those that are burning far from the District’s service area, can also cause smoky and polluted conditions that inhibit economic activity.

The District carries property insurance for fire damage to Enterprise facilities and liability insurance in the event that District actions or omissions during the course of a wildfire become the subject of lawsuits against the District. See the caption “THE DISTRICT—Insurance.”

There is a risk of residential property within the District being destroyed by wildfires, and no assurance can be given as to the severity or frequency of future wildfires in or in the vicinity of the District’s service area. There may also be a risk that homeowners may not be able to obtain casualty loss insurance from commercial carriers as a result of fire risk and may need to obtain the very limited casualty insurance that is available from the California Insurance Pool Authority. See the caption “—Availability of Property and Casualty Insurance” below.

In the event of the destruction of the property of District customers, decreased usage of the Enterprise and a decline in Enterprise revenues may occur. In addition, parts of the District’s service area are hilly and the destruction of ground cover and vegetation resulting from a wildfire may cause mudslides on denuded slopes after heavy rains, which could cause additional damage to property.

In the event of an unusual or sustained heat wave in northern California, or during weather conditions such as high winds and low humidity, the District’s electricity supplier may choose to shut off electric power to District facilities (and to other customers) with little or no advance warning in order to prevent electrical distribution and facilities from sparking a wildfire. Such an event is known as a Public Safety Power Shutoff.

The District maintains emergency diesel backup generators at all critical facilities, which are expected to the District to maintain full control and operate as needed for the duration of electric service outages that may occur if fire breaks out. However, there can be no assurance that the District will have sufficient backup supplies to power District facilities and ensure the provision of water and wastewater if Public Safety Power Shutoffs occur for extended periods of time. See the caption “—Climate Change” below.

The District has a program in place to clear brush on a routine basis from the perimeters of its facilities. Its pump stations are fully enclosed and its generators are housed inside fire-resistant block and concrete buildings.

Emergency Response Plan. The District has developed a Drinking Water Emergency Response Plan (the “**Emergency Response Plan**”) pursuant to the requirements of America’s Water Infrastructure Act of 2018. The Emergency Response Plan outlines procedures for responding to emergencies caused by natural hazards, malevolent acts or other unavoidable circumstances. The Emergency Response Plan, which will be implemented in accordance with the Incident Command System and the National Incident Management System, provides guidelines for evaluating an emergency situation, responding to an emergency and activating Incident Command Posts and an Emergency Operations Center. The Emergency Response Plan also includes procedures for public communication, outreach and notifications.

Availability of Property and Casualty Insurance

In recent years, several insurance companies have announced that they would cease accepting certain new applications in the State, including all business and personal lines property and casualty insurance. Any adverse impact to the availability of homeowner’s insurance on homeowners in the District cannot be predicted, but it is possible that homeowner’s insurance may not be readily available to homeowners within the District in the future, which may impact the willingness of the District’s customers to continue residing within the District’s service area and the assessed value of property within the District’s service area. The District can provide no assurances whether future changes in insurance markets may occur, and what impact, if any, these changes may have on District finances. The District has covenanted to set rates and charges at levels that are sufficient to pay the Water System Installment Payments and the Wastewater System Installment Payments. See the caption “SECURITY FOR THE CERTIFICATES—Rate Covenants.”

Climate Change

Climate change caused by human activities may have adverse effects on the Enterprise. Climate change can result in more variable weather patterns throughout the State, which can lead to longer and more severe droughts as well as increased risk of flooding and a rise in sea levels. As greenhouse gas emissions continue to accumulate in the atmosphere, climate change is expected to intensify, increasing the frequency and severity of extreme weather events such as droughts, wildfires, high winds, sea level rise, periods of intense rainfall, associated floods, coastal storm surges and heat waves. See the caption “THE WATER SYSTEM—Water System Supply – Humboldt Bay Municipal Water District—Climate Change.”

Rising temperatures as a result of climate change are expected to increase the rate at which water evaporates into the air from soils and surface waters, raising the demand for irrigation of agricultural lands, lawns and gardens. Higher temperatures and drought are likely to increase the severity, frequency and extent of wildfires. The eastern portion of the District’s service area is heavily forested with timber land and an increased risk of wildfires could require additional water storage and demand for firefighting needs. The District’s service area is also adjacent to the Pacific Ocean. The District assesses that the sea level is likely to rise 8-9 inches by 2040. Although the District sits on a coastal bluff, it may still be vulnerable to sea level rise. For example, the District’s main pump station rests at approximately 50 feet elevation along the Mad River and is potentially vulnerable to sea level rise and flooding.

The fiscal impact of climate change on the District’s finances is an evolving calculation. Significant increases in climate resiliency programming may have a material effect on the Enterprise’s finances by requiring greater expenditures to counteract the adverse impacts of climate change, changing business and activities of Enterprise customers or increasing the cost of providing service to customers. Comprehensive projections of the impacts of global climate change on the District are complex and depend on many factors that are outside of the District’s control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, although the District considers climate change in the operation of the Enterprise, the District is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts. While the impacts of climate change may be mitigated by the District’s past and future investment in adaptation strategies, the District can give no assurance about the net effects of those strategies and whether the District will be required to take additional adaptive mitigation measures.

The District considers the potential effects of climate change in its planning, including in its Urban Water Management Plan. The District has also utilized the EPA’s Climate Resilience Evaluation and Awareness Tool to develop climate scenarios and to assess climate-related risk.

Cybersecurity Risks

The District, like many other public and private entities, relies on a complex technology environment to conduct its operations. As recipient and provider of personal, private and sensitive information, the District is subject to multiple cyber threats, including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District’s digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. No assurance can be given that the District’s efforts to manage cyber threats and attacks will be successful or that an such attack will not materially impact the operations or finances of the District or the Enterprise. See the caption “THE DISTRICT—Cybersecurity” for a discussion of the District’s cybersecurity measures.

No Obligation to Tax

The obligation of the District to make the Installment Payments, which secure the Certificates, does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to make the Installment Payments does not constitute a debt or indebtedness of the District, the County, the State or any of its political subdivisions in violation of any constitutional or statutory debt limitation or restriction and is not secured by a pledge of any revenues other than the Net Revenues of the respective systems, as described herein.

Change in Law

In addition to the other limitations described herein, the State electorate or the State Legislature could adopt Constitutional or legislative measures or an initiative which have the effect of reducing revenues payable to or collected by the District. There is no assurance that the State electorate or the State Legislature will not at some future time approve additional limitations that could have the effect of reducing the Net Revenues of the respective systems, and adversely affecting the security for the Certificates.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Certificates, the District and the Corporation have covenanted in the Installment Purchase Contracts and the Trust Agreements to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and not to take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of interest with respect to the Certificates thereunder. Interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date that the Certificates were executed and delivered as a result of future acts or omissions of the District or the Corporation in violation of their covenants in the Installment Purchase Contracts or the Trust Agreements. In addition, current and future legislative proposals, if enacted into law, may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals or to eliminate such exemption altogether. See the caption “TAX EXEMPTION.” Should such an event of taxability occur, the Certificates are not subject to a special prepayment or an increased interest rate and will remain outstanding until maturity.

Secondary Market for the Certificates

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Occasionally, because of general market conditions, adverse history or economic prospects connected with a particular issue or an obligor’s failure to provide timely continuing disclosures, secondary marketing practices in connection with a particular issue are suspended or terminated. In addition, 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.

Impact of State Budget

The State has experienced serious budgetary shortfalls in recent years, including a deficit in State fiscal year 2024-25. The District cannot predict what actions may be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. It is therefore anticipated that there legislation in the future could address a budget deficit in a way that affects Enterprise revenues or the District’s water supply. The District cannot predict what measures may be proposed or implemented for the current State fiscal year or in the future. Given the magnitude of the State’s historical budgetary deficits, it is possible that future legislation will adversely impact revenues of local agencies.

Trustee Obligations

The Trustee has no obligation to advance its own funds to pursue any remedies. As a consequence, the Trustee's willingness and ability to pursue any of the remedies provided in the Trust Agreements or the Installment Purchase Contracts may be dependent upon the availability of funds from an interested party. There can be no assurance that the Trustee will be willing and able to perform its duties under the Trust Agreements.

IRS Audit of Tax-Exempt Issues

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates might be affected as a result of such an audit of the Certificates (or by an audit of similar obligations), regardless of the ultimate outcome of the audit. The primary penalty available to the IRS with respect to a tax-exempt entity engaged in improper use of tax-exempt proceeds is the revocation of tax-exempt status for the applicable obligations. Although the IRS has not frequently revoked the tax-exempt status of municipal bonds, it could do so in the future. See the caption "— Loss of Tax Exemption" for a discussion of the possible effect of the loss of the tax exemption on the Certificates.

Risks Associated With Bond Insurance

In the event that the District defaults in the payment of Installment Payments when due, the owners of the Bonds will have a claim under the Water System Insurance Policy or the Wastewater System Insurance Policy, as applicable, for such payments. See the caption "CERTIFICATE INSURANCE." In the event that the Insurer becomes obligated to make payments with respect to a series of Certificates, no assurance can be given that such event will not adversely affect the market for the Certificates. In the event that the Insurer is unable to make payment of principal of and interest with respect to the Certificates when due under the Water System Insurance Policy or the Wastewater System Insurance Policy, as applicable, the Certificates will be payable solely from the sources described under the caption "SECURITY FOR THE CERTIFICATES" and amounts held in certain funds and accounts established under the applicable Trust Agreement.

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

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

So long as the Water System Insurance Policy and the Wastewater System Insurance Policy, as applicable, remain in effect and the Insurer is not in default of its obligations thereunder, the Insurer has certain notice, consent and other rights under the applicable Trust Agreement and will have the right to control all remedies for default under such Trust Agreement with respect to the applicable series of Certificates. The Insurer is not required to obtain the consent of the owners of such Certificates with respect to the exercise of remedies. See Appendix A.

LITIGATION

The District

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the District, threatened against the District affecting the existence of the District or the titles of its officers to their offices or seeking to restrain or to enjoin the sale or delivery of the Certificates, the application of the proceeds thereof in accordance with the Trust Agreements, in any way contesting or affecting the action of the District contemplated by any of said documents, in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto or contesting the powers of the District or its authority with respect to the Certificates or any action of the District contemplated by any of said documents.

The Corporation

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Corporation, threatened against the Corporation affecting the existence of the Corporation or the titles of its officers to their offices or seeking to restrain or to enjoin the sale or delivery of the Certificates, the application of the proceeds thereof in accordance with the Trust Agreement, in any way contesting or affecting the action of the Corporation contemplated by any of said documents, in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto or contesting the powers of the Corporation or its authority with respect to the Certificates or any action of the Corporation contemplated by any of said documents.

THE CORPORATION

The Corporation was incorporated under the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was organized as a nonprofit corporation for the purpose, among others, of assisting entities, such as the District, in the acquisition, construction and financing of public improvements which are determined to be of public benefit to such entities. The Corporation's articles of incorporation and bylaws empower it to participate in the financing of the Water System Project or the Wastewater System Project.

RATINGS

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), is expected to assign the insured rating of "[]" to the Water System Certificates based upon the issuance and delivery of the Water System Insurance Policy by the Insurer at the time of execution and delivery of the Water System Certificates. S&P has also assigned the Water System Certificates the rating of "[]" notwithstanding the delivery of the Water System Insurance Policy for the Water System Certificates.

S&P is expected to assign the insured rating of "[]" to the Wastewater System Certificates based upon the issuance and delivery of the Wastewater System Insurance Policy by the Insurer at the time of execution and delivery of the Wastewater System Certificates. S&P has also assigned the Wastewater System Certificates the rating of "[]" notwithstanding the delivery of the Wastewater System Insurance Policy for the Wastewater System Certificates.

A rating is not a recommendation to buy, sell or hold securities. Future events could have an adverse impact on the ratings of the Certificates, and there is no assurance that any credit rating that is given to the Certificates will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. In addition, there can be no assurance that the criteria required to achieve a rating on the Certificates will not change during the period that the Certificates remain outstanding.

Any qualification, downward revision, lowering or withdrawal of a rating on the Certificates may have an adverse effect on the market price of the applicable Certificates. Such rating reflects only the current views of S&P (which could change at any time), and an explanation of the significance of such rating may be obtained from S&P. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District that is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in the Continuing Disclosure Certificates to file notices of any rating changes on the Certificates with EMMA. See the caption “CONTINUING DISCLOSURE OBLIGATION” and Appendix D. Notwithstanding such covenant, information relating to rating changes on the Certificates may be publicly available from S&P prior to such information being provided to the District and prior to the date by which the District is obligated to file a notice of rating change. Purchasers of the Certificates are directed to S&P and its websites and official media outlets for the most current ratings with respect to the Certificates after the execution and delivery of the Certificates.

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

None of the Corporation, the District or the Underwriter makes any representation as to the Insurer’s creditworthiness or any representation that the Insurer’s credit rating will be maintained in the future. S&P has previously taken action to downgrade the ratings of certain municipal bond insurers and has published various releases outlining the processes that S&P intends to follow in evaluating the ratings of financial guarantors. For some financial guarantors, the result of such evaluations could be a rating affirmation, a change in rating outlook, a review for downgrade or a downgrade. Potential investors are directed to S&P for additional information on S&P’s evaluations of the financial guaranty industry and individual financial guarantors, including the Insurer. See the caption “CERTIFICATE INSURANCE” for further information relating to the Insurer.

TAX EXEMPTION

General Matters

In the opinion of Kutak Rock LLP, Special Counsel, under existing laws, regulations, rulings and judicial decisions, interest evidenced by the Certificates (including any original issue discount properly allocable to the owner of a Certificate) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. The opinion described above assumes the accuracy of certain representations and compliance by the District and the Corporation with covenants designed to satisfy the requirements of the Code that must be met subsequent to the execution and delivery of the Certificates. Failure to comply with such requirements could cause interest evidenced by the Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The District and the Corporation have covenanted to comply with such requirements. Special Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Certificates. Interest evidenced by the Certificates may affect the federal alternative minimum tax imposed on certain corporations.

The accrual or receipt of interest evidenced by the Certificates may otherwise affect the federal income tax liability of the owners of the Certificates. The extent of these other tax consequences will depend on such owners’ particular tax status and other items of income or deduction. Special Counsel has expressed no opinion regarding any such consequences.

Purchasers of the Certificates, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America and certain corporations subject to the alternative minimum tax imposed on corporations), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Certificates.

Special Counsel is also of the opinion that interest evidenced by the Certificates is exempt from State of California personal income taxes. Special Counsel has expressed no opinion regarding other tax consequences arising with respect to the Certificates under the laws of the State of California or any other state or jurisdiction.

A copy of the form of opinion of Special Counsel is attached hereto as Appendix B.

Original Issue Discount

The Certificates that have an original yield above their respective interest rates, as shown on the inside front cover page of this Official Statement (collectively, the “**Discount Certificates**”), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Certificates and their stated amounts to be paid at maturity (excluding “qualified stated interest” within the meaning of Section 1.1273-1 of the Treasury Regulations) constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Certificate is added to the cost basis of the owner of the Certificate in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Certificate (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Certificate that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Certificate, on days that are determined by reference to the maturity date of such Discount Certificate. The amount treated as original issue discount on such Discount Certificate for a particular semiannual accrual period is equal to: (a) the product of: (i) the yield to maturity for such Discount Certificate (determined by compounding at the close of each accrual period); and (ii) the amount that would have been the tax basis of such Discount Certificate at the beginning of the particular accrual period if held by the original purchaser; less (b) the amount of any interest payable for such Discount Certificate during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Certificate the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Certificate is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Certificates should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Certificate. Subsequent purchasers of Discount Certificate that purchase such Certificates for a price that is higher or lower than the “adjusted issue price” of the Certificates at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Original Issue Premium

The Certificates that have an original yield below their respective interest rates, as shown on the inside front cover page of this Official Statement (collectively, the “**Premium Certificates**”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Certificate over its stated redemption price at maturity constitutes premium on such Premium Certificate. A purchaser of a Premium Certificate must amortize any premium over such Premium Certificate’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Certificates callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Certificate is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Certificate prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Certificate should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Certificate.

Backup Withholding

An owner of a Certificate may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Certificates if such owner fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner’s taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this caption “TAX EXEMPTION” or adversely affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds or other obligations issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Certificates. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Certificates or the market value thereof would be impacted thereby. Purchasers of the Certificates should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Special Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Certificates, and Special Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE CERTIFICATES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE CERTIFICATES AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE CERTIFICATES.

APPROVAL OF LEGALITY

Legal matters incident to the execution and delivery of the Certificates are subject to the approving opinion of Kutak Rock LLP, Irvine, California, Special Counsel. A form of such opinion for the Certificates is attached hereto as Appendix B and copies of such opinion with respect to the Certificates will be available at the

time of delivery of the Certificates. Certain matters will be passed upon for the District by its counsel, The Mitchell Law Firm, LLP, Eureka, California, District Counsel. Certain matters will be passed upon for the Corporation by McMurchie Law Firm, Folsom, California, for the Underwriter by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Underwriter's Counsel, for the Trustee by its counsel and for the Insurer by its counsel. Compensation to Special Counsel and Underwriter's Counsel is contingent upon the issuance of the Certificates.

The opinion of Special Counsel provides that, subject to the qualifications contained therein, the Trust Agreements and the Installment Purchase Contracts have been duly and validly authorized, executed and delivered by the Corporation and constitute the legally valid and binding obligations of the Corporation enforceable in accordance with their respective terms. Counsel for the District will deliver an opinion which provides that, subject to the qualifications contained therein, the District has the lawful authority to execute and deliver the Trust Agreements and the Installment Purchase Contracts under the laws of the State and that such documents have been duly approved, executed and delivered by the District and constitute legal, valid and binding obligations of the District enforceable in accordance with their respective terms.

FORWARD-LOOKING STATEMENTS

When used in this Official Statement and in any continuing disclosure by the District, in the District's press releases and in oral statements made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "intend," "expect" and similar expressions identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

CONTINUING DISCLOSURE OBLIGATION

The District has covenanted in a Continuing Disclosure Certificate dated the date of execution and delivery of the Certificates (the "**Continuing Disclosure Certificate**") to provide annually certain financial information and operating data relating to the Enterprise by not later than each March 31 following the end of its Fiscal Year, including the audited financial statements of the District for each such Fiscal Year, as well as notice of certain enumerated events within ten Business Days (together, the "**Annual Report**"). The Annual Report and the notices of enumerated events will be filed by the District with EMMA, which is maintained on the Internet at <http://emma.msrb.org/>.

The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is set forth in Appendix D. These covenants have been made in order to assist the Underwriter in complying with Section (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission ("**Rule 15c2-12**").

A failure by the District to comply with its undertaking will not constitute an Event of Default under the Trust Agreements or the Installment Purchase Contracts. Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the applicable Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Certificates and their market price. The Corporation is not responsible for the undertaking of the District.

[DISCLOSURE RE PRIOR COMPLIANCE TO COME]

UNDERWRITING

The Water System Certificates are being purchased by Oppenheimer & Co. Inc. (the “**Underwriter**”). The Underwriter has agreed to purchase the Water System Certificates at a price equal to \$_____ (which represents the par amount of the Water System Certificates plus/less a net original issue premium/discount of \$_____ minus an underwriting discount of \$_____). The purchase agreement relating to the Water System Certificates provides that the Underwriter will purchase all of the Water System Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said purchase agreements, the approval of certain legal matters by counsel and certain other conditions.

The Wastewater System Certificates are being purchased by the Underwriter. The Underwriter has agreed to purchase the Wastewater System Certificates at a price equal to \$_____ (which represents the par amount of the Wastewater System Certificates plus/less a net original issue premium/discount of \$_____ minus an underwriting discount of \$_____). The purchase agreement relating to the Wastewater System Certificates provides that the Underwriter will purchase all of the Wastewater System Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said purchase agreements, the approval of certain legal matters by counsel and certain other conditions.

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

The Underwriter and its affiliates comprise a full-service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates may have provided, and may in the future provide, a variety of these services to the District and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, the Underwriter and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

MUNICIPAL ADVISOR

The District has retained Fieldman, Rolapp & Associates, Inc., Irvine, California, as its Municipal Advisor in connection with the execution and delivery of the Certificates. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The payment of the fees of the Municipal Advisor is contingent upon the execution and delivery of the Certificates.

MISCELLANEOUS

The foregoing summaries do not purport to be complete and are expressly made subject to the provisions of the documents, copies of which may be obtained from the Trustee, or during the period of the offering, the Underwriter.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement does not constitute an agreement between the Corporation, the District or the Underwriter and the purchasers or owners of any of the Certificates.

This Official Statement, and its distribution and use by the Underwriter, has been duly authorized and approved by the District.

MCKINLEYVILLE COMMUNITY SERVICES
DISTRICT

By: _____
Patrick Kaspari, P.E.
General Manager

APPENDIX A

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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

The Water System Certificates and the Wastewater System Certificates will each be issued under different Trust Agreements and Installment Purchase Contracts and secured by separate and distinct sources of revenues as described in this Official Statement. The Water System Certificates and the Wastewater System Certificates are not cross-collateralized in any manner.

[TO COME FROM BOND COUNSEL]

APPENDIX B

FORM OF OPINION OF SPECIAL COUNSEL

Upon execution and delivery of each series of the Certificates, Kutak Rock LLP, Special Counsel, proposes to render its final approving opinion in substantially the following form:

[Closing Date]

McKinleyville Community Services District
1656 Sutter Road
McKinleyville, California 95519

Re: \$_____ *McKinleyville Community Services District Revenue Certificates of Participation Series 2026__ (_____ Project – Bank Qualified)*

Ladies and Gentlemen:

We have reviewed the Constitution and the laws of the State of California and certain proceedings taken by McKinleyville Community Services District (the “District”) in connection with the authorization, execution and delivery by the District of that certain Installment Purchase Contract, dated as of July 1, 2026 (the “Installment Purchase Contract”), by and between the District and the CSDA Finance Corporation (the “Corporation”). We have also reviewed that certain Trust Agreement, dated as of July 1, 2026 (the “Trust Agreement”), by and among U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), the Corporation and the District. In rendering this opinion, we also have relied upon certain representations of fact and certifications made by the Corporation and the District, the initial purchaser of the Certificates (as such term is defined below) and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us. All capitalized terms used herein shall have the meaning given them in the Trust Agreement unless otherwise defined.

Pursuant to the Trust Agreement, the Trustee has agreed to execute and deliver the \$_____ aggregate principal amount of McKinleyville Community Services District Revenue Certificates of Participation, Series 2026__ (_____ Project – Bank Qualified) (the “Certificates”) evidencing undivided proportionate interests of the owners of the Certificates in certain installment payments (the “Installment Payments”) to be made by the District pursuant to the Installment Purchase Contract. Pursuant to that certain Assignment Agreement, dated as of July 1, 2026 (the “Assignment Agreement”), the Corporation has assigned to the Trustee the Corporation’s right to receive Installment Payments from the District under the Installment Purchase Contract.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The proceedings of the District show lawful authority for the execution and delivery of the Trust Agreement and the Installment Purchase Contract under the laws of the State of California (the “State”) now in force, and the Trust Agreement and the Installment Purchase Contract have been duly authorized, executed and delivered by the District. Assuming due authorization, execution and delivery by the Trustee and the Corporation, as appropriate, the Trust Agreement and the Installment Purchase Contract are valid and binding obligations of the District enforceable against the District in accordance with their respective terms.

2. The Certificates, assuming due execution and delivery by the Trustee, are entitled to the benefits of the Trust Agreement.

3. The obligation of the District to make the Installment Payments from Net Revenues (as such term is defined in the Installment Purchase Contract) is an enforceable obligation of the District and does not constitute a debt of the District, the State or any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

4. Interest received by the owners of the Certificates is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. The opinions set forth in the preceding sentence assume the accuracy of certain representations of the Corporation and the District with respect to certain covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met subsequent to the execution and delivery of the Certificates. Failure to comply with such requirements could cause such interest to be included in gross income for federal income tax purposes or could otherwise adversely affect such opinions retroactive to the date of execution and delivery of the Certificates. The Corporation and the District have covenanted to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Certificates. Special Counsel is further of the opinion that, under the existing laws of the State, interest evidenced by the Certificates is exempt from personal income taxes of the State under present State law. Interest evidenced by the Certificates may affect the federal alternative minimum tax imposed on certain corporations.

In rendering the opinions expressed in paragraph 4 above, we are relying upon representations and covenants of the Corporation and the District in the Trust Agreement, the Installment Purchase Contract and the Tax Compliance Certificate executed by the District on the date hereof (the "Tax Certificate") concerning the use of the facilities financed with Certificate proceeds, the investment and use of Certificate proceeds and the rebate, if any, to the federal government of certain earnings thereon. In addition, we have assumed that all such representations are true and correct and that the Corporation and the District will comply with such covenants. We express no opinion with respect to the exclusions of the interest from gross income under Section 103(a) of the Code in the event that any such representations are untrue or the Corporation or the District fail to comply with such covenants. Except as stated above, we express no opinion as to any federal tax consequences of the receipt of interest on, or the ownership or disposition of, the Certificates.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement, the Tax Certificate and other documents related to the Certificates may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the tax consequences on and after the date on which any such change occurs or action is taken or omitted upon advice or approval of counsel other than Kutak Rock LLP.

Further, we note that the rights of the owners of the Certificates and the enforceability of the Certificates, the Trust Agreement and the Installment Purchase Contract may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

We have not made or undertaken to make an investigation of the state of title to any of the real property described in the Installment Purchase Contract, the Trust Agreement or the Assignment Agreement or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Certificates terminates on the date of their execution and delivery.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Certificates and expressly disclaim any duty to advise the owners of the Certificates with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT HUMBOLDT COUNTY

The economic and demographic data contained in this Appendix are provided as general background information only. The Certificates are not secured by any revenues of the County or the State and are payable solely from the sources that are described under the caption "SECURITY FOR THE CERTIFICATES" in the forepart of this Official Statement.

General Information

Humboldt County (the "County") is the largest and most populous of California's north coast counties. Eureka, the County seat, is located approximately 270 miles north of San Francisco along U.S. Highway 101, which runs from southern California into Oregon and Washington. The County was created from the western portion of Trinity County in 1853. The County's name is derived from Humboldt Bay. Originally discovered in 1806 by a hunting party, the bay was not rediscovered until 1849 and then named in honor of the naturalist and explorer Baron Alexander von Humboldt. The County's 3,600 square miles are known for their rural beauty, roughly 80% of which is designated recreation areas and timber land. The County is home to the biggest and oldest redwood trees in the world. Natural resources also make the County a primary tourist destination. Popular sites include Six Rivers National Forest, King Range National Conservation Area, Humboldt Redwoods State Park, Redwoods National Park and Richardson Grove State Park.

Population

The County's population at January 1, 2021, the most recent estimate, was 130,851 according to the State Department of Finance. The table below shows population estimates for certain cities within the County and for the County as of 2025 and as of the census year of 2020.

Humboldt County Population Calendar Years 2020 and 2025

<i>Area</i>	<i>2020</i>	<i>2025</i>
Arcata	17,891	19,001
Blue Lake	1,271	1,136
Eureka	26,582	26,122
Ferndale	1,376	1,361
Fortuna	12,006	12,198
Rio Dell	3,270	3,232
Trinidad	345	296
Balance of County	70,083	70,471
County Total	132,824	133,817

Source: California Department of Finance, E-1 Population Estimates 2025.

Employment and Industry

The table below provides information about employment rates and employment by industry type for the County as of 2025 and the census year of 2020.

Humboldt County Annual Averages of Civilian Labor Force, Employment, Unemployment and Employment by Industry Calendar Years 2020 and 2025

<i>Employment Category</i>	<i>2020</i>	<i>2025</i>
Civilian Labor Force	59,400	60,000
Civilian Employment	54,400	57,000
Civilian Unemployment	5,000	3,000
Civilian Unemployment Rate	8.4%	5.0%
Total, All Industries	47,700	52,400
Total Farm	1,200	800
Total Nonfarm	46,500	51,600
Total Private	33,100	35,800
Goods Producing	4,600	4,900
Mining, Logging, and Construction	2,500	2,800
Mining and Logging	400	300
Construction	2,200	2,500
Manufacturing	2,100	2,200
Durable Goods	1,100	1,300
Nondurable Goods	1,000	900
Service Providing	41,900	46,600
Private Service Providing	28,500	30,900
Trade, Transportation & Utilities	8,700	8,400
Wholesale Trade	1,100	1,000
Retail Trade	6,500	6,200
Transportation, Warehousing & Utilities	1,000	1,200
Information	300	400
Financial Activities	1,700	1,700
Professional & Business Services	3,400	2,900
Educational & Health Services	8,300	10,100
Leisure & Hospitality	4,300	5,200
Other Services	1,900	2,300
Government	13,400	15,800
Federal Government	800	800
State & Local Government	12,600	14,900
State Government	3,300	3,700
State Government Education	2,000	2,200
State Government Excluding Education	1,400	1,500
Local Government	9,200	11,300

Source: Labor Market Information division of the California Employment Development Department.

Largest Employers

The table below lists the major employers in the County as of June 2025, listed alphabetically.

**Humboldt County
Major Employers as of June 2025**

<i>Employer Name</i>	<i>Location</i>	<i>Industry (and Employee Count)</i>
Arcata Forest Products	Arcata	Lumber-Wholesale (100-249)
Bettendorf Trucking	Arcata	Trucking and Logistics (250-499)
Blue Lake Casino & Hotel	Blue Lake	Casinos (250-499)
California Department of Forestry	Fortuna	Fire Department (100-249)
Columbia Bank	Eureka	Financial Services (250-499)
Costco Wholesale	Eureka	Wholesale Clubs (100-249)
County of Humboldt	Eureka	Government (1,000 – 4,999)
Danco Property Management	Arcata	Construction Companies (100-249)
Eureka City Clerk	Eureka	Government (250-499)
Eureka High School	Eureka	Schools (100-249)
Green Diamond Resource Co.	Korbel	Forestry (250-499)
Humboldt County Department of Health	Eureka	Government (100-249)
Humboldt County Mental Health	Eureka	Hospitals (100-249)
Humboldt County Sheriff Department	Eureka	Law Enforcement (100-249)
Humboldt County Social Svc	Eureka	Government (250-499)
Newmarket International Inc.	Eureka	Hospitality Training (250-499)
North Coast Co-op	Arcata	Grocers-Wholesale (100-249)
Providence St. Joseph Hospital	Eureka	Hospitals (1,000-4,999)
Redwood Memorial Hospital	Fortuna	Hospitals (100-249)
Schmidbauer Lumber Inc.	Eureka	Logging (100-249)
St Joseph Hospital	Eureka	Hospitals (1,000-4,999)
Sun Valley Floral Farms	Arcata	Greenhouses (500-999)
Target	Eureka	Department Stores (100-249)
United States Post Office	Eureka	Post Offices (100-249)
Winco Foods	Eureka	Grocers-Retail (100-249)

Source: State of California Employment Development Department, extracted from The America’s Labor Market Information System (ALMS) Employer Database, 2026 1st Edition.

Household Income

The table below shows median income for the County, the State of California and the United States as of 2026.

**Humboldt County, State of California and United States
Median Income (2026)**

<i>Jurisdiction</i>	<i>Median Household Income</i>	<i>Median Effective Buying Income</i>
Humboldt County	\$ 65,849	\$60,247
State of California	105,377	89,921
United States	86,286	75,389

Source: [].

Effective Buying Income

“**Effective Buying Income**” is defined as personal income less personal tax and non-tax 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), non-tax 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 household Effective Buying Income for the County, the State and the United States for calendar years 2021 through 2025.

Humboldt County, State of California and United States Effective Buying Income

<i>Year</i>	<i>Area</i>	<i>Total Effective Buying Income (000s Omitted)</i>	<i>Median Household Effective Buying Income</i>
2022	Humboldt County	Not available	Not available
	California	\$ 1,452,426,453	\$76,880
	United States	11,208,582,541	63,680
2023	Humboldt County	Not available	Not available
	California	\$ 1,461,799,662	\$76,990
	United States	11,454,846,396	64,600
2024	Humboldt County	Not available	Not available
	California	\$ 1,510,708,521	\$80,609
	United States	11,987,185,825	67,310
2025	Humboldt County	\$ 4,168,824	\$56,274
	California	1,557,429,766	82,265
	United States	12,525,577,707	69,245
2026	Humboldt County	\$ 4,350,618	\$60,247
	California	1,730,654,738	89,921
	United States	13,932,177,817	75,389

Source: Claritas, LLC.

Commercial Activity

The following table summarizes the annual volume of taxable sales within the County from 2020 through 2024, the latest full calendar year for which such information is available.

Humboldt County Summary of Taxable Sales⁽¹⁾

	2020	2021	2023	2023	2024
Motor Vehicle and Parts Dealers	\$ 255,513,025	\$ 285,025,153	\$ 261,000,105	\$ 237,599,973	\$ 234,099,663
Home Furnishings/Appliance Stores	61,685,215	69,001,122	60,567,483	55,679,971	52,075,302
Building Material/Garden Equipment/Supplies Dealers	280,600,716	290,444,428	216,187,123	206,854,919	188,828,183
Food and Beverage Stores	164,051,244	164,151,216	149,926,424	149,808,894	147,753,523
Gasoline Stations	165,186,630	208,214,041	224,210,540	201,229,118	186,181,860
Clothing/Accessories Stores	56,556,904	71,045,719	59,793,179	57,289,282	57,834,778
General Merchandise Stores	214,119,029	237,682,630	228,381,084	222,053,526	221,786,055
Food Services and Drinking Places	159,173,267	208,613,934	219,972,783	218,759,006	219,586,318
Other Retail Group	<u>386,604,609</u>	<u>395,418,749</u>	<u>330,836,212</u>	<u>316,247,557</u>	<u>326,236,410</u>
Total Retail and Food Services	<u>\$1,743,490,639</u>	<u>\$1,929,596,992</u>	<u>\$1,750,874,933</u>	<u>\$1,665,522,246</u>	<u>\$1,634,382,092</u>
All Other Outlets	<u>\$ 504,451,302</u>	<u>\$ 623,390,700</u>	<u>\$ 610,370,944</u>	<u>\$ 619,952,614</u>	<u>\$ 648,196,444</u>
Total All Outlets	\$2,247,941,941	\$2,552,987,692	\$2,361,245,877	\$2,285,474,860	\$2,282,578,536

⁽¹⁾ Totals may not add due to rounding.

Source: State of California Department of Tax and Fee Administration.

The number of establishments selling merchandise which is subject to sales tax and the valuation of taxable transactions in the County during the past five years is shown in the following table.

Humboldt County Number of Permits and Valuation of Taxable Transactions

	<i>Number of Permits</i>	<i>Taxable Transactions</i>
2021	6,068	\$632,299,660
2022	6,001	596,541,959
2023	5,882	584,274,749
2024	5,774	593,575,782
2025	5,701	598,737,542

Source: California Department of Tax and Fee Administration.

Transportation

Humboldt Transit Authority (“HTA”) operates two fixed route transit bus systems: Redwood Transit System and Eureka Transit Service. The Redwood Transit System provides intercity service to and within communities between Trinidad and Scotia, including Manila, King Salmon, Field’s Landing, Loleta, Fernbridge and Fortuna. HTA also offers service between McKinleyville or Arcata and Willow Creek and an express bus between Arcata and College of the Redwoods when classes are in session. The Eureka Transit Service operates in and around the City of Eureka and provides local service on four scheduled routes. Connections can be made to the Redwood Transit System at several places in Eureka. Some other local public transit systems include the Arcata and Mad River Transit System and the Blue Lake Rancheria Transit Authority.

Amtrak Thruway bus has stops in many towns in the region, including Eureka, Arcata and Fortuna. These stops are not managed by Amtrak and therefore have no services beyond serving passengers.

Arcata-Eureka Airport is located in McKinleyville. Commercial flights are available. Other general aviation airports are located at Dinsmore, Garberville, Kneeland, Murray Field (Eureka), Samoa Field and Rohnerville (Fortuna).

California's second largest natural bay, Humboldt Bay is located in the County.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon the execution and delivery of the Certificates, the District proposes to enter into a Continuing Disclosure Agreement in substantially the following form:

THIS CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the McKinleyville Community Services District (the “District”) in connection with the execution and delivery of its \$ _____ Revenue Certificates of Participation, Series 2026A (Water Project – Bank Qualified) (the “Water System Certificates”) and \$ _____ McKinleyville Community Services District Revenue Certificates of Participation Series 2026B (Wastewater Project – Bank Qualified) (the “Wastewater System Certificates” and collectively with the Water System Certificates, the “Certificates”). The Water System Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2026 (the “Water System Trust Agreement”), by and among U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), CSDA Finance Corporation (the “Corporation”) and the District. The Wastewater System Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2026 (the “Wastewater System Trust Agreement” and, together with the Water System Trust Agreement, the “Trust Agreement”), by and among the Trustee, the Corporation and the District. The District covenants and agrees as follows:

Section 1. Purpose of This Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth in the respective Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the District’s Fiscal Year (currently March 31 based on the District’s Fiscal Year end of June 30).

“*Dissemination Agent*” means the District or any dissemination agent designed in writing by the District to act as such.

“*Financial Obligation*” means a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of clause (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

“*Fiscal Year*” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the District as its official Fiscal Year period under a certificate of the District filed with the Trustee.

“*Holder*” means a registered owner of the Certificates.

“*Insurer*” means _____.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“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 Official Statement dated June __, 2026 relating to the Certificates.

“Participating Underwriter” means the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

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

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 March 31, 2027, 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) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form prescribed by the MSRB.

(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 Annual Report shall contain or incorporate by reference the following:

(a) The District’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding Fiscal Year:

(i) Adopted rates and charges of the Water System for the prior Fiscal Year, substantially in the form of Table IV to the Official Statement.

(ii) A table showing the number of connections of the Water System for the prior Fiscal Year, substantially in the form of Table VII to the Official Statement.

(iii) A table showing the Ten Largest Commercial Water Customers of the Water System for the prior Fiscal Year, substantially in the form of Table VIII to the Official Statement.

(iv) Adopted rates and charges of the Wastewater System for the prior Fiscal Year, substantially in the form of Table IX to the Official Statement.

(v) A table showing the number of connections of the Wastewater System for the prior Fiscal Year, substantially in the form of Table XII to the Official Statement.

(vi) A table showing the Ten Largest Customers of the Wastewater System for the prior Fiscal Year, substantially in the form of Table XIII to the Official Statement.

(vii) A table showing the Water System and Wastewater System Net Revenues, Operating and Maintenance Costs and debt service coverage ratio for the Water System Certificates, Wastewater System Certificates and any Parity Obligations for the prior Fiscal Year, substantially in the form of the tables set forth under the captions “THE WATER SYSTEM—Water System Historical Debt Service Coverage” and “THE WASTEWATER SYSTEM—Wastewater System Historical Debt Service Coverage” in the Official Statement.

(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 website 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 District and the Certificates:

- (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 security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event 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.

(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.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, 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 subsections (a)(8) and (a)(9) 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 Certificates under the applicable Trust Agreement or Installment Purchase Contract.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material.” The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the event’s occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above 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 United States 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 governing 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.

Section 6. Identifying Information for Filing 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 Certificates. The initial Dissemination Agent shall be the District. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any 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 an obligated person with respect to the Certificates, 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 Certificates, 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 Certificates in the manner provided in the Trust Agreement and Installment Purchase Contract for amendments to the Trust Agreement and Installment Purchase Contract, respectively, 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 Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information 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 the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made 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 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 Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreements, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Certificates may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Note holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter, the Insurer and the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 14. 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.

Section 15. Certificate Insurer Provisions. The District will provide the Insurer with all notices and other information that it is obligated to provide under this Disclosure Certificate. The notice address of the Insurer is _____.

Section 16. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing. If to the District: McKinleyville Community Services District, 1656 Sutter Road, McKinleyville, CA 95519 Attention: General Manager. If to the Participating Underwriter: Oppenheimer & Co. Inc., 580 California Street, Suite 2300, San Francisco, CA 94104 Attention: Managing Director.

Dated: July __, 2026

MCKINLEYVILLE COMMUNITY SERVICES
DISTRICT

By: _____
Patrick Kaspari, P.E.
General Manager

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, premium, if any, accreted value, if any, and interest with respect to the Certificates to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates. The Certificates 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 certificate will be issued for each annual maturity of the Certificates, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC 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.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates 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 the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such

Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, distributions, and dividend payments with respect to the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Certificate Owner shall give notice to elect to have its Certificates purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Certificates by causing the Direct Participant to transfer the Participant's interest in the Certificates, on DTC's records, to the Trustee. The requirement for physical delivery of Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Certificates to the Trustee's DTC account. DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

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

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE CERTIFICATES, WILL SEND ANY NOTICE OF PREPAYMENT OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE PREPAYMENT OF THE CERTIFICATES CALLED FOR PREPAYMENT OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX F

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

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY