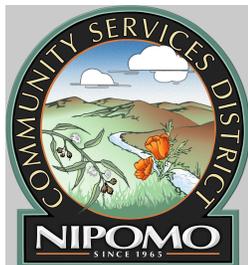


PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2013**NEW ISSUE — BOOK-ENTRY ONLY****RATING: S&P “__”**
(See “RATING” herein)

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the Bonds, is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It is also the opinion of Bond Counsel that under existing law interest on the Bonds, is exempt from personal income taxes of the State of California. See “TAX EXEMPTION” herein.



^{Δ1}**\$3,125,000**^{*2}

NIPOMO COMMUNITY SERVICES DISTRICT³
WATER REVENUE REFUNDING BONDS⁴
Series 2013A⁵

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

The Nipomo Community Services District Water Revenue Refunding Bonds, Series 2013A (the “Bonds”) are being issued pursuant to an Indenture of Trust, dated as June 1, 2013 (the “Indenture”), by and between the Nipomo Community Services District (the “District”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Principal of, redemption premium, if any, and interest on the Bonds is payable solely from Net Revenues (as more fully described in the Indenture, the “Net Revenues”) as provided in the Indenture, consisting, first, of Ad Valorem Tax Revenues (as defined herein) and, second, primarily from all other income and revenue received by the District from the operation or ownership of the Water System of the District (the “Enterprise”) remaining after payment of Operation and Maintenance Expenses, as further described in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The Bonds are being issued as fully registered bonds in book-entry form only in denominations of \$5,000 or integral multiples thereof. The Bonds will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), as securities depository for the Bonds. Individual purchases are to be made in book-entry form in authorized denominations. Purchasers, as Beneficial Owners, will not receive certificates evidencing their ownership interest in such Bonds. Interest is payable semiannually each March 1 and September 1 to and including the maturity dates shown on the inside cover page, commencing September 1, 2013, unless the Bonds are earlier redeemed.

The Bonds are subject to optional redemption, without premium, on or after September 1, 2023, and to mandatory sinking account redemption, prior to maturity, as more fully described herein.

The proceeds of the Bonds will be used to (i) currently refund and defease the District’s Revenue Certificates of Participation (Pipeline and Storage Facility Project) Series 2003, (ii) fund a Reserve Fund for the Bonds, and (iii) pay the costs of issuance of the Bonds.

The District may incur additional obligations that have a parity claim on Net Revenues as set forth in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS– Parity Obligations” herein.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE DISTRICT, AND ARE PAYABLE FROM, AND ARE SECURED BY A CHARGE AND LIEN ON, NET REVENUES OF THE ENTERPRISE, INCLUDING, FIRST, FROM AD VALOREM TAX REVENUES AND SECOND FROM OTHER NET REVENUES. BUT 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 BONDS NOR THE PAYMENT OF THE PRINCIPAL OR ANY PART THEREOF NOR ANY INTEREST THEREON CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE DISTRICT, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE BONDS ARE NOT SECURED BY ANY SECURITY INTEREST IN, OR MORTGAGE ON, THE ENTERPRISE.

This cover page is not a summary of the issues. Investors should read the entire Official Statement to make an informed investment decision. See “RISK FACTORS” for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval of legality by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District and the Corporation by Shipsey & Seitz, Inc., San Luis Obispo, California, and Fulbright & Jaworski L.L.P., Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.⁶ Delivery of the Bonds through the facilities of DTC is expected on or about June __, 2013.

^{Δ7}

Citigroup⁸

Dated: May __, 2013

^{*} Preliminary, subject to change.

\$^{A9}3,125,000^{10*}

**NIPOMO COMMUNITY SERVICES DISTRICT
Water Revenue Refunding Bonds
Series 2013A**

MATURITY SCHEDULE

\$ _____ Serial Bonds

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>
--	--------------------------------	----------------------	---------------------	-----------------------------------

\$ _____	_____ %	Term Bond due _____ 1, 20__	, Yield _____ %	* CUSIP ⁽¹⁾ _____
\$ _____	_____ %	Term Bond due _____ 1, 20__	, Yield _____ %	* CUSIP ⁽¹⁾ _____

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* Preliminary, subject to change.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

The ¹¹[Underwriter has](#)¹² provided the following sentence for inclusion in this Official Statement: The ¹³[Underwriter has](#)¹⁴ 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 ¹⁵[Underwriter does](#)¹⁶ not guarantee the accuracy or completeness of such information.

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

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

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds 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 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

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

TABLE OF CONTENTS

	Page
INTRODUCTION.....	1
Security for the Bonds.....	1
Redemption.....	2
Rate Covenant.....	2
The District.....	2
Continuing Disclosure.....	3
Professionals Involved in Financing.....	3
THE BONDS.....	3
General.....	3
Redemption.....	4
Book-Entry Only System.....	5
BOND DEBT SERVICE.....	6
ESTIMATED SOURCES AND USES OF PROCEEDS.....	7
Sources and Uses of Proceeds.....	7
REFINANCING PLAN.....	7
General.....	7
Additional Bonds - ¹⁷ Expected Parity Obligation.....	7
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.....	10
General.....	10
Source of Payment for the Bonds; Net Revenues.....	10
Revenues; Related Covenants.....	12
Issuance of Parity Obligations.....	13
Rate Stabilization Fund.....	14
Reserve Fund.....	15
Investments.....	15
NIPOMO COMMUNITY SERVICES DISTRICT.....	17
General.....	17
Governance and Management.....	17
Budget Process.....	18
Employees and Employee Benefits.....	18
Retirement Programs.....	18
Post-Employment Benefits.....	19
Deferred Compensation and Compensated Absences.....	19
Risk Management.....	20
Outstanding Indebtedness.....	20
THE ENTERPRISE.....	21
History and Management.....	21
Existing Facilities.....	21
Water Supply.....	21
Historical and Projected Water Supply and Deliveries.....	23
Historical Water Sale Revenues.....	26
Ad Valorem Property Taxes.....	26
Largest Customers.....	30
Water Rates and Charges.....	31
Capacity Charges.....	34

OFFICIAL STATEMENT

\$¹⁸3,125,000^{19*}

NIPOMO COMMUNITY SERVICES DISTRICT WATER REVENUE REFUNDING BONDS Series 2013A

INTRODUCTION

This Official Statement of the Nipomo Community Services District (the “District”) sets forth certain information in connection with the sale by the District of \$²⁰3,125,000^{21*} principal amount of Water Revenue Refunding Bonds, Series 2013A (the “Bonds”). This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement. The capitalization of any word not conventionally capitalized or otherwise defined herein indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. See “APPENDIX C – SUMMARY OF THE INDENTURE” for a summary of certain of such definitions.

The Bonds are being issued pursuant to and in accordance with Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the “Bond Law”), and pursuant to an Indenture of Trust, dated as of June 1, 2013 (the “Indenture”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The District currently owns and operates its water system (the “Enterprise”). In 2003, the District caused the execution and delivery of its \$4,000,000 Nipomo Community Services District Revenue Certificates of Participation (Pipeline and Storage Facility Project) Series 2003 (the “Series 2003 Certificates”) for the purpose of financing certain improvements (the “Prior Improvements”) to the Enterprise. The proceeds of the Bonds will be used to (i) prepay installment payments due by the District for the purchase of the Prior Improvements and currently refund and defease the Series 2003 Certificates, which are outstanding in the aggregate principal amount of \$3,235,000.²² (ii) fund a Reserve Fund for the Bonds, and (iii) pay the costs of issuance of the Bonds. See “REFINANCING PLAN.”

Security for the Bonds

The Bonds are special obligations of the District, and are payable from, and are secured by a charge and lien on, Net Revenues (as defined hereinafter) as provided in the Indenture, consisting first, from the *ad valorem* property tax allocated to the District (the “Ad Valorem Tax Revenues”) and, second, primarily of all income and revenue received by the District from the operation or ownership of the Enterprise remaining after payment of Operation and Maintenance Expenses, as further described in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein. Under no circumstances shall the District be required to advance any moneys derived from any source of income other than the funds described above, nor are any other funds or property of the District liable for the payment of principal of and interest on the Bonds.

The District may incur additional obligations payable from the Net Revenues of the Enterprise on a parity with the Bonds, subject to the terms and conditions of the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Parity Obligations.”

* Preliminary, subject to change.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District by not later than the March 1 following the end of the District's Fiscal Year (currently its Fiscal Year ends on the last day of June) (the "Annual Report"), commencing with the report for Fiscal Year ending June 30, 2013, and to provide notices of the occurrence of certain enumerated events, if material. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934. See "CONTINUING DISCLOSURE" and "APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto.

Professionals Involved in Financing

All proceedings in connection with the issuance of the Bonds are subject to the approval of Fulbright & Jaworski L.L.P., Los Angeles, California, as bond counsel and as disclosure counsel. Certain matters will be passed upon for the District and the Corporation by Shipsey & Seitz, Inc., San Luis Obispo, California. [Certain matters will be passed upon for the underwriter by its counsel, Straddling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.](#) ²³C.M. de Crinis & Co., Inc. is acting as financial advisor to the District. Payment of the fees and expenses of bond counsel, disclosure counsel, financial advisor and the underwriter is contingent upon the issuance and sale of the Bonds.

This Official Statement contains information about the District, the Enterprise, and the Indenture. The references to and summaries of provisions of the laws of the State and the descriptions of documents included do not purport to be complete and are qualified in their entirety by reference to the complete provisions thereof, copies of which are available from the District or the Underwriter during the period of the initial offering of the Bonds.

THE BONDS

General

The Bonds will be issued in fully registered form without coupons in Authorized Denominations. The Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York ("DTC"), and will be evidenced by one Bond for each of the maturities in the principal amounts shown on the inside cover page of this Official Statement. DTC is the depository for the Bonds, and registered ownership may not thereafter be transferred except as set forth in the Indenture. The Bonds will mature on September 1 in the years and in the amounts shown on the inside cover page of this Official Statement and will bear interest on each Interest Payment Date at the rates shown on the inside cover of this Official Statement.

While the Bonds remain in book-entry only form, payments to Beneficial Owners are governed by the rules of DTC as described in "APPENDIX F — BOOK-ENTRY SYSTEM." In the event that DTC ceases to act as securities depository for the Bonds, payment may be made as described below.

Interest on the Bonds will be payable semi-annually on each March 1 and September 1, calculated based on a 360-day year of twelve (12) thirty-day months on each Interest Payment Date, commencing September 1, 2013, to the person whose name appears on the registration books of the Trustee as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail to the Owner at the address of such Owner as it appears on the registration books; provided, however, that payment of interest or principal may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee prior to the applicable Record Date. Principal of any Bond will be paid by check or wire of the Trustee upon presentation and surrender thereof at the

ESTIMATED SOURCES AND USES OF PROCEEDS

Sources and Uses of Proceeds

Proceeds from the sale of the Bonds are estimated to be applied as follows:

Estimated Sources of Proceeds

Principal Amount of Bonds	
Plus/Less: Net Original Issue Premium/Discount	
Less: Underwriter's Discount	
Series 2003 Certificates funds and accounts	_____
Total	=====

Estimated Uses of Proceeds

Deposit to Escrow Fund	
Deposit to Reserve Fund	
Deposit to Costs Issuance Fund ⁽¹⁾	_____
Total	=====

⁽¹⁾ Includes fees and expenses of ^Δ²⁴ bond²⁵ and disclosure counsel, trustee fees and expenses, costs of printing the preliminary and final official statement and rating agency fees.

REFINANCING PLAN

General

A portion of the proceeds of the Bonds will be used to (i) currently refund and defease the District's Series 2003 Bonds of Participation, (ii) fund a Reserve Fund for the Bonds, and (iii) pay the costs of issuance of the Bonds.

The Series 2003 Certificates were executed and delivered to make improvements to the Enterprise. These facilities included the construction of two water transmission mains and the construction of a one million gallon water storage facility. The Series 2003 Certificates evidenced direct and proportionate interests in installment payments to be made by the District under an Installment Purchase Agreement dated as of May 1, 2003 (the "2003 Installment Purchase Agreement"), between the District and the Nipomo Community Services District Public Facilities Corporation. Proceeds of the Bonds, together with certain funds made available through the defeasance of the Series 2003 Certificates, will be deposited into an escrow fund with the Escrow Agent and used for the purposes of prepaying installment payments due under the 2003 Installment Purchase Agreement and defeasing the Series 2003 Certificates. Amounts so deposited will be held uninvested as cash. Such amounts will be verified by Barthe & Wahrman (the "Verification Agent"), to be sufficient to pay the prepayment price of the Series 2003 Certificates upon their optional prepayment on _____, 2013. As a result of the deposit and application of funds as provided in the escrow fund, the Series 2003 Certificates will be defeased and all obligations thereunder discharged, including the Series 2003 Installment Purchase Agreement, assuming the accuracy of the Verification Agent's computations.

Additional Bonds - ²⁶Expected Parity Obligation

²⁷Additional Bonds - Expected Parity Obligation²⁸

2013 Certificates. The District anticipates that, ^Δ²⁹following resolution of existing litigation on one of its capital projects³⁰, the District will enter into an installment sale agreement with the Corporation for the purpose of

funding a portion of the costs of certain additional capital improvements to the Enterprise.³¹ This may occur in the next month or may be delayed to future years. If the litigation is discharged or settled in the next month as expected, the District will³² cause to be executed and delivered an estimated principal amount of \$³³9,970,000³⁴ Certificates of Participation (Supplemental Water Project), Series 2013 (the “2013 Certificates”), evidencing the direct, undivided fractional interests of the owners thereof in the installment payments (the “Series 2013 Installment Payments”) to be made by the District which will be payable from and secured by a charge and first lien on the Net Revenues on parity basis with the lien of the Bonds on the Net Revenues. The 2013 Certificates are expected to constitute Parity Obligations. See “SECURITY AND SOURCES OF PAYMENT OF THE BONDS – Parity Obligations.”

The proposed improvements to the Enterprise (the “Phase 1 Improvements”) expected to be funded with the 2013 Certificates consist of Phase 1 of the District’s Supplemental Water Project. The Phase 1 Improvements will interconnect the District’s water distribution system with the water distribution system of the City of Santa Maria (the “City”). See “THE ENTERPRISE- Water Supply - Supplemental Water Project.”

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

Pursuant to the Indenture, the Bonds are payable from Net Revenues held under the Indenture and investment earnings thereon, all as set forth in the Indenture and in the manner described herein.

Source of Payment for the Bonds; Net Revenues

Gross Revenues. The annual Ad Valorem Tax Revenues received by the District from the County of San Luis Obispo are irrevocably pledged as the first source of funds to pay the principal of and interest on the Bonds and will not be used for any other purpose while any of the Bonds remain outstanding except as described below. In the event that Ad Valorem Tax Revenues are not sufficient to pay the principal of and interest on the Bonds when due, any amounts due shall be paid from other Net Revenues.

The term “Net Revenues” are defined as all Gross Revenues less Operation and Maintenance Costs.

The term “Gross Revenues” under the Indenture means for any period of computation, all gross charges received for, and all other gross income and revenues derived by the District from, the ownership or operation of the Enterprise or otherwise arising from the Enterprise during such period, including but not limited to, without duplication, (a) Ad Valorem Tax Revenues, (b) all income, rents, rates, fees, charges or other moneys derived from the services, facilities and commodities sold, furnished or supplied through the facilities of the Enterprise, (c) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or pursuant to the law to the Enterprise (d) all receipts derived from the investment of funds held by the District or the Trustee under the Indenture and receipts from the Rate Stabilization Fund, (e) all moneys received by the District from other public entities whose inhabitants are served pursuant to contracts with the District, (f) moneys deposited in the Bond Fund, the Water Enterprise Fund or other fund to secure the Bonds or Parity Obligations or to provide for the payment of the principal of or interest on the Bonds or Parity Obligations, (g) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Enterprise as permitted in the Indenture, provided, that the term “Gross Revenues” shall not include customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District and any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds or other obligations.

The term “Operation and Maintenance Costs” means the reasonable and necessary costs of maintaining and operating the Enterprise, calculated on sound accounting principles, including (among other things) the reasonable expenses of management, personnel, services, equipment, repair and other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and reasonable amounts for

Account are not sufficient for such purpose, and (c) making the final payments of principal of and interest on the Bonds. On the date on which all Bonds are retired or provision made therefor pursuant to the Indenture, all moneys then on deposit in the Reserve Fund will be withdrawn by the Trustee and paid to the District for use by the District for any lawful purpose. The Reserve Requirement may be satisfied by crediting to the Reserve Fund moneys or a Reserve Fund Credit Facility or any combination thereof, which in the aggregate make funds available in the Reserve Fund in an amount equal to the Reserve Requirement as provided in the Indenture. The Reserve Fund only secures the Bonds. The 2013 Certificates, if issued, will be required to maintain a separate reserve fund.³⁵

Investments

Money held by the Trustee in any fund or account under the Indenture will be invested by the Trustee as the District will direct in writing in Permitted Investments pending application as provided in the Indenture, so long as all investments mature, or are subject to redemption or disposition by the Trustee, not later than the date when the amounts will foreseeably be needed for purposes of the Indenture. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Indenture.

Permitted Investments will be valued at the fair market value of such obligations, exclusive of accrued interest. All funds and accounts will be valued semi-annually.

Issuance of Parity Obligations

The District may at any time incur Parity Obligations provided:

(a) No Event of Default has occurred and is continuing, and the District will deliver a certificate to that effect to the Trustee;

(b) The Net Revenues calculated in accordance with accounting principles consistently applied, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any more recent twelve (12) month period selected by the District, plus (at the option of the District) the Additional Revenues, shall be at least equal to one hundred twenty-five percent (125%) of the amount of Maximum Annual Debt Service;

(c) The Net Revenues derived from subsections (³⁶a³⁷) through (³⁸d³⁹) of the definition of Gross Revenues (excluding development fees and connection fees), calculated in accordance with accounting principles consistently applied, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any more recent twelve (12) month period selected by the District, plus (at the option of the District) the Additional Revenues, shall be at least equal to one hundred ten percent (110%) of the amount of Maximum Annual Debt Service; and⁴⁰

(d) ⁴¹⁴²The trustee or fiscal agent for such Parity Obligation shall be the same entity performing the functions of Trustee under the Indenture.

The provisions of subsections (b) and (c) above will not apply to any Parity Obligation if all of the proceeds of such Parity Obligation (other than proceeds applied to pay costs of issuing such Parity Obligation and to make a reserve fund deposit required pursuant to subsection (d) above) shall be deposited in an irrevocable escrow for the purpose of paying the principal of and interest and premium (if any) on any outstanding Parity Obligation.

The District anticipates that, ⁴³shortly ⁴⁴following resolution of existing litigation, the District ⁴⁵may⁴⁶ cause to be executed and delivered an estimated principal amount of \$⁴⁷9,970,000⁴⁸ of the 2013 Certificates for the purpose of funding a portion of the costs of certain additional capital improvements to the Enterprise constituting the Phase 1 Improvements of the Supplemental Water Project. The 2013 Certificates are expected to

wastewater regulation and operations. Mr. LeBrun spent twelve years working with the California Regional Water Quality Control Board.

Lisa S. Bognuda, Finance Director. Lisa S. Bognuda has served as Finance Director for the District for more than 20 years. Prior to 1993, she was a Tax Accountant with Glenn, Burdette, Phillips & Bryson, CPA firm for 6 years. Ms. Bognuda became a Certified Public Accountant in 1988. She received a Bachelor of Science degree in Business Administration with a concentration in accounting from California Polytechnic State University, San Luis Obispo in 1985.

Peter V. Sevcik, Director of Engineering and Operations. Peter V. Sevcik, P.E., is the Director of Engineering and Operations and has served in this capacity since September 2007. Mr. Sevcik joined the District with approximately 20 years of experience in wastewater and water including project management, construction management, design, planning and operations & maintenance, most recently serving as the Director of Engineering and Operations for the West Valley Sanitation District in Campbell, California. Mr. Sevcik is responsible for overseeing the planning, design and construction of the District's capital improvement projects. Mr. Sevcik has a Bachelors degree in Civil Engineering from the University of Illinois, Urbana, Illinois, and a Masters degree in Public Administration from Nova Southeastern University, Fort Lauderdale, Florida.

Budget Process

Pursuant to Government Code Section 61110, prior to June 30 of each year, the Board of Directors adopts a preliminary budget or final budget that conforms to generally accepted accounting and budgeting procedures for special districts. Prior to June 30, the District also adopts a resolution establishing the appropriation's limit for the successive fiscal year and authorizing its annual audit^{A49}. Based on the rates, charges and fees adopted by the District, and other revenue sources of the District, the General Manager prepares a District budget for each fiscal year. The budget for Fiscal Year 2013 was adopted on June 13, 2012.

Employees and Employee Benefits

The District is currently staffed with thirteen full-time employees, including a General Manager, Finance Director/Assistant General Manager, Director of Engineering and Operations, Utility Supervisor, Assistant Engineer, Secretary, Billing Clerk, and six maintenance workers. None of the District's employees are presently represented by a union. The District has not experienced any strikes or other labor actions.

Retirement Programs

All regular full-time and part-time employees of the District, unless specifically excluded, are covered under the Public Employees' Retirement System (PERS) of the State of California, a defined benefit plan. Pension costs are funded by monthly contributions from the District. Participants are required to contribute 8% of their annual covered salary. The District makes the contribution required of District employees on their behalf and for their account for employees hired prior to June 18, 2011. Employees hired on or after June 18, 2011, are required to contribute 8% on their own behalf.

The District is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the fiscal year ended June 30, 2012 was 20.296% of annual covered payroll. Benefit provisions and all other requirements are established by state statute, and the employer contribution rate is established and may be amended by PERS. The District is also required to contribute all remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the Board of Administration. The District's contribution to PERS for the fiscal year ending June 30, 2012 was \$215,945, equal to 100% of the required contribution for such fiscal year.

Benefits fully vest after five (5) year of service. Copies of PERS annual financial report may be obtained from their Executive Office – 400 P. Street, Sacramento, California 95814.

Post-Employment Benefits

The District currently provides post-retirement health care benefits through PERS. Employees who retire on or after attaining age 50 and are vested, are eligible for District paid health insurance. Governmental Accounting Standards Board (“GASB”) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)” requires public agencies to plan and account for unfunded OPEB liability. On January 1, 2010, the District conducted an actuarial valuation to determine the required funding for this health benefits program. The actuarial liability for the District’s retiree health benefits program as of June 30, 2012, was determined to be \$1,328,814, based on a discount rate of 7.61%. The District’s funding policy is to fund 100% of the annual required contribution determined through the California Employers’ Retiree Benefit Trust (CERBT). Based on this valuation, the District contributed \$103,000 to an irrevocable trust to meet current obligation of this program and to fully fund the annual liability. Currently five (5) retired employee are receiving 100% paid health care benefits totaling \$4,762 a month as of June 30, 2012.

The following table provides information as of June 30, 2012 of the District’s post-employment benefits required disclosure.

Number of active participants	12
Employer’s actuarially required contributions	\$114,406
Employer’s actual contributions	\$103,000
Actuarial Accrued Liability(AAL)	\$1,328,814
Actuarial Valuation of Assets(AVA)	\$415,459
Unfunded Actuarial Accrued Liability(UAAL)=(AAL less AVL)	\$913,355
Funded Ratio(AVNAAL)	31%
Estimated Payroll	\$761,000
UAAL as a Percentage of Covered Payroll	120%

Deferred Compensation and Compensated Absences

Certain provisions of the Small Business Job Protection Act (the “Act”) affected Internal Revenue Code Section 457 plans by eliminating the requirement that Section 457 plan assets legally remain the assets of the sponsoring government. The Act requires that amounts deferred under a Section 457 plan be held in trust for the exclusive benefit of participating employees and not be accessible by the government or its creditors. The District’s Section 457 plan [assets](#)⁵⁰ have always been held in the CalPERS 457 Trust Plan, and are not considered the assets of the District. The plan permits all District employees to defer ^Δ⁵¹ [a portion](#)⁵² of their salary until future years. The amount deferred is not available to employees until termination, retirement, death or unforeseeable emergency.

Depending on the length of continuous services, a range of 10-20 vacation and 12 sick leave per year may be accumulated by each employee. The District accrues a liability for compensated absences^Δ⁵³ which have been earned but not taken^Δ⁵⁴.

Risk Management

The District is a member of the Special District Risk Management Authority, an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et. seq. In becoming a member of the Special District Risk Management Authority, the District elected to participate in the risk financing programs for the program periods July 1, 2012 through June 30, 2013, including general liability and property insurance with coverage of \$10,000,000 per occurrence with a \$500 deductible for property claims, automobile general liability and property insurance with coverage of \$10,000,000 per occurrence with a \$1,000 deductible,

public officials and employee errors insurance with coverage of \$10,000,000 per occurrence and workers compensation insurance with statutory coverage and employer's liability insurance with coverage of \$5,000,000 per occurrence. Members are subject to dividends and/or assessments. No such dividends have been declared, nor assessments levied. As of June 30, 2012, there are no known refund or credit due to the District, nor has there been any reduction in insurance coverage from the prior year. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years.

Outstanding Indebtedness.

Water Obligations. Other than the Series 2003 Certificates, there ^{Δ55}is⁵⁶ no other obligations of the Enterprise. However, the District plans to incur debt secured by the Net Revenues on parity with the pledge of Net Revenues securing the Bonds. See "THE REFINANCING PLAN – Expected Parity Obligation" for a description of the proposed 2013 Certificates.

Sewer Obligations. The District has entered into a loan agreement, dated as of April 30, 1998, by and between the District and the State Water Resources Control Board (the "1998 SWRCB Loan") for the construction of the Southland Wastewater Treatment Plant Expansion - Phase I. The outstanding balance of this loan as of June 30, 2012 was \$244,079, and is payable over 20 year at zero interest rate and annual payments of \$34,868 commencing May 1, 2000. This loan is payable from wastewater revenues and not the Net Revenues.

The District has entered into a second loan agreement, dated as of February 24, 1999, by and between the District and the State Water Resources Control Board (the "1999 SWRCB Loan") for the construction of the Southland Wastewater Treatment Plant Expansion - Phase II. The outstanding balance of this loan as of June 30, 2012 was \$337,442. The loan is payable over 20 year at zero interest rate and annual payments of \$42,180 starting March 1, 2001. This loan is payable from wastewater revenues and not the Net Revenues.

On April 1, 2009, the District entered into an inter-fund loan from the Property Tax Fund to the Blacklake Division Sewer Enterprise Fund in the principal amount of \$275,000 at 3.5% interest, of which \$148,399 is outstanding as of June 30, 2012. *The inter-fund loan is not secured by Net Revenues.* Bi-monthly surcharges are applied to Blacklake Division customers' sewer utility bills for a period of 10 years to repay the amount. Customers were given the opportunity to prepay their share of the loan and thereby avoid interest costs and the bi-monthly surcharge.

On June 21, 2012, the District executed and delivered \$9,795,000 Revenue Certificates of Participation (the "2012 Sewer Certificates") for the construction of the Southland wastewater project costs. The outstanding amount of the 2012 Sewer Certificates as of June 30, 2012, is \$9,795,000. The 2012 Sewer Certificates are payable from wastewater revenues and not the Net Revenues.

Special Assessment Debt. In July, 1994, the District issued its Assessment District No. 93-1 Bonds in the amount of \$1,752,938. The balance outstanding as of June 30, 2012 was \$516,000. These bonds are secured by assessments on certain parcels within the District and not from Net Revenues pledged under the Indenture.

THE ENTERPRISE

History and Management

The District was formed in 1965 and currently provides 11,850 residents of the Nipomo area with one or more services including water, wastewater, street lighting, solid waste disposal or limited drainage services.

The Enterprise serves the District encompassing approximately 7 square miles. The District currently employs twelve people full time, and operates one shift, five days a week to operate and maintain the Enterprise.

There is 24-hour support provided to the enterprise year round through on-call operational staffing. The District's Finance Department is responsible for billing and collecting all water utility bills.

The Enterprise currently serves 4,268 customers, consisting of 3,587 single family, 492 multi-family, 95 commercial and 94 irrigation accounts.

The Enterprise originally consisted of two divisions ^{Δ57}(⁵⁸the Town Division and the Blacklake Division)⁵⁹ which were merged in 2009. Along with normal maintenance, the District has implemented a preventative well maintenance program where a well is taken out of service each year and refurbished. The District anticipates that this will prevent downtime of any of the wells in the Enterprise. The Board of Directors of the District has implemented a funded cost replacement program. Replacements are scheduled as needed and the budgeted replacement program costs are incorporated into the user rates. Even with a cost replacement program, the District has maintained one of the lowest water rates in the County.

Existing Facilities

The Enterprise consists of eight (8) wells with a pumping capacity of approximately 3,300 gallons per minute, and four million gallons of water storage. The District has adequate water storage to provide water during power outages and has the Sundale Well (1,000 gpm) which has a dedicated standby generator available to operate the well totally independent of electrical power supply for operations. The well depths of the Enterprise are monitored continuously in one well and monthly in all others. The entire Enterprise is on the Supervisory Control and Data Acquisition System, a computer software system that monitors and controls the wells, tanks, lift stations and wastewater treatment plant. One half of the District is billed one month and the other half the following month to maintain cash flow for the District.

Wells. The District operates eight (8) production wells, located throughout the distribution system, which produce all of its water supply for the Enterprise.

Storage Facilities. There are five (5) above ground steel storage reservoirs with four million gallons of combined capacity.

Pumping Facilities. Each well has pumping facilities sufficient to pump water into the system and fill the reservoirs.

Distribution System. The District's water distribution system includes approximately ninety (90) miles of water lines varying in size from two (2) inches to eighteen (18) inches. Fifty percent (50%) of the Enterprise water lines are comprised of six- and eight-inch pipeline. The District believes that its distribution system is currently in good repair and operating condition.

Water Supply

Groundwater. Groundwater is currently the sole source of water to the District. Groundwater is supplied by eight active wells and pumping stations. The District also ^{Δ60}has⁶¹ two wells that are on standby, and one of the District's eight active wells is not typically used due to low water quality relative to remainder of supply. The wells have an average depth of 600 feet. The three largest wells are the Eureka Well (900 gpm), Sundale Well (1,000 gpm), and the Via Concha Well (900 gpm). Total maximum daily production from the wells is about 3,300 gpm.

Groundwater Adjudication. In prior years, the District was a party to litigation originating in 1997 involving the adjudication of various water rights within the greater Santa Maria Groundwater Basin, which litigation grew to include 900 parties. In 2005, the Court approved a Settlement Stipulation ("Stipulation") that was signed by the District, other water purveyors and landowners that overlie the Santa Maria Groundwater Basin. The Stipulation contains specific provisions with regard to rights to use groundwater, development of groundwater monitoring programs, and development of plans and programs to respond to potentially severe water shortage

conditions. Depending on conditions, as determined by Nipomo Mesa Management Area (NMMA) Technical Group, the District and other Nipomo Mesa purveyors can be ordered to reduce pumping.⁶² The intent of the Stipulation was to impose a physical solution establishing the legal and practical means for ensuring the long-term sustainability of the Santa Maria Groundwater Basin. The Stipulation requires the District to develop additional water supplies to serve current and future customers. The Stipulation has been finally adjudicated, ⁶³and⁶⁴ on February 13, 2013, the California⁶⁵ Supreme Court denied the petition for review and no further action to contest the Stipulation may be taken.

The Stipulation requires, among other things, that the District is to deliver 2500 AF of supplemental water per year to the Nipomo Mesa Management Area⁶⁶ of which the District is a part, and to that end, that the following parties will participate in the District's purchase of the first 2,500 AF of supplemental water per year from the City of Santa Maria in the following percentages: District at 66.68%, Woodlands Mutual Water Company ("Woodlands") at 16.66%, Golden State Water Company ("Golden State") at 8.33% and Rural Water Company ("Rural") at 8.33%.

Supplemental Water Project. For several years, the District has been developing plans for a supplemental water project which would interconnect the District's water distribution system with the water distribution system of the City of Santa Maria (the "Supplemental Water Project"), allowing the District to reduce pumping from existing wells to slow the depletion of groundwater and reduce the potential for seawater intrusion on the Nipomo Mesa as required by the Stipulation. The overall costs to construct the Supplemental Water Project is currently estimated at \$25,500,000. Environmental impact review is complete and bids for Phase 1 have been received but not yet awarded. Phase 1 Improvements, estimated to cost \$17,503,160, will be capable of initially delivering approximately 650 acre-feet per year ("AFY") on average of supplemental water to the District increasing to a potential of approximately 1,000 AFY of supplemental water depending on flow control adjustments. Phase 1 Improvements consist of waterlines, pipe under the Santa Maria River, a flow meter and flow control station, a pump station with two (2) pumps, a chloramination system, a pressure reducing station, and chloramination systems at four (4) existing District production wells. Phase 2 will consist of approximately 5,000 lineal feet of 12 inch diameter waterline, a 500,000 gallon partially buried pre-stressed concrete tank at the pump station, and installation of three (3) larger pumps at the pump station. This additional infrastructure will allow for the delivery on average of a total of 1,600 AFY of supplemental water. Phase 3 will consist of approximately 11,000 lineal feet of 12 inch diameter waterline and installation of one (1) additional pump at the pump station as well as four (4) pressure reducing stations. This additional infrastructure will allow for the delivery on average of a total of 3,000 acre-feet (AFY) of supplemental water. Phase 2 and Phase 3 are each estimated to cost approximately \$4 million.

In 2012, the District undertook to form an assessment district within its jurisdiction and the jurisdictions of the three water purveyors to finance a portion of the Supplemental Water Project. On May 9, 2012, a majority protest existed (approximately 52% of the weighted Proposition 218 ballots) thus defeating the use of assessments to finance the Supplemental Water Project.

On April 24, 2013, and on May 8, 2013, the District adopted and amended a financing plan for the Phase 1 Improvements, which included funding as follows: net proceeds of proposed 2013 Certificates in the amount of \$4,000,000 to \$9,000,000, a \$2,200,000 grant from the California Department of Water Resources, \$2,400,000 in existing funds from the Property Tax Fund, \$1,403,160 in existing funds from the Water Capacity Fund, \$1,500,000 in existing funds from the Water Fund, \$1,000,000 in existing funds from the Supplemental Water Capital Fee Fund, for a total amount of \$17,503,160. The original financing plan included \$4,000,000 in existing funds from the Water Funded Replacement Fund. On May 3, 2013, a complaint for writ of mandate and injunctive relief was filed against the District in County of San Luis Obispo Superior Court alleging improper use of the Water Funded Replacement Fund for the⁶⁷Phase 1 Improvements.⁶⁸ The suit seeks to invalidate approval of Phase 1 Improvements⁷⁰ and the use of moneys in the Water Funded Replacement Fund and for injunctive relief against any action of the District with respect to the Supplemental Water Project. The District believes the adoption of its original financing plan, as well as the amended financing plan, are legal and valid actions of the District and are mandated by the Stipulation, and the District is currently defending such positions in court.

The District anticipates that Phase 2 and Phase 3 improvements for the Supplemental Water Project will be funded on a pay-as-you-go basis from the Supplemental Water Fees derived from future development within the District and the District has no plans to incur any additional bonded indebtedness for these future phases.

Wholesale Water Agreement. In order to comply with the Stipulation, the City and the District entered into a wholesale water agreement dated June 5, 2010, and amended May 6, 2013 (the “Wholesale Water Agreement”), in which the City agreed to reserve and sell supplemental water to the District, and the District agreed to purchase such supplemental water, following completion of the Phase 1 Improvements. Following completion of the Phase 1 Improvements, the District is required to purchase the following minimums: 645 AFY of water during year 1, 800 AFY during years 2 through 5, 1,000 AFY during years 6-10, and 2,500 AFY during years 11 through 2035. Under the Wholesale Water Agreement, if the District does not take the minimum amounts, the City may bill the District for the balance. The cost of the water will be the Base Rate of the City’s Water Consumption Rates plus an Base Energy Cost equal to \$206.85 per AF. The City and the District expect to enter into a Operation Memorandum of Understanding required by the water agreement for the operation of the interconnect facilities. The District has not yet entered into any water sale agreements with the three water purveyors who are required to purchase supplemental water from the District. [The District expects to pass along costs of water and their fair share of costs of constructing, operating and maintaining the Phase 1 Improvements.](#)⁷¹

Historical and Projected Water Supply and Deliveries

As of February 28, 2013, the District has pumped 1,603 acre-feet for the current fiscal year, down from 1,681 acre-feet for the same period last year. As of February 28, 2013, the District has delivered 1,544 acre-feet of water for the current fiscal year, down slightly from 1,597 acre-feet for the same period last year. Set forth below in Table 1 is a summary of the amount of historical groundwater pumped and deliveries by the District for the last five fiscal years. The amount of pumped water and deliveries is impacted by building activity, rainfall and consumer use. [The District’s historic high year of production was back in 2007 at approximately 2,900 AF.](#)⁷² Since 2008, water usage has declined primarily due to decreased construction and development [activity](#)⁷³ in the region, conservation efforts by the District and the downturn in the economy in general. This trend is anticipated to reverse in the near future as building activity and development expands and new connections increase. See Table 5 for projected connections based on capacity fee information. For purposes ⁷⁴of the District’s financial projections, however, the District has conservatively estimated amounts of pumped groundwater for the current and four succeeding fiscal years as set forth in Table 2.

**TABLE 1
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
HISTORICAL GROUNDWATER PUMPED AND DELIVERIES
(IN ACRE-FEET PER YEAR)**

Fiscal Year Ended June 30	Pumped Water	Percent Change	Water Deliveries	Percent Change
2012	2,489	2.8%	2,348	0.2%
2011	2,421	(5.1)	2,297	(3.4)
2010	2,550	(6.6)	2,375	(8.3)
2009	2,729	(4.0)	2,591	(7.0)
2008	2,844	--	2,787	(1.3)

Source: Nipomo Community Service District.

tax revenues received by the District for the fiscal years 2008 through ^{△75}[2012, net of any ERAF payments described below.](#)⁷⁶

**TABLE 7
NIPOMO COMMUNITY SERVICES DISTRICT
HISTORICAL ASSESSED VALUATION & PROPERTY TAX REVENUES**

Fiscal Year Ended June 30	Gross Secured Assessed Valuation	Gross Unsecured Assessed Valuation	Homeowners' Exemption	Adjusted Assessed Valuation	Ad Valorem Property Tax Revenues ⁽¹⁾
2012	\$1,301,667,173	\$12,993,551	\$(16,900,800)	\$1,297,759,924	\$492,137.70
2011	1,333,639,941	13,353,669	(16,973,600)	1,330,020,010	500,010.88
2010	1,360,374,058	11,351,617	(16,891,000)	1,354,834,675	478,193.09
2009	1,412,360,063	10,466,326	(16,921,800)	1,405,904,589	468,481.28
2008	1,395,028,513	10,852,525	(16,611,000)	1,389,270,038	462,004.90

(1) Share of 1% General Fund Apportionment [less ERAF payments or other adjustments](#)⁷⁷.

Source: County of San Luis Obispo Assessor.

State Legislative Shift of Property Tax Allocation. Beginning in 1992-93, the State has required that local agencies including special districts remit a portion of property taxes received to augment school funding, shifting approximately 42% of the District’s 1% property tax levy away from the District to school districts. These funds are deposited in each county’s Education Revenue Augmentation Fund (“ERAF”). These property taxes are permanently excluded from the District’s property tax revenues. The estimated ERAF payment to be deducted from the District’s property tax revenues for fiscal year 2012-13 is \$346,096. On July 24, 2009, the California legislature approved amendments to the 2009-10 Budget to close its anticipated \$26.3 billion budget shortfall. The approved amendments include borrowing from local governments by withholding of the equivalent of 8% of Fiscal Year 2008-09 property related tax revenues from local agencies tax collections under provisions of Proposition 1A (approved by the voters in 2004), which the State must repay with interest within three years. The District bonded its share of Proposition 1A receivables in November 2009 utilizing the California Statewide Communities Development Authority Proposition 1A Securitization program for upfront payments in January 2010 and May 2010 totaling \$43,882.

It cannot be predicted if future legislation will be introduced to further reduce, or entirely eliminate, the percentage of the Ad Valorem Property Taxes paid to the District. Given the recent shortfalls that exist in the State’s budget, it is possible that the State will again look to shift property taxes away from certain local agencies in an effort to arrive at a balanced budget. Proposition 1A, however, generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. See “LIMITATIONS ON TAXES AND REVENUES – Proposition 1A.” Additionally, the Ad Valorem Property Taxes are specifically pledged to payment of ^{△78}[Debt Service on the Bonds](#)⁷⁹ which may limit the ability of the State to reduce or eliminate such revenues.

^{△80}

Tax Levies and Delinquencies. In accordance with the California Revenue and Taxation Code, the County tax collector collects secured tax levies for each Fiscal Year. Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment and interest accrues at 18% per

TABLE 11
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
TEN LARGEST ENTERPRISE CUSTOMERS BASED ON PAYMENT
FISCAL YEAR ENDED JUNE 30, 2012

Account Name	Annual Payment	Percent of Total Water Revenue
Lucia Mar Unified School District	\$ 67,035	2.25%
Nipomo Regional Park	37,974	1.27
San Luis Bay Apartments	35,013	1.18
Blacklake Village Association	31,950	1.07
Brassica Nursery	15,710	0.53
Fairways	12,579	0.42
Crown Pointe Blacklake	12,523	0.42
La Placita Market	11,161	0.37
Tourney Hills Association	10,068	0.34
Cider Village	<u>9,909</u>	<u>0.33</u>
Subtotal of Top Ten	\$ 243,922	8.19%
Total	\$2,978,557	100.00%

Source: Nipomo Community Service District.

These ten largest customers of the Enterprise as measured by charges for the fiscal year ended June 30, 2012, were responsible for approximately 8% of Enterprise revenue during such period. The majority of the District's customers are residential.

Water Rates and Charges

General. District rates and charges for water service in the District's service area are set by the Board of Directors and are not subject by statute to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The District staff annually determines the adequacy of the water charge structure for its water service in the service area after full consideration of expected operations, maintenance and capital costs of the Enterprise. The Board of Directors currently sets water charges to pay the costs of water pumping and to recover operating expenses for the Enterprise. Capital improvements and debt service payments for the Enterprise are funded from capital facilities fees and property tax revenues plus replacement reserves⁸¹. Beginning in 2009, the District's two water service areas merged.

Water Service Rates. The District requires meters for all its customers. The existing water service rates and approved increases were adopted pursuant to Resolution No. 2011-1235, became effective on November 1, 2011 and are presented in Table 13. The revised rates reflect an overall revenue goal of 9.5% increase annually through fiscal year 2015-16. The District has followed Proposition 218 proceedings in relation to the notice, hearing and protest procedures in connection with recently increased rates and plans to follow such procedures in connection with future rate increases. See "LIMITATIONS ON TAXES AND REVENUES –Article XIIC and Article XIID of the California Constitution." Prior to the adoption of Resolution No. 2011-1235, the last increase in rates for the Enterprise occurred in 2009.

The structure consists of a bi-monthly fixed charge by meter size and a consumption charge consisting of a four-block volume charge for residential customers and separate volume charges for commercial, irrigation and

agriculture customers. Residential rate blocks were established recognizing the average bi-monthly consumption. A separate buy-in charge for residents of the Blacklake area is not included in the charts below.

In response to the [planned financing of the](#) ⁸²Phase 1 Improvements and the proposed Supplemental Water Project, the District has begun the process to obtain a new rate study for both its water rates and capacity charges. ⁸³[If the 2013 Certificates are issued and the Districts moves forward with the Supplemental Water Project, the](#) ⁸⁴District anticipates that procedures to increase the water rates and the Supplemental Water Capacity Fee will commence shortly following the review of the rate study, with the new Supplemental Water Capacity Fee effective immediately thereafter and the revised water rates passing through the higher cost of the supplemental water effective following the completion of the Phase 1 Improvements.

The chart below sets forth the current [approved](#) ⁸⁵rate structure for the Enterprise.

**TABLE 12
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
CURRENT RATE STRUCTURE**

BI-MONTHLY AVAILABILITY CHARGES
(Effective November 1 of each Fiscal Year)

<u>METER SIZE</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
1 inch and less	\$ 26.85	\$ 29.40	\$ 32.19	\$ 35.25	\$ 38.60
1 1/2 inch	76.22	83.46	91.39	100.07	109.58
2 inch	120.72	132.19	144.75	158.50	173.56
3 inch	224.64	245.98	269.35	294.94	322.96
4 inch	373.04	408.48	447.29	489.78	536.31
6 inch	743.75	814.41	891.78	976.50	1,069.27
8 inch	1,188.76	1,301.69	1,425.35	1,560.76	1,709.03

WATER COMMODITY RATES
(Effective November 1 of each Fiscal Year)

Residential Water Commodity Rates
(per Unit¹)

<u>Single-Family</u>	<u>Multi-Family</u> (per dwelling unit)	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
0 to 24 units	0 to 8 units	\$1.64	\$1.80	\$1.97	\$2.16	\$2.37
25 to 40 units	9 to 12 units	\$2.05	\$2.25	\$2.46	\$2.69	\$2.95
41 to 100 units	13 to 25 units	\$2.88	\$3.15	\$3.45	\$3.78	\$4.14
Over 100 units	Over 25 units	\$4.93	\$5.40	\$5.91	\$6.47	\$7.08

1. One unit = 100 cubic feet = 748 gallons.

Nonresidential Water Commodity Rates

Varies and is dependent on meter size

Source: Nipomo Community Service District.

The above referenced bi-monthly availability charge does not include a separate litigation charge currently in place. This bi-monthly ⁸⁶litigation charge (\$6.32 for a 1” or less meter size) ⁸⁷is to offset the District’s financial obligations related to the lawsuit titled *Santa Maria Valley Water Conservation District v. The City of Santa Maria, the Nipomo Community Services District, et al.* This case has been finally adjudicated as discussed in “THE ENTERPRISE – Water Supply^{88 89}” ⁹⁰When ⁹¹the District’s financial obligations regarding this lawsuit have been ⁹²satisfied⁹³, the ⁹⁴litigation charge ⁹⁵will be eliminated. The ⁹⁶revenue from the litigation charge been included in any revenue projections for the District.

Table 13 below sets forth a comparison of current effective water rates for other communities and service areas in the surrounding region. A bi-monthly bill comparison was prepared showing bi-monthly bills of water purveyors in San Luis Obispo County and other local communities. The comparison shown in Table 15 was prepared by applying the District’s average single-family water consumption of 40 Ccf to each of the water purveyor’s single-family water rate schedules for water rates in effect as of April 1, 2013. The table indicates that the District’s bi-monthly bill at 40 Ccf, with the November 1, 2012 rates excluding Litigation Charges, is in the lower half of the agencies listed.

**TABLE 13
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
REGIONAL COMPARISON OF WATER RATES
(Bi-monthly charges)**

District /Agency	Bi-Monthly Rate for Single Family Residence (40 Ccf)
Avila Beach Community Services District	\$336.00
City of San Luis Obispo	297.10
Cambria Community Services District	236.57
Los Osos Community Services District	232.71
City of Santa Maria	207.24
City of Arroyo Grande	178.12
City of Pismo Beach	177.03
Heritage Ranch Community Services District	139.32
Oceano Community Services District	131.42
City of Grover Beach	130.72
City of Paso Robles	128.00
Nipomo Community Services District	108.60
Golden State Water	99.10
San Miguel Community Services District	96.88
Templeton Community Services District	96.80

Source: Nipomo Community Services District.

Capacity Charges

Pursuant to Resolution 2008-1102, the District currently charges developers or other new customers connecting to the Enterprise two separate one-time charges for capacity in the system. The Water Capacity Fee can be used for all capital projects, and the Supplemental Water Capacity Fee can be used only for the Supplemental Water Project. Only the Water Capacity Fees are available for making Debt Service payments [on the Bonds](#)⁹⁷ and are described herein. Water capacity charges are based on meter size and reflect the potential demand on the Enterprise that each new connection could impose. Capacity charges are paid at the time of a Will Serve letter, which is prior to the issuance of building permits by the County. There may be a significant lag time between the collection of these charges and the generation of new connections for the District.

Commencing July 1, 2009, and each fiscal year thereafter, the capacity charges shall be increased to reflect the increase in the costs of the construction of District facilities. The determination of whether there has been an increase in costs and the amount of the increase in costs shall be determined by the percentage increase in the 20-Cities Construction Cost Index published by the Engineering News Record using the July, 2008, value of 8,293 as the basis and the Index value for May of each year to calculate the increase. The Index value for May 2011 is 9,290. Water Capacity Fees are deposited into Water Capacity Fund of the Enterprise. Current and historical Water Capacity Fee revenues are summarized in the tables below. The current Water Capacity Fee effective July 1, 2012 is \$3,385 for 1 inch meter.

The table below shows the historical revenues generated by the Water Capacity [△]⁹⁸Fees for the past five fiscal years.

**TABLE 14
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
HISTORICAL WATER CAPACITY FEES**

Fiscal Year Ended June 30	Water Capacity Fee Revenues
2012	\$ 3,293
2011	31,913
2010	41,469
2009	744,817
2008	1,595,013

Source: Nipomo Community Service District.

The following table depicts the projected revenue derived from current and future Water Capacity Fees for the fiscal years 2012-13 through 2016-17 based on Intent-to-Serve letters processed by the District and information received by the District at this time regarding the planning stages of identified future developments within the District. In its financial projections the District has discounted this projected revenue by 50%.

TABLE 15
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
PROJECTED WATER CAPACITY FEES^{△99}

PROJECT	2012-13	2013-14	2014-15	2015-16	2016-17
Tract 2734 (6 SF)	\$ ^{△100} <u>20,310</u> ¹⁰¹				
Tract 2855 (1 SF)	^{△102} <u>3,385</u> ¹⁰³				
Ashland (1 SF)	^{△104} <u>0</u> ¹⁰⁵				
APN 091-283-014 (2 SF)		\$ ^{△106} <u>6,770</u> ¹⁰⁷			
Tract 2650 (16 SF)		^{△108} <u>54,160</u> ¹⁰⁹			
Tract 2642 (18 SF)			\$ ^{△110} <u>60,930</u> ¹¹¹		
C O 06-0225 (20 MFR/1 IRR)				\$ ^{△112} <u>117,791</u> ¹¹³	
Tract 2441 (38 SF)				^{△114} <u>128,630</u> ¹¹⁵	
Tract 2634 (2 SF)				^{△116} <u>6,770</u> ¹¹⁷	
Tract 2689 (38 SF/Mixed Use)			^{△118} <u>84,625</u> ¹¹⁹		
Tract 2906 (15 SF)					\$ ^{△120} <u>50,775</u> ¹²¹
Estimated Total	\$ ^{△122} <u>23,695</u> ¹²³	\$ ^{△124} <u>60,930</u> ¹²⁵	\$ ^{△126} <u>145,555</u> ¹²⁷	\$ ^{△128} <u>253,191</u> ¹²⁹	\$ ^{△130} <u>50,775</u> ¹³¹
Estimated Projected Revenue (based on 50% discount)	^{△132}	\$ ^{△133} <u>30,465</u> ¹³⁴	\$ ^{△135} <u>72,778</u> ¹³⁶	\$ ^{△137} <u>126,596</u> ¹³⁸	\$ ^{△139} <u>25,388</u> ¹⁴⁰

Source: Nipomo Community Services District.

Capital Improvement Program

The District's projected capital improvement plan for the Enterprise for Fiscal Years 2012-13 through Fiscal Year 2016-17, as well as the estimated source of revenue for such improvements, is set forth below.

**TABLE 16
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
CAPITAL IMPROVEMENT PROGRAM SUMMARY**

Project	Source of Funds	2012-13	2013-14	2014-15	2015-16	2016-17
Supplemental Water	Supp Water Fund		1,000,000			
	Prop Tax Fund		2,400,000			
	Grant		2,200,000			
	2013 Cert Proceeds		9,000,000			
	△ ¹⁴¹		△ ¹⁴²			
	Cap Fund		1,384,000			
	Water Fund		1,500,000			
New Tank Site	Cap Fund			400,000	1,200,000	400,000
Willow Road Water Line	Cap Fund	100,000				
SCADA Upgrades	Cap Fund	140,000	50,000			
Standpipe Mixing	Cap Fund		250,000			
Water Master Plan	Cap Fund			200,000		
Standpipe Upgrade & Rehab	Replace Fund		150,000			
Fire Hydrant Replacement	Replace Fund	72,600	72,600	72,600	72,600	72,600
Valve Replacements	Replace Fund	184,000	184,000	184,000	184,000	184,000
Air Vac Replacements	Replace Fund	16,500	16,500	16,500	16,500	16,500
Well Refurb. - BL No. 4	Replace Fund	200,000	200,000			
TOTAL (uninflated)		\$713,100	\$18,407,100	\$873,100	\$1,473,100	\$673,100
TOTAL (with 3.5% inflation)		\$713,100	\$18,439,500	\$935,300	\$1,633,300	\$772,300

Source: Nipomo Community Services District.

The District's capital improvement program is a five-year plan, revised annually. Consequently, projects planned for future years may be cancelled, and new projects not presently anticipated may be undertaken. The planned proceeds of the proposed 2013 Certificates have been incorporated into the above table for the Phase 1 Improvements. [If the 2013 Certificates are not sold Phase 1 Improvements will not be undertaken unless another source of financing can be identified](#)¹⁴³New capital improvements and upgrades, other than the Phase 1 Improvements, are funded¹⁴⁴ from capacity funds, surplus property tax revenues not utilized for payment of Debt Service, and replacement reserves. Maintenance of the capital components of the Enterprise are funded from revenues of the Enterprise.

Billing and Collection Procedures

The District issues a combined utility bill to each of the customers for fees and charges related to water and wastewater services on a bi-monthly basis. Customers with delinquent accounts are charged an additional fee.

Customer accounts become delinquent if unpaid 25 days after due, and if a delinquent account remains unpaid for an additional 15 days water service is terminated.

The District has historically [had](#)¹⁴⁵ a very low, if any, annual delinquency rate on the collection of its utility charges. Currently, the delinquency rate is 0%. If delinquencies occur, service is discontinued and liens are placed on the parcels and collected on the property tax roll.

Water Treatment

The District disinfects all groundwater at the well site prior to entering the system.

Water Quality

The District tested its drinking water over 350 times last year for regulated and non-regulated contaminants. The District routinely monitors for regulated and non-regulated constituents both at the source and in the system. Monitoring frequencies vary from weekly, monthly, quarterly, and annually, to once every three years depending on the constituent. The District is in compliance with all applicable federal and state water quality laws.

Conservation

The District adopted its Water Conservation Program in February 2008 with the primary goal of reducing water use by 15% through core and non-core measures. Core measures include public outreach and education, advertising, technical assistance (leak detection and water audits) and conservation-based, multi-tiered water rate structure. Example of non-core measures include plumbing retrofits, high efficiency clothes washers, removal of lawn, and installation of ‘smart’ irrigation controllers.

In 2004, water use per person per day within the District peaked at 257 gallons. In 2007, the year prior to District adoption of its Conservation Program, per capita water use stood at 226 gallons per day. In 2011, District per capita use was 182 gallons per day – a near 20% decrease since 2007 and a near 30% decrease from the 2004 peak usage rate. The District has maintained compliance with the ever-evolving California Urban Water Conservation Council requirements and Best Management Practice recommendations. In 2013, a five-year review of the District’s Water Conservation Program will be undertaken. The California Urban Water Conservation Council requires a formal review of District compliance with its recommended Best Management Practices be provided by ^{Δ146}[Spring](#)¹⁴⁷ 2013. This review of Management Practices will provide the basis for comprehensive program review.

Accounts payable	234,172	474,052	263,571	191,632	205,056	52,233
Accrued liabilities	63,663	44,002	79,209	75,173	74,311	35,963
Deposits	102,014	109,624	83,849	87,640	118,949	187,320
Current portion long-term debt	10,000	10,000	30,584	31,546	21,170	21,170
Total current liabilities	\$ 409,849	\$ 637,678	\$ 457,213	\$ 385,991	\$ 419,486	\$ 296,686
Noncurrent Liabilities						
Long-term debt	110,000	100,000	272,928	227,403	141,233	141,233
TOTAL LIABILITIES	\$ 519,849	\$ 737,678	\$ 730,141	\$ 613,394	\$ 560,719	\$ 437,919
NET ASSETS						
Invested in capital assets, net of related debt	\$11,575,478	\$13,547,108	\$14,536,375	\$15,225,766	\$14,234,649	\$14,244,380
Restricted for system expansion and replacement	7,468,246	7,670,766	7,438,636	7,372,957	7,876,061	8,114,323
Unrestricted	6,073,450	5,187,308	4,960,373	4,454,120	3,753,003	4,542,822
Total Net Assets	\$25,117,174	\$26,405,182	\$26,935,384	\$27,052,843	\$25,863,713	\$26,901,525

* Other than Fiscal Year 2012-13, which consists of unaudited numbers as of 2/28/13.

Source: Nipomo Community Services District.

Projected Operating Results and Debt Service Coverage

The following table sets forth the historical debt service coverage of the Enterprise for the previous five fiscal years.

TABLE 19
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
HISTORICAL DEBT SERVICE COVERAGE
For Fiscal Years Ended June 30^{A148}

	2007-08	2008-09	2009-10	2010-11	2011-12
REVENUES					
Water Sales and Service Charges	\$2,979,529	\$2,987,268	\$2,938,162	\$2,771,928	\$2,978,557
Ad Valorem Property Tax	532,589	540,429	506,745	494,347	488,333
Connection Fees	392,316	725	61,937	168,201	17,898
Interest Income	499,501	289,302	87,010	61,450	45,773
Other	425,193	62,188	63,061	106,766	91,602

TABLE 20
NIPOMO COMMUNITY SERVICES DISTRICT WATER ENTERPRISE
PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE
For Fiscal Years Ended June 30

	2011-12 <u>Actual</u>	2012-13 <u>ESTIMATE</u>	2013-14 <u>ESTIMATE</u>	2014-15 <u>ESTIMATE</u>	2015-16 <u>ESTIMATE</u>	2016-17 <u>ESTIMATE</u>
OPERATING REVENUES						
Charges for Services	\$2,978,557	\$3,310,800	\$3,623,500	\$3,965,400	\$4,340,100	\$4,500,300
Miscellaneous	47,259	47,200	50,900	54,100	54,300	54,500
Total Operating Revenues	\$3,025,816	\$3,358,000	\$3,674,400	\$4,019,500	\$4,394,400	\$4,554,800
OPERATING EXPENSES						
Salaries and Benefits	\$ 789,387	\$ 825,000	\$1,131,800	\$1,178,800	\$1,228,000	\$1,279,500
Utilities	440,880	450,000	455,000	484,100	502,200	520,800
Chemicals	17,171	20,000	21,500	21,100	21,700	22,300
Lab Testing	22,142	22,000	45,000	47,300	49,700	52,200
Supplies	35,438	30,000	31,000	32,600	34,200	35,900
Fees and Permits	12,402	13,000	14,000	14,700	15,400	16,200
Repairs and Maintenance	96,815	135,000	135,000	141,800	148,900	156,300
Outside Services	51,549	85,000	90,000	94,500	99,200	104,200
General And Administration	572,560	586,200	654,000	606,100	636,400	668,300
Other Expenses	118,699	211,900	155,900	163,900	172,100	180,800
Total Operating Expenses	\$2,157,043	\$2,378,100	\$2,733,200	\$2,784,900	\$2,907,800	\$3,036,500
OPERATING INCOME (LOSS)	\$ 868,773	\$ 979,900	\$ 941,200	\$1,234,600	\$1,486,600	\$1,518,300
NON-OPERATING REVENUE (EXPENSES)						
Interest Income	\$ 45,773	\$ 41,800	\$ 41,600	\$ 38,700	\$ 40,600	\$ 43,000
Water Capacity Charges	3,293	23,700	30,500	72,800	126,500	25,400
△ ¹⁴⁹	△ ¹⁵⁰	△ ¹⁵¹	△ ¹⁵²	△ ¹⁵³	△ ¹⁵⁴	△ ¹⁵⁵
Cell Site	36,809	37,700	38,000	38,800	39,600	40,400
Total Non-Operating Revenue (Expense)	\$ ¹⁵⁶ 85,875 ¹⁵⁷	\$ ¹⁵⁸ 103,200 ¹⁵⁹	\$ ¹⁶⁰ 110,100 ¹⁶¹	\$ ¹⁶² 150,300 ¹⁶³	\$ ¹⁶⁴ 206,700 ¹⁶⁵	\$ ¹⁶⁶ 108,800 ¹⁶⁷
Pledge of Property Tax Revenue	488,300	493,000	502,900	513,000	523,300	533,800
TOTAL NET REVENUES AVAILABLE FOR DEBT SERVICE						
	¹⁶⁸ \$ ¹⁶⁹ 1,442,948 ¹⁷⁰	¹⁷¹ \$ ¹⁷² 1,576,100 ¹⁷³	¹⁷⁴ \$ ¹⁷⁵ 1,554,200 ¹⁷⁶	¹⁷⁷ \$ ¹⁷⁸ 1,897,900 ¹⁷⁹	¹⁸⁰ \$ ¹⁸¹ 2,216,600 ¹⁸²	¹⁸³ \$ ¹⁸⁴ 2,160,900 ¹⁸⁵
Series 2003 Debt Service	\$ 246,000					
Series 2013A Debt Service *		\$ ¹⁸⁶ 230,000 ¹⁸⁷	\$ ¹⁸⁸ 230,000 ¹⁸⁹	\$ ¹⁹⁰ 230,000 ¹⁹¹	\$ ¹⁹² 230,000 ¹⁹³	\$ ¹⁹⁴ 230,000 ¹⁹⁵
COVERAGE	¹⁹⁶ 587 ¹⁹⁷ %	¹⁹⁸ 685 ¹⁹⁹ %	²⁰⁰ 676 ²⁰¹ %	²⁰² 825 ²⁰³ %	²⁰⁴ 964 ²⁰⁵ %	²⁰⁶ 940 ²⁰⁷ %
Beginning Combined Fund Balances		\$11,691,000	\$12,090,200	\$10,709,800	\$11,366,600	\$11,868,100
Ending Combined Fund Balances		\$12,090,200	\$10,709,800	\$11,366,600	\$11,868,100	\$12,710,700

* Preliminary, subject to change..

Source: Nipomo Community Services District.

Tuckfield & Associates, independent consultant to the District (the “Independent Consultant”), has prepared the previous table of projections of operating results of the Enterprise based on certain assumptions made by the District. These assumptions include the following:

- Fiscal year 2012-13 figures are based on budget amounts.
- Projected revenues are based on the current existing rate structure and 28 new connections each year. The last approved rate increase is Nov 1, 2015, with no assumed rate increase in fiscal year 2016-17, and without regard to the intention of the District to conduct a rate study and increase rates and capacity fees prior to such date. See “THE ENTERPRISE – Water Rates and Charges” and “RISK FACTORS – State Constitutional Amendment.”
- Phase 1 of the Supplemental Water Project is not undertaken.
- Water Capacity Charge projections are based on Table 15, including assumptions made in Table 5, without regard to the intention of the District to conduct a rate study to increase rates and capacity fees. See LIMITATIONS ON TAXES AND REVENUES – Article XIIC and Article XIID of the California Constitution.”
- Cell Site lease revenue increases at two percent (2%) annually.
- Interest income is based on an interest rate of 0.35% on the average fund balances.
- Property Tax Revenue of \$493,000 in fiscal year 2012-13 are based on County estimates, and are inflated at two percent (2%) in future years.
- Operation and Maintenance expenses are inflated at the following annual rates: Salaries - 3.0%; Benefits - 6%; Chemicals (per Ccf) - 3%, and Electricity (per Ccf) - 4%. All other expenses are inflated at 5% annually.
- Transfers to the Replacement Fund for annual capital replacement are based on District Policy.
- District policy is to maintain an estimated 180 days of operation and maintenance expense as an operating reserve.

To the extent that actual future conditions vary from those assumed in preparing the projections, the actual results will vary from those set forth herein.

[Additional Bonds –Parity Obligations](#)²⁰⁸

[Table 21 below reflects the impact of the Supplemental Water Project Phase 1 Improvements on the District’s finances.](#)²⁰⁹The Independent Consultant has ^Δ²¹⁰prepared ^Δ²¹¹[Table 21 assuming](#)²¹² the Parity Obligation, the 2013 Certificates, have been sold and the Phase 1 Improvements are built^Δ²¹³. [In addition to the Assumptions applicable to Table 20 above, the additional assumptions relating to the Supplemental Water Project Phase I are as listed below](#)²¹⁴:

- Water sales to purveyors equals 15% of supplemental water sold to District, increasing to 33% in fiscal year 2016-17.
- Capacity Charges projections include Supplemental Water Capacity Charge.

- Operation and Maintenance expenses includes the District's purchase of Supplemental Water beginning in November 2014.
- The District will purchase Supplemental Water in the amount of 645 ac-ft beginning November 1, 2014 (430 ac-ft for the fiscal year), increased to 800 ac-ft in fiscal year 2015-16, and 1,000 ac-ft in fiscal year 2016-17 (Wholesale Water Agreement sets minimum for 2016-17 at 800 AFY).
- Cost of purchase of Supplemental Water for District from the City of Santa Maria increases at approximately 4.5% annually.
- Transfers to the Replacement Fund includes an additional \$350,000 beginning in November 2014 for replacement related to the Phase 1 Improvements.

TABLE 21
NIPOMO COMMUNITY SERVICES DISTRICT WATER ENTERPRISE
PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE
(assuming issuance of Parity Obligation 2013 Certificates)
For Fiscal Years Ended June 30

	2011-12 <u>Actual</u>	2012-13 <u>ESTIMATE</u>	2013-14 <u>ESTIMATE</u>	2014-15 <u>ESTIMATE</u>	2015-16 <u>ESTIMATE</u>	2016-17 <u>ESTIMATE</u>
OPERATING REVENUES						
Charges for Services	\$2,978,557	\$3,310,800	\$3,623,500	\$3,965,400	\$4,340,100	\$4,500,300
Supplemental Water	-	-	-	231,000	398,700	1,029,800
Sales Revenue	-	-	-	-	-	-
Miscellaneous	47,259	47,200	50,900	54,100	54,300	54,500
Total Operating Revenues	\$3,025,816	\$3,358,000	\$3,674,400	\$4,250,500	\$4,793,100	\$5,584,600
OPERATING EXPENSES						
Water Purchases	-	-	-	\$ 781,800	\$1,519,400	\$1,984,100
Salaries and Benefits	\$ 789,387	\$ 825,000	\$1,131,800	1,178,800	1,228,000	1,279,500
Utilities	440,880	450,000	455,000	412,400	363,500	378,700
Chemicals	17,171	20,000	21,500	18,000	15,700	16,200
Lab Testing	22,142	22,000	45,000	47,300	49,700	52,200
Supplies	35,438	30,000	31,000	32,600	34,200	35,900
Fees and Permits	12,402	13,000	14,000	14,700	15,400	16,200
Repairs and Maintenance	96,815	135,000	135,000	141,800	148,900	156,300
Outside Services	51,549	85,000	90,000	94,500	99,200	104,200
General And Administration	572,560	586,200	654,000	606,100	636,400	668,300
Other Expenses	118,699	211,900	155,900	163,900	172,100	180,800
Total Operating Expenses	\$2,157,043	\$2,378,100	\$2,733,200	\$3,491,900	\$4,282,500	\$4,872,400
OPERATING INCOME (LOSS)	\$ 868,773	\$ 979,900	\$ 941,200	\$ 758,600	\$ 510,600	\$ 712,200
NON-OPERATING REVENUE (EXPENSES)						
Interest Income	\$ 45,773	\$ ²¹⁵ 41,800 ²¹⁶	\$ ²¹⁷ 37,400 ²¹⁸	\$ ²¹⁹ 29,500 ²²⁰	\$ ²²¹ 28,900 ²²²	\$ ²²³ 29,600 ²²⁴
	Δ ²²⁵ 226	Δ ²²⁷ 227	Δ ²²⁸ 228	Δ ²²⁹ 229	Δ ²³⁰ 230	Δ ²³¹ 231

Supplemental Water Capacity Charges	14,605	120,100	135,100	322,800	561,600	112,600
Cell Site	36,809	37,700	38,000	38,800	39,600	40,400
Total Non-Operating Revenue (Expense)	\$ ²³² <u>97,187</u> ²³³	\$ ²³⁴ <u>199,600</u> ²³⁵	\$ ²³⁶ <u>210,500</u> ²³⁷	\$ ²³⁸ <u>391,100</u> ²³⁹	\$ ²⁴⁰ <u>630,100</u> ²⁴¹	\$ ²⁴² <u>182,600</u> ²⁴³
Pledge of Property Tax Revenue	488,300	493,000	502,900	513,000	523,300	533,800
TOTAL NET REVENUES AVAILABLE FOR DEBT SERVICE	244, \$ ²⁴⁵ <u>1,454,260</u> ²⁴⁶	247, \$ ²⁴⁸ <u>1,672,500</u> ²⁴⁹	250, \$ ²⁵¹ <u>1,654,600</u> ²⁵²	253, \$ ²⁵⁴ <u>1,662,700</u> ²⁵⁵	256, \$ ²⁵⁷ <u>1,664,000</u> ²⁵⁸	259, \$ ²⁶⁰ <u>1,428,600</u> ²⁶¹
Series 2003 Debt Service	\$ 246,000					
2013 Certificates Debt Service *		\$ ²⁶⁵ <u>805,000</u> ²⁶⁶	\$ ²⁶⁷ <u>805,000</u> ²⁶⁸	\$ ²⁶⁹ <u>805,000</u> ²⁷⁰	\$ ²⁷¹ <u>805,000</u> ²⁷²	\$ ²⁷³ <u>805,000</u> ²⁷⁴
COVERAGE	²⁷⁵ <u>591</u> ²⁷⁶ %	²⁷⁷ <u>208</u> ²⁷⁸ %	²⁷⁹ <u>206</u> ²⁸⁰ %	²⁸¹ <u>207</u> ²⁸² %	²⁸³ <u>207</u> ²⁸⁴ %	²⁸⁵ <u>177</u> ²⁸⁶ %
Beginning Combined Fund Balances		\$11,691,000	\$12,090,200	\$ ²⁸⁷ <u>8,321,600</u> ²⁸⁸	\$ ²⁸⁹ <u>8,493,200</u> ²⁹⁰	\$ ²⁹¹ <u>8,007,000</u> ²⁹²
Ending Combined Fund Balances		\$ ²⁹³ <u>12,089,300</u> ²⁹⁴	\$ ²⁹⁵ <u>8,321,600</u> ²⁹⁶	\$ ²⁹⁷ <u>8,493,200</u> ²⁹⁸	\$ ²⁹⁹ <u>8,007,000</u> ³⁰⁰	\$ ³⁰¹ <u>8,030,100</u> ³⁰²

* Preliminary, subject to change.
Source: Nipomo Community Services District.

To the extent that actual future conditions vary from those assumed in preparing the projections, the actual results will vary from those set forth herein.

Delinquencies

The District³⁰³ has historically accounted for water system revenues on a full accrual basis. The District has developed procedures for handling delinquent accounts. There has not generally been a significant delinquency problem. The threatened suspension of water delivery is normally sufficient incentive to induce customers to make payment of their billings. In addition, the District customers may have tax liens placed on their property when water bills are delinquent.

Enterprise Accounting

The Enterprise is accounted for as an enterprise fund with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The 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 of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Revenues are fully accrued to include unbilled services at year end.

The District uses the accrual basis of accounting for its "proprietary funds," including the Enterprise funds. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. All assets and liabilities for these funds are included on the balance sheet with this measurement focus. Fund equity (net total assets) is segregated into contributed capital and retained earnings components.

The proprietary funds apply all applicable GASB pronouncements as well as applicable pronouncements of the Financial Accounting Standard Board, Accounting Principles Board and any Accounting Research Bulletins, unless they conflict with or contradict GASB pronouncements.

See “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2012” for a more complete summary of the District’s accounting policies.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of Bonds. However, the following does not purport to be an exhaustive list of risks and other considerations which may be relevant to investing in the Bonds and there can be no assurance that other risk factors will not become evident at any future time. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Enterprise Demand and Growth

There can be no assurance that the local demand for water service will be maintained at levels described in this Official Statement under “NIPOMO COMMUNITY SERVICES DISTRICT.” Reduction in the level of demand could require an increase in rates or charges by the District in order to produce Net Revenues sufficient to comply with the District’s rate covenants in the Indenture. See “APPENDIX C — SUMMARY OF THE INDENTURE — Amount of Rates; Fees and Charges.” There can be no assurance that either the District or other administrative agency will not adopt restrictions on annual connections to the Enterprise. Under the Water Purchase Agreement with the City of Santa Maria, the Districts is required, if the Supplemental Water Project is financed and built to ultimately purchase up to 2,500 acre feet of water by 2023. The cost of this water will require significant water rate increases beyond what has already been approved. There can be no assurance that these rate increases can be implemented or implemented in time to meet the District’s water purchase obligations.³⁰⁴

Limitations on the District’s existing water facilities due to potential seawater intrusion or drought conditions may impact the local supply available for water service and thereby impact the level of demand if the Supplemental Water Phase 1 Improvements are not built.³⁰⁵

Enterprise Expenses

There can be no assurance that the District’s expenses for the Enterprise will be consistent with the historic levels described in this Official Statement, and it is expected that upon completion of the Phase 1 Improvements, the District’s expenses for the Enterprise shall increase. Further, changes in technology, new State and federal regulatory requirements including environmental regulations, increases in the cost of energy or other expenses could reduce Net Revenues, and could require substantial increases in rates or charges in order to comply with the rate covenants in the Indenture. See “APPENDIX C — SUMMARY OF THE INDENTURE — Amount of Rates; Fees and Charges.” Such rate increases could increase the likelihood of nonpayment.

Voter Initiatives -- State Constitutional Amendment

California’s voter initiative process allows measures which qualify for the ballot to be approved or disapproved by voters in a State of California statewide election. Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California’s initiative process. See “LIMITATIONS ON TAXES AND REVENUE – Article XIII C and Article XIII D of the California Constitution.” From time to time initiative measures could be adopted which adversely affect the ability of the District to generate Net Revenues. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the District.

interest rates and will remain Outstanding until maturity or until redeemed under one of the redemption provisions contained in the Indenture. See “TAX EXEMPTION” herein.

Forecasts

Although the District believes that the projections herein of future operating results of the Enterprise are reasonable, there can be no assurance that operating results will match the projections due to changes in general economic conditions and similar factors. The District has not awarded bids for the construction of the Phase 1 Improvements or authorized the execution and delivery of the proposed 2013 Certificates. The District has not yet entered into any water sale agreements relating to the supplemental water with the three water purveyors which are required to purchase supplemental water. In addition, the Enterprise and economic development within the service area of the District are subject to federal, State and local regulations. There can be no assurance that the Enterprise will not be adversely affected by future economic conditions, governmental policies or other factors beyond the control of the District. Under the Water Purchase Agreement with the City of Santa Maria, the Districts is required, if the Supplemental Water Project is financed and built to ultimately purchase up to 2,500 acre feet of water by 2023. The cost of this water will require significant water rate increases beyond what has already been approved. There can be no assurance that these rate increases can be implemented or implemented in time to meet the Districts water purchase obligations.³⁰⁶

Environmental Laws and Regulations

The Enterprise is subject to a wide variety of local, State, and federal health and environmental laws. Among the types of regulatory requirements faced by such facilities are air and water quality control requirements. Such regulations, as they may be from time to time amended or subsequently enacted could affect the Net Revenues available to pay Debt Service on the Bonds.

Loss of Ad Valorem Property Taxes

The State has previously altered the method of allocating the 1% property tax levy to local agencies. It cannot be predicted if future legislation will be introduced to further reduce, or entirely eliminate, the percentage of the Ad Valorem Property Taxes paid to the District. Proposition 1A, however, generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. See “LIMITATIONS ON TAXES AND REVENUES – Proposition 1A.” The Ad Valorem Property Taxes are specially pledged to the Bonds and if such property taxes are reallocated or reapportioned, Net Revenues available to pay Debt Service on the Bonds may be adversely affected.

Casualty Risk; Earthquakes

Any natural disaster or other physical calamity, including earthquake, may have the effect of reducing Net Revenues through damage to the Enterprise and/or adversely affecting the economy of the surrounding area. The Indenture Agreement requires the District to maintain insurance or self-insurance for the Enterprise, but only if and to the extent available at reasonable cost from reputable insurers, and the District is not expressly required to provide earthquake insurance. The State of California, including the San Luis Obispo County area, is a seismically active region. In the event of total loss of the Enterprise, there can be no assurance that insurance proceeds will be adequate to redeem all outstanding Bonds or that losses in excess of the insured amount will not occur.

Secondary Market

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

the control of the District. The words “may,” “would,” “could,” “will,” “expect,” “anticipate,” “believe,” “intend,” “plan,” “estimate” and similar expressions are meant to identify these forward-looking statements. Results may differ materially from those expressed or implied by these forward-looking statements.

ABSENCE OF LITIGATION

At the time of issuance of and payment for the Bonds, the District will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, notice of which has been served on the District, at law or in equity before or by any court, government agency, public board or body, pending against the District, affecting the existence of the District or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge and lien on the Net Revenues pursuant to the Indenture, or contesting or affecting as to the District the validity or enforceability of the Bond Law, the Bonds, or the Indenture, or contesting the tax-exempt status of interest on the Bonds, or contesting the completeness or accuracy of this Official Statement, or contesting the powers of the District for the issuance of the Bonds, or the execution and delivery or adoption by the District of the Indenture, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Bond Law, as to the District, or the authorization, execution, delivery or performance by the District of the Bonds or the Indenture.

VERIFICATION OF MATHEMATICAL ACCURACY

Barthe & Wahrman, PA, an independent accounting firm, has verified from the information provided to them the mathematical accuracy of the computations contained in the provided schedules to determine that the cash deposits, to be held in escrow, will be sufficient to pay, when due, the principal, interest and redemption premium requirements, if any, of the 2003 Bonds. Barthe & Wahrman, PA will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

TAX EXEMPTION

The Internal Revenue Code of 1986 (the “Code”) imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to maintain the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the Bonds are not “specified private activity bonds” within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Pursuant to the ³⁰⁷Indenture³⁰⁸ and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986*, to be delivered by the District in connection with the issuance of the Bonds, the District will make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross

to bring to the attention of the registered owners as the Beneficial Owners of the Bonds any proposed change in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and beneficial owners of the Bonds (a) to provide certain financial information and operating data (the “Annual Report”) relating to the District and the property in the District not later than eight months after the end of the District’s Fiscal Year (which currently would be March 1), commencing with the report for the 2012-13 Fiscal Year, and (b) to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Trustee on behalf of the District, with the Municipal Securities Rulemaking Board. The notices of enumerated events will be filed by the Trustee on behalf of the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the Continuing Disclosure Agreement. See APPENDIX E – “FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made in order to assist the Initial Purchaser in complying with S.E.C. Rule 15c2-12 (the “Rule”). During the past five years, the District has never failed to comply in all material respects with any previous undertaking with respect to the Rule to provide annual reports or notices of enumerated events.

LEGAL MATTERS

Legal matters incident to the authorization, execution, delivery and sale of the Bonds are subject to approval by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, whose opinion is expected to be delivered in substantially the form set forth in Appendix D hereto. Certain legal matters will be passed upon for the District and the Corporation by Shipsey & Seitz, Inc., San Luis Obispo, California, District Counsel and Fulbright & Jaworski L.L.P., Disclosure Counsel. [Certain legal matters will be passed upon for the Underwriter by its counsel, Straddling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.](#)³⁰⁹

FINANCIAL ADVISOR

C.M. de Crinis & Co., Inc., Glendale, California, an independent financial consulting firm, has served as Financial Advisor to the District with respect to the sale of the Bonds. The Financial Advisor has advised the District as to the financial structure and certain other financial matters relating to the Bonds and has assisted the District in the review of this Official Statement. The information set forth herein has been obtained by the District from sources which are believed to be reliable, but such information is not guaranteed by the Financial Advisor as to accuracy or completeness, nor has it been independently verified. Fees paid to the Financial Advisor are contingent upon the sale and delivery of the Bonds.

FINANCIAL STATEMENTS

The general purpose financial statements of the District for the fiscal year ended June 30, 2012 included in Appendix B to this Official Statement, have been included in reliance upon the report of Crosby Company, Certified Public Accountant (the “Auditor”), San Luis Obispo, California, independent certified public accountant, and upon the authority of such as an expert in accounting and auditing. The Auditor was not requested to consent to the inclusion of its report in Appendix B and it has not undertaken to update financial statements included in Appendix B. No opinion is expressed by the Auditor with respect to any event subsequent to its report.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. 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 and no representation is made that any

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

Nipomo Community Services District
Nipomo, California

Re: \$_____ Nipomo Community Services District Water Revenue Refunding Bonds, Series
2013A

Ladies and Gentlemen:

We have acted as Bond Counsel to the Nipomo Community Services District (the “District”) in connection with the issuance and sale of the Water Revenue Refunding Bonds, Series 2013A (the “Bonds”), pursuant to and in accordance with Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the “Bond Law”), and pursuant to an Indenture of Trust, dated as of June 1, 2013 (the “Indenture”), by and between the District and The Bank of New York Mellon Trust Company, N.A. as trustee (the “Trustee”). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Indenture.

In our capacity as bond counsel, we have reviewed the Indenture and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture. In addition, we call attention to the fact that the rights and obligations under the Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws affecting creditors’ rights, to the application of equitable principles, to the possible unavailability of specific performance or injunctive relief, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding special, limited obligations of the District and are payable exclusively from and are secured by a pledge of the Net Revenues and certain amounts held under the Indenture, as provided in the Indenture, and are entitled to the benefits of the Indenture.³¹⁰

2. ³¹¹The Indenture has been duly and validly authorized, executed and delivered by the District, and assuming the Indenture constitutes the legally valid and binding obligation of the Trustee, constitutes the legally valid and binding obligation of the District, enforceable against the District in accordance with its terms, and the Bonds are entitled to the benefits of the Indenture.

³¹²3. ³¹³Under existing statutes, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the Bonds is excluded pursuant to section 103(a)

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) dated as of June 1, 2013 and executed and delivered by the Nipomo Community Services District (the “District”) and The Bank of New York Mellon Trust Company, N.A., in its capacities as Trustee and as Dissemination Agent (the “Trustee” and “Dissemination Agent”) in connection with the sale and delivery of _____ Water Revenue Refunding Bonds, Series 2013A (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust dated as of June 1, 2013 (the “Indenture”) between the District and the Trustee. The District, the Dissemination Agent and the Trustee covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is executed and delivered by the District, the Dissemination Agent and the Trustee for the benefit of the holders of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the Rule (as defined below).

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

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

“Beneficial Owner” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the General Manager or Finance Director of the District or his or her designee, or such other officer or employee as the District shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” means the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system located at <http://www.emma.msrb.org>, which is the centralized on-line repository for municipal disclosure documents to be filed with the MSRB pursuant to the Rule.

“Listed Events” means any of the events listed in section 5(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board.

“Participating ^{Δ314}Underwriter³¹⁵” means Citigroup Global Markets Inc., the ^{Δ316}underwriter³¹⁷ of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

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

“SEC” means the Securities and Exchange Commission.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. Article V of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Dissemination Agent shall be entitled to the same protections, limitations from liability and indemnification hereunder as are afforded the Dissemination Agent [Trustee] thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it 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. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination hereunder without the execution or filing of any paper or any further act. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Dissemination Agent may conclusively rely upon the Annual Report provided to it by the District as constituting the Annual Report required of the District in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing with the Repositories

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Participating ³¹⁸[Underwriter](#)³¹⁹, the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the District:

Nipomo Community Services District
P.O. Box 326
Nipomo, CA 93444-0326
Attention: General Manager

To the Dissemination Agent:

Same as the Trustee so long as the Trustee is the Dissemination Agent

To Trustee:

The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 400
Los Angeles, California 90071
Attention: Corporate Trust Department