

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 1, 2024

NEW ISSUE — BOOK-ENTRY ONLY

RATING: S&P “AA-”

(See “RATING” herein)

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Certificates and requirements of the Internal Revenue Code of 1986, as described herein, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is excluded from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Special Counsel, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is not an item of tax preference for purposes of the federal alternative minimum tax on individuals. Special Counsel is also of the opinion that, under existing law, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is exempt from personal income taxes of the State of California. See “TAX MATTERS” herein.

\$13,600,000*

WATER REVENUE CERTIFICATES OF PARTICIPATION

Series 2024

Evidencing the Direct, Undivided Fractional

Interest of the Owners Thereof in

Installment Payments to Be Made by the

NIPOMO COMMUNITY SERVICES DISTRICT

as the Purchase Price for Certain Property Pursuant to an

Installment Purchase Agreement with the

NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC

FACILITIES CORPORATION



Dated: Date of Delivery

Due: September 1, as shown on inside cover page

The Water Revenue Certificates of Participation, Series 2024 (the “Certificates”) are certificates of participation that evidence direct, fractional undivided interests of the Owners thereof in certain installment payments (the “Installment Payments”), and the interest thereon, to be made by the Nipomo Community Services District (the “District”) pursuant to the Installment Purchase Agreement, dated as of October 1, 2024 (the “Installment Purchase Agreement”), by and between the District and the Nipomo Community Services District Public Facilities Corporation (the “Corporation”). Pursuant to the Trust Agreement, dated as of October 1, 2024 (the “Trust Agreement”), by and among the District, the Corporation, and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the District has established conditions and terms upon which obligations such as the Installment Payments, and the interest thereon, will be incurred and secured and pursuant to which the Certificates are executed and delivered. Installment Payments under the Installment Purchase Agreement are payable solely from Net Revenues (as more fully described herein) as provided in the Installment Purchase Agreement, 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 CERTIFICATES” herein. Pursuant to the Trust Agreement, the Corporation will assign its right to receive Installment Payments from the District under the Installment Purchase Agreement to the Trustee. The Installment Purchase Agreement provides that the obligation of the District to pay the Installment Payments, and payments of interest thereon, and certain other payments required to be made in accordance with the Installment Purchase Agreement, solely from Net Revenues, is absolute and unconditional. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES” herein.

Interest evidenced by the Certificates will be payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2025. See “THE CERTIFICATES” herein. The Certificates initially will be delivered only in book-entry form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of Certificates will not receive physical certificates representing their ownership interests in the Certificates purchased. The Certificates will be delivered in denominations of \$5,000 and any integral multiple thereof. Payments of principal and interest evidenced by the Certificates are payable directly to DTC by the Trustee. Upon receipt of payments of such principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Certificates. See APPENDIX F — “BOOK-ENTRY SYSTEM” herein.

The Certificates are subject to prepayment prior to maturity, as more fully described herein.

The proceeds of the Certificates will be used to (i) refund all of the District’s Water Revenue Refunding Bonds, Series 2013A currently outstanding in the amount of \$1,505,000 (the “2013A Bonds”), (ii) prepay all of the District’s Revenue Certificates of Participation (Supplemental Water Project), Series 2013, currently outstanding in the aggregate principal amount of \$8,035,000 (the “2013 COPs,” and together with the 2013A Bonds, the “Prior Obligations”), (iii) fund a portion of the costs of certain capital improvements to the Enterprise, and (iv) pay the costs of issuance relating to the execution and delivery of the Certificates. The Installment Payments are special limited obligations of the District payable solely from, and secured by a pledge of and first lien on the Net Revenues of the Enterprise.

The District may incur additional obligations that have a parity claim on Net Revenues as set forth in the Installment Purchase Agreement. See “SECURITY AND SOURCE OF REPAYMENT – Parity Obligations” herein.

THE OBLIGATION OF THE DISTRICT TO PAY THE INSTALLMENT PAYMENTS AND OTHER PAYMENTS REQUIRED TO BE MADE BY IT UNDER THE INSTALLMENT PURCHASE AGREEMENT IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE, IN THE MANNER PROVIDED IN THE INSTALLMENT PURCHASE AGREEMENT, SOLELY FROM NET REVENUES AND OTHER FUNDS PROVIDED FOR IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA, OR OF ANY POLITICAL SUBDIVISION THEREOF, IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE INSTALLMENT PAYMENTS, OR THE INTEREST THEREON, OR OTHER PAYMENTS REQUIRED TO BE MADE UNDER THE INSTALLMENT PURCHASE AGREEMENT. SEE “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES” HEREIN.

This cover page is not a summary of the issue. 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 Certificates.

The Certificates are offered when, as and if executed and delivered and received by the Underwriter, subject to the approval of Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel and Disclosure Counsel to the District, and certain other conditions. Certain legal matters will be passed upon for the District and the Corporation by Richards, Watson & Gershon, A Professional Corporation, San Luis Obispo, California, as General Counsel to the District, and for the Underwriter by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as counsel to the Underwriter. Columbia Capital Management, LLC, Carlsbad, California, has served as municipal advisor to the District in connection with the execution and delivery of the Certificates. It is anticipated that the Certificates in definitive form will be available for delivery through the book-entry facilities of DTC on or about October 30, 2024.

RAYMOND JAMES®

Dated: October __, 2024

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$13,600,000*
WATER REVENUE CERTIFICATES OF PARTICIPATION
SERIES 2024

MATURITY SCHEDULE

BASE CUSIP[†]: 654536

\$ _____ Serial Certificates

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>
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\$ _____	_____ %	Term Certificate due _____ 1, 20__	, Yield _____ %	CUSIP [†] _____
\$ _____	_____ %	Term Certificate due _____ 1, 20__	, Yield _____ %	CUSIP [†] _____

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of The American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Corporation and are included solely for the convenience of the registered owners of the applicable Certificates. Neither the District, the Corporation nor the Underwriter are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

* Preliminary, subject to change.

***NIPOMO COMMUNITY SERVICES DISTRICT/
NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES
CORPORATION***

DISTRICT/CORPORATION BOARD

Ed Eby, President
Dan Allen Gaddis, Vice-President
Gary Hansen, Director
Phil Henry, Director
Mario Iglesias, Director

DISTRICT/CORPORATION

Ray Dienzo, General Manager, Treasurer & Secretary/Executive Director,
Chief Financial Officer & Secretary
Jana Eteddgue, Finance Director/Assistant General Manager
Peter Sevcik, P.E., District Director of Engineering and Operations
Craig A. Steele, District Counsel

SPECIAL SERVICES

Special Counsel and Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Municipal Advisor

Columbia Capital Management, LLC
Carlsbad, California

Trustee

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

Verification Agent

Causey Public Finance, LLC
Denver, Colorado

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**NIPOMO COMMUNITY SERVICES DISTRICT
VICINITY MAP**



GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Certificates by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been provided by the Nipomo Community Services District (the "District") and other sources that are believed by the District to be reliable. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the District, the Corporation or the Underwriter in connection with any reoffering.

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

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the Corporation since the date hereof. This Official Statement is submitted with respect to the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the District and the Corporation.

The Underwriter in connection with any reoffering may offer and sell the Certificates to certain dealers, institutional investors and others at prices lower than the public offering prices stated on the inside cover page hereof and such public offering prices may be changed from time to time by the Underwriter.

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

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. 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.

THIS PRELIMINARY OFFICIAL STATEMENT IS DEEMED TO BE FINAL (EXCEPT FOR PERMITTED OMISSIONS) BY THE DISTRICT FOR PURPOSES OF COMPLYING WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

OFFICIAL STATEMENT

\$13,600,000*

WATER REVENUE CERTIFICATES OF PARTICIPATION SERIES 2024

**Evidencing the Direct, Undivided Fractional
Interest of the Owners Thereof in**

**Installment Payments to Be Made by the
NIPOMO COMMUNITY SERVICES DISTRICT**

**as the Purchase Price for Certain Property Pursuant to an
Installment Purchase Agreement with the**

NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Certificates being offered and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the “State”) and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Trust Agreement and the Installment Purchase Agreement (each, as hereinafter defined). See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Definitions” herein.

General

This Official Statement, including its cover page and appendices, is provided in connection with the offering of \$13,600,000* principal amount of Water Revenue Certificates of Participation, Series 2024 (the “Certificates”). The Certificates represent direct, undivided fractional interests of the registered owners thereof in the Installment Payments (the “Installment Payments”) to be made by the Nipomo Community Services District (the “District”) pursuant to an Installment Purchase Agreement, dated as of October 1, 2024 (the “Installment Purchase Agreement”), by and between the District and the Nipomo Community Services District Public Facilities Corporation (the “Corporation”), relating to the District’s water system as described herein.

The District currently owns and operates its water system (the “Enterprise”). The proceeds of the Certificates will be used to (i) refund all of the District’s Water Revenue Refunding Bonds, Series 2013A, currently outstanding in the amount of \$1,505,000 (the “2013A Bonds”), (ii) prepay all of the District’s Revenue Certificates of Participation (Supplemental Water Project), Series 2013, currently outstanding in the aggregate principal amount of \$8,035,000 (the “2013 COPs,” and together with the 2013A Bonds, the “Prior Obligations”), (iii) fund a portion of the costs of certain capital improvements to the Enterprise, and (iv) pay the costs of issuance relating to the execution and delivery of the Certificates. See “FINANCING PLAN.”

The Certificates are executed and delivered pursuant to a Trust Agreement, dated as of October 1, 2024 (the “Trust Agreement”), among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Certificates will be executed and delivered in the form of fully registered certificates of participation, dated as of the date of initial delivery thereof and will mature on September 1 in each such year as set forth on the inside cover page hereof. Interest evidenced by the Certificates will be payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2025. See “THE CERTIFICATES” herein. The Certificates initially will be delivered only in book-entry form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York

* Preliminary, subject to change.

(“DTC”), which will act as securities depository for the Certificates. The Certificates will be delivered in denominations of \$5,000 and any integral multiple thereof. So long as the Certificates are in the DTC book-entry system, the interest, principal, purchase price and prepayment premiums, if any, due with respect to the Certificates will be payable by the Trustee, or its agent, to DTC or its nominee. DTC, in turn, will make payments pursuant to its procedures as described under APPENDIX F – “BOOK-ENTRY SYSTEM” herein.

The District

The District was formed in 1965 as a community services district under the Community Services District Law, found in the Government Code of the State of California, for purposes of supplying water for domestic irrigation, sanitation, industrial, commercial, recreation and fire suppression use. The District currently provides sewer, water, solid waste, and some street lighting, drainage, and landscape maintenance services. The District is located off of Highway 101 on the central coast of California between San Francisco and Los Angeles, in the rural area of San Luis Obispo County (the “County”), south of the City of San Luis Obispo and north of the City of Santa Maria. The District includes approximately 4,650 acres of land comprising 7 square miles.

The District’s service area includes portions of unincorporated area of San Luis Obispo County. Most of the customers reside in single-family homes, but service is also provided to multi-family residential homes and commercial and light industrial users.

The District currently has a population of approximately 15,080, and the Enterprise provides water service to approximately 4,513 residential, commercial and industrial connections.

The District is in the process of annexing approximately two hundred eighty-eight (288) acres into the District. See “NIPOMO COMMUNITY SERVICES DISTRICT - The Dana Reserve Project” herein for further discussion of the Dana Reserve Project and impacts on the District.

See APPENDIX A – COUNTY OF SAN LUIS OBISPO DEMOGRAPHIC AND ECONOMIC DATA. See also “THE ENTERPRISE,” and “APPENDIX B — AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023.”

The Enterprise

The Enterprise provides water utility service to residential, commercial and industrial consumers located within the District. Currently, the District obtains its water supply from five (5) wells (four (4) active and one (1) being rehabilitated) and from supplemental water pursuant to an agreement with the City of Santa Maria to receive water that is supplemental to the District’s groundwater supply. The agreement provides the amount of must take-or-pay supplemental water per year.

In addition to water supply facilities, the water system includes five (5) above ground storage reservoirs or tanks and approximately eighty-five (85) miles of distribution mains. The tanks have a storage capacity of 4 million gallons while the distribution system consists of piping ranging in size from 6 inches to 24 inches, valves, fire hydrants, and over 4,500 service connections. The water rates paid by customers is generally intended to cover the costs of the water system.

For certain information regarding the Enterprise, see “THE ENTERPRISE,” and “APPENDIX B — AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023.”

Security and Sources of Payment for the Certificates; No Reserve Fund

The Certificates, which are certificates of participation, evidence direct, fractional undivided interests in the Installment Payments, and the interest thereon, paid by the District pursuant to the Installment Purchase Agreement. The obligation of the District to pay the Installment Payments and the interest thereon and other payments required to be made by it under the Installment Purchase Agreement is a special obligation of the District

payable, in the manner provided under the Installment Purchase Agreement, solely from Net Revenues, and other funds as provided in the Installment Purchase Agreement. Net Revenues generally consist of Ad Valorem Tax Revenues (defined below) and all other income and revenue received by the District from the operation or ownership of the Enterprise remaining after payment of Maintenance and Operation Costs, all as further provided in the Installment Purchase Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Pledge of Net Revenues; Water Fund,” “ESTIMATED SOURCES AND USES OF FUNDS,” “FINANCIAL OBLIGATIONS – Existing Indebtedness” and “THE DISTRICT” herein and APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Installment Purchase Agreement” attached hereto. Upon the execution and delivery of the Certificates, the District will have no Parity Obligations, Repayment Obligations or Subordinate Obligations (as defined herein – see APPENDIX C) currently outstanding secured by a pledge of and payable from Net Revenues.

Pursuant to the Installment Purchase Agreement, the District will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise which will be at least sufficient to yield during each Fiscal Year (a) Net Revenues (excluding capacity charges) equal to at least 125% of the annual Installment Payments and any Parity Obligations due in such Fiscal Year, and (b) Net Revenues equal to 100% of annual Installment Payments, any Parity Obligations, and any other Obligations due in such Fiscal Year. The District may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the fees and charges then in effect unless the Gross Revenues and Net Revenues from such reduced fees and charges will at all times be sufficient to meet the requirements of the Installment Purchase Agreement, including the rate covenant described above. See “SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Rate Covenant” herein.

The obligation of the District to pay the Installment Payments and other payments required to be made by it under the Installment Purchase Agreement is a special obligation of the District payable, in the manner provided in the Installment Purchase Agreement, solely from Net Revenues and other funds provided for in the Installment Purchase Agreement, and does not constitute a debt of the District or of the State, or of any political subdivision thereof, in contravention of any constitutional or statutory debt limitation or restriction. Neither the faith and credit nor the taxing power of the District or the State or any political subdivision thereof, is pledged to the payment of the Installment Payments, or the interest thereon, or other payments required to be made under the Installment Purchase Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES” herein.

The District is not providing for a debt service reserve fund for the Certificates. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES.”

Future Parity Obligations

The District may issue additional or other obligations secured by Net Revenues on parity with the Installment Payments (the “Parity Obligations,” as defined herein), provided that the conditions set forth in the Installment Purchase Agreement are met. The District is not obligated to fund a debt service reserve fund in connection with, or upon the execution and delivery of, Parity Obligations. See “CERTAIN RISK FACTORS” and “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Parity Obligations.”

Continuing Disclosure

The District has covenanted for the benefit of holders and beneficial owners of the Certificates (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 February 1 after the end of the District’s Fiscal Year ending June 30, commencing February 1, 2025, and (b) to provide notices of the occurrence of certain enumerated events. 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 Certificate. See “CONTINUING DISCLOSURE” herein and APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Professionals Involved in the Financing

All proceedings in connection with the execution and delivery of the Certificates are subject to the approval of Norton Rose Fulbright US LLP, Los Angeles, California, as special counsel and as disclosure counsel. Certain matters will be passed upon for the District and the Corporation by Richards Watson & Gershon, A Professional Corporation, San Luis Obispo, California, as General Counsel to the District, and for the Underwriter by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as counsel to the Underwriter. Columbia Capital Management LLC, is acting as municipal advisor to the District. Payment of the fees and expenses of the underwriter is contingent upon the execution, delivery and sale of the Certificates.

Miscellaneous

The descriptions herein of the Trust Agreement, the Installment Purchase Agreement, the Continuing Disclosure Certificate and any other agreements relating to the Certificate are qualified in their entirety by reference to such documents. Copies of the Trust Agreement and the Installment Purchase Agreement are on file and available for inspection at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., Los Angeles, California Attention: Corporate Trust.

THE CERTIFICATES

The Certificates are to be executed and delivered, solely as fully registered Certificates in the denomination of \$5,000 or integral multiples thereof, and are dated, mature and bear interest as described on the front and inside cover page hereof.

Payment of Principal, Prepayment Price and Interest

While the Certificates 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 Certificates, payment may be made as described below.

The payments of principal and prepayment price with respect to all Certificates is to be made upon presentation and surrender thereof at the corporate trust office of the Trustee. Interest is payable semiannually each March 1 and September 1, commencing March 1, 2025. Interest on any Certificate is to be paid to the owner of such Certificate as shown on the registration books kept by the Trustee, as Paying Agent, as of the close of business on the "Record Date," which is the fifteenth (15th) day of the calendar month preceding each Interest Payment Date, or, upon the request of an owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such owner in writing to the Trustee prior to the Record Date. If and to the extent that there is a default in the payment of the interest due on an Interest Payment Date, and such defaulted interest is subsequently received by the Trustee, such defaulted interest is to be paid to the owners in whose names any such Certificates are registered at the close of business on a special record date as determined by the Trustee.

The Corporation and the Trustee may treat each owner of a Certificate appearing on the registration books maintained by the Trustee as the absolute owner of such Certificate for all purposes and will not be affected by any notice to the contrary.

Any Certificate delivered in transfer or exchange therefor bears interest (a) from the date of execution, if executed on an Interest Payment Date to which interest has been paid, or (b) from the last preceding Interest Payment Date to which interest has been paid (or from the date of their original delivery if no interest thereon has been paid) in all other cases.

Prepayment

The Certificates are subject to prepayment, in whole or in part, in integral multiples of \$5,000, prior to their stated maturity only as set forth below:

Optional Prepayment. The Certificates maturing on or after September 1, 2035 are subject to optional prepayment prior to their stated Principal Payment Dates, on any date on or after September 1, 2034, in whole or in part, in authorized denominations, from and to the extent of prepaid Installment Payments paid pursuant to the Installment Purchase Agreement or from any other source of available funds, any such prepayment to be at a Prepayment Price equal to the principal evidenced by the Certificates to be prepaid, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium.

Mandatory Prepayment from Net Proceeds. The Certificates are subject to prepayment prior to their respective stated maturities, as a whole on any date or in part on any Interest Payment Date, in the order of stated maturity as directed by the District, or (in the event the District has not directed the order of stated maturity, in inverse order of stated maturity), and by lot within each stated maturity in integral multiples of \$5,000, from prepaid Installment Payments made by the District from Net Proceeds which are, in either case deposited in the Prepayment Account of the Installment Payment Fund and credited towards prepayment made by the District, upon the terms and conditions of, as provided for in the Trust Agreement, and the Installment Purchase Agreement, at a Prepayment Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for prepayment, without premium.

Mandatory Prepayment. The Certificates bearing stated maturities of September 1, 20__, and September 1, 20__, respectively, are subject to mandatory prepayment, in part (by lot) on the respective prepayment dates, in integral multiples of \$5,000 at a Prepayment Price of the principal amount thereof plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium. Such Certificates shall be prepaid in the amounts and upon the dates as follows:

Mandatory Prepayment Dates (September 1)	Principal Amount
---	------------------

Mandatory Prepayment Dates (September 1)	Principal Amount
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Selection of Certificates for Prepayment. Except as provided for Mandatory Prepayment, whenever less than all outstanding Certificates are to be redeemed pursuant to the provisions of the Trust Agreement, the Certificates to be prepaid are to be selected by the Trustee as described above, provided, however, that the portion of any Certificate is to be in the principal amount of \$5,000 or any integral multiple thereof.

Notice of Prepayment. The Trustee is to give notice of prepayment by first class mail at least 20 days but not more than 60 days prior to the date fixed for prepayment to the owners of the Certificates designated for prepayment at their addresses appearing on the registration books. So long as the book-entry system is used for the Certificates, the Trustee will give any notice of prepayment or any other notices required to be given to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the prepayment of the

Certificates called for prepayment. Beneficial Owners may desire to make arrangements with a DTC Participant so that all notices of prepayment or other communications to DTC which affect such Beneficial Owners, including notification of all interest payments, will be forwarded in writing by such DTC Participant. See “APPENDIX F — BOOK-ENTRY SYSTEM.”

Effect of Prepayment. Notice having been given and the money for the prepayment (including the interest to the applicable prepayment date) having been set with the Trustee, the Certificates or portions thereof to be redeemed will cease to be entitled to any benefit or security under the Trust Agreement, and the owners of such Certificates will no longer have rights in respect thereof except to receive payment of the stated prepayment price.

Installment Payment Schedules

The table below shows the annualized Installment Payment schedule (with payment dates being five (5) days prior to each Interest Payment Date, or if such day is not a Business Day, then the preceding Business Day) under the Installment Purchase Agreement with respect to the Certificates, assuming no optional prepayment or mandatory prepayment from Net Proceeds.

Certificate Year	Principal	Interest	Total Debt Service
Ending September 1			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
Total			

ESTIMATED SOURCES AND USES OF PROCEEDS

Sources and Uses of Proceeds

Proceeds from the sale of the Certificates and funds from the Prior Obligations are estimated to be applied as follows:

Estimated Sources of Proceeds

Principal Amount of Certificates	
Plus/Less: Net Original Issue Premium/Discount	_____
Total	=====

Estimated Uses of Proceeds

Deposit to 2013A Bonds Escrow Fund	
Deposit to 2013 COPs Escrow Fund	
Deposit to Construction Fund	
Deposit to Costs of Issuance Fund ⁽¹⁾	_____
Total	=====

⁽¹⁾ Includes fees and expenses of special and disclosure counsel, municipal advisor, underwriter's discount, trustee fees and expenses, costs of printing the preliminary and final official statement and rating agency fees.

FINANCING PLAN

General

The proceeds of the Certificates will be used to (i) refund all of the 2013A Bonds, currently outstanding in the amount of \$1,505,000, (ii) prepay all of the 2013 COPs, currently outstanding in the aggregate principal amount of \$8,035,000, (iii) fund a portion of the costs of certain capital improvements to the Enterprise (the "2024 Project"), and (iv) pay the costs of issuance relating to the execution and delivery of the Certificates. See "FINANCING PLAN."

2013A Bonds. Under the terms of the Trust Agreement, dated as of June 1, 2013 (the "2013A Bonds Trust Agreement"), by and between the District and the Trustee, the District issued the 2013A Bonds to refund and defease the District's Series 2003 Certificates of Participation (the "2003 COPs"). The 2003 COPs were executed and delivered to make improvements to the Enterprise including the construction of two water transmission mains and the construction of a one million gallon water storage facility (the "2003 Project"). A portion of the Certificates, together with funds deposited by the District and funds held by the Trustee, and investment proceeds thereof, will be used to establish an irrevocable escrow (the "2013A Bonds Escrow Fund") to be held by The Bank of New York Mellon Trust Company, N.A. (the "Escrow Bank") under an Escrow Agreement, dated as of October 1, 2024 (the "2013A Bonds Escrow Agreement, sufficient to redeem the outstanding 2013A Bonds in full on or about January 28, 2025, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest. The securities, cash and investment proceeds in the 2013A Bonds Escrow Fund will be held in trust solely for the 2013A Bonds and will not be available to pay the principal and interest evidenced by the Certificates or any obligations other than the 2013A Bonds.

2013 COPs. Under the terms of the Trust Agreement, dated as of June 1, 2013 (the "2013 COPs Trust Agreement"), by and among the District, the Corporation and the Trustee, the District executed and delivered the 2013 COPs to fund a portion of improvements to the Enterprise consisting of Phase 1 of the District's Supplemental Water Project (the "2013 Project, and together with the 2003 Project, the "Prior Projects"). The Phase 1 Improvements interconnected the District's water distribution system with the water distribution system

of the City of Santa Maria (the “City”). A portion of the Certificates, together with funds deposited by the District and funds held by the Trustee, and investment proceeds thereof, will be used to establish an irrevocable escrow (the “2013 COPs Escrow Fund”) to be held by the Escrow Bank under an Escrow Agreement, dated as of October 1, 2024 (the “2013 COPs Escrow Agreement”), sufficient to prepay the installment payments related to the 2013 COPs, and in turn, the 2013 COPs, in full on or about January 28, 2025, at a prepayment price equal to 100% of the principal amount thereof, plus accrued interest. The securities, cash and investment proceeds in the Escrow Fund will be held in trust solely for the 2013 COPs and will not be available to pay the principal and interest evidenced by the Certificates or any obligations other than the 2013 COPs.

Causey Public Finance, LLC, independent certified public accountants (the “Verification Agent”), will verify, from the information provided to them, the mathematical accuracy as of the date of delivery of the Certificates of computations relating to the adequacy of the amounts deposited into the 2013 Bonds Escrow Fund to the redemption price of the 2013A Bonds through and including January 28, 2025. The Verification Agent will also verify, from the information provided to them, the mathematical accuracy as of the date of delivery of the Certificates of computations relating to the adequacy of the amounts deposited into the 2013 COPs Escrow Fund to the prepayment price of the 2013 Installment Payments through and including January 28, 2025. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

2024 Project. The proposed 2024 Project involves the construction of a one million gallon potable water storage tank at the Foothill tank site at Tefft Street and Foothill Road. The proposed improvements were approved in connection with the District’s adoption of a Mitigated Negative Declaration for the project in September 2022, State Clearinghouse No. 2022080191. Design of the 2024 Project will be initiated in 2024 and completed in 2025. The District intends to pre-qualify general contractors and bid the project during the 3rd quarter of 2025 and complete the 2024 Project by the 4th quarter of 2026.

Below are the estimated costs of construction for the 2024 Project.

	COST ESTIMATE
Construction Costs	\$3,000,000
Construction Contingency	<u>600,000</u>
Construction Total	\$3,600,000
Engineering Design	\$ 600,000
Construction Management and Inspection	<u>600,000</u>
Non-Construction Total	\$1,200,000
Foothill Water Storage Tank Improvements Estimated Total	<u>\$4,800,000</u>

Source: Nipomo Community Services District.

The net proceeds of the Certificates in the approximate amount of \$4,500,000, along with existing funds from the Water Capacity Fund, if needed, are allocated to complete the Foothill Water Storage Tank.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

General

Each Certificate represents a direct, undivided fractional interest in the Installment Payments to be made by the District to the Corporation under the Installment Purchase Agreement. The Installment Payments are irrevocably pledged to, and shall be used for, the timely payments with respect to the Certificates. The Installment Payments are not to be used for any other purpose while any of the Certificates remain Outstanding. Payments of principal and interest due with respect to the Certificates will be made from the Installment Payments and interest or other income derived from the investment of the funds and accounts held by the Trustee for the District pursuant to the Trust Agreement.

Installment Payments, and any Parity Obligations, are absolute and unconditional obligations of the District payable solely from, and secured by a pledge of and a first lien on, the Net Revenues of the Enterprise. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES - Parity Obligations" below. Pursuant to the Installment Purchase Agreement, the District has established and declared the conditions and terms upon which the Installment Payments and any Parity Obligations will be incurred and secured.

Pursuant to the Installment Purchase Agreement, the Prior Projects will be reacquired by the District from the Corporation and the 2024 Project will be acquired by the District from the Corporation. The District has covenanted to, subject to any rights of prepayment under the Installment Purchase Agreement, pay to the Corporation, solely from Net Revenues and from no other sources, the Purchase Price in Installment Payments, with interest thereon, as provided in the Installment Purchase Agreement. The Installment Payments are not secured by, and the Certificate owners have no security interest in or mortgage on, the Enterprise.

Pursuant to the Trust Agreement, the Corporation has assigned to the Trustee for the benefit of the Owners of the Certificates substantially all of its rights, title and interest in and to the Installment Purchase Agreement, including its right to receive Installment Payments and the interest thereon.

Pledge of Net Revenues; Water Fund

Gross Revenues and Net 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 Installment Payments and will not be used for any other purpose while any of the Installment Payments remain unpaid except as described below. In the event that Ad Valorem Tax Revenues are not sufficient to pay the Installment Payments when due, any unpaid portion of the Installment Payments shall be paid from other Net Revenues.

Gross Revenues include the Ad Valorem Tax Revenues, all amounts derived by the District from the sale, furnishing and supplying of water or other services related to the Enterprise, all standby or water availability charges, development fees and connection charges collected by the District, and including investment earnings on all such amounts and the District's general reserves, all as more particularly described in the definition of Gross Revenues in APPENDIX C hereto. Net Revenues are defined as all Gross Revenues less Operation and Maintenance Costs.

Pursuant to the Installment Purchase Agreement, all Net Revenues are irrevocably pledged to the payment of the Installment Payments and together with the pledge of Net Revenues securing all other Parity Obligations will, subject to application as permitted in the Installment Purchase Agreement, constitute a lien on Net Revenues. Net Revenues will not be used for any other purpose until all Parity Obligations, including the Installment Payments coming due each Fiscal Year, have been fully paid or provision has been made for such payment in accordance with the documents related to such Parity Obligations or, in the case of the Installment Payments, in accordance with the Installment Purchase Agreement.

Under the Installment Purchase Agreement, the District covenants that (i) all Gross Revenues (other than Ad Valorem Tax Revenues) will be received by the District in trust and, except for the proceeds of any casualty

insurance or condemnation award after the payment of all expenses (including attorneys' fees) incurred in the collection of such proceeds (the "Net Proceeds"), will be deposited when and as received in a special fund designated as the "Water Fund", and (ii) all Ad Valorem Tax Revenues shall be received by the District in trust and will be deposited when and as received in a separate account established in the Water Fund named the "Ad Valorem Tax Account of the Water Fund," which fund and account the District agrees and covenants to maintain and to hold in trust separate and apart from other funds until all Installment Payments have been fully paid or provision has been made therefor in accordance with Installment Purchase Agreement. The District may designate one or more existing funds to satisfy the foregoing requirements. See "THE ENTERPRISE - Water Fund." The District may maintain separate accounts within the Water Fund. Moneys in the Water Fund are required to be used and applied by the District in accordance with the Installment Purchase Agreement.

Certain Definitions. The terms "Ad Valorem Tax Revenues," "Enterprise," "Net Revenues," "Gross Revenues," "Operation and Maintenance Costs" and "Parity Obligations" are defined in the Installment Purchase Agreement as follows:

"Ad Valorem Tax Revenues" means, for any period, the ad valorem property taxes received by the District during such period pursuant to Article XIII A of the California Constitution and Section 95 et seq. of the California Revenue and Taxation Code, excluding any such taxes levied to pay any voter-approved general obligation indebtedness of the District.

"Enterprise" means all facilities for obtaining, storing and delivering water and related facilities for the disposition of drainage water now owned or operated by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Enterprise, whether located within or without the District, together with all improvements to such facilities, properties, structures or works or any part thereof hereafter acquired or constructed.

"Gross Revenues" means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Enterprise, including, without limiting the generality of the foregoing, (1) the Ad Valorem Tax Revenues, (2) all income, rents, rates, fees, charges or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Enterprise, and certain administrative and maintenance costs related thereto, (3) the proceeds of any stand-by or water availability charges, development fees and connection charges collected by the District, (4) all moneys received by the District from other public or private entities whose inhabitants are served water pursuant to contracts with the District, (5) moneys deposited in the Installment Payment Fund, the Water Fund or other fund to secure the Certificates or Parity Obligations or to provide for the payment of the principal of or interest with respect to the Certificates or Parity Obligations, (6) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Enterprise as permitted under the Installment Purchase Agreement, and (7) the earnings on and income derived from the investment of amounts described in clauses (1) through (6) above and from funds held by the District or the Trustee under Installment Purchase Agreement and receipts from the Rate Stabilization Fund, but excluding (w) grant, loan or bond proceeds restricted in use to specific capital improvements not consisting of the 2024 Project, (x) that portion of the annexation fees collected as deposits on behalf of and payable to other governmental agencies as required by law, (y) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and (z) any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds or other obligations theretofore or thereafter issued.

"Operation and Maintenance Costs" means the costs and expenses reasonable and necessary to operate and maintain the Enterprise, including but not limited to all costs of water purchased or otherwise acquired for the Enterprise, the costs and expenses to preserve the Enterprise in good repair and working order, including reasonable expenditures for repair and replacement incident to or arising from the Enterprise, the reasonable administrative and management costs and expenses of the District that are charged directly or apportioned to the operation and maintenance of the Enterprise, such as salaries and wages of employees, payments to the Public

Employees Retirement System, overhead, taxes (if any) and insurance premiums, together with all other necessary and reasonable costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms hereof or any Parity Obligation, such as compensation, reimbursement and indemnification of the trustee for such Parity Obligation and fees and expenses of Independent Accountants and Independent Engineers, and transfers made to other funds of the District for the purpose of paying or reimbursing the payment of Operation and Maintenance Costs, as determined by Generally Accepted Accounting Principles, but excluding (1) any transfers out to the Administration Fund of the District, (2) noncash items of depreciation, replacement and obsolescence charges or reserves therefore, (3) amortization of intangibles, premiums and discounts, (4) interest expense, (5) amounts paid from other than Gross Revenues of the Enterprise (including but not limited to amounts paid from the proceeds of excluded property taxes and assessments), (6) non-cash expenses attributable to pension plans, other retirement accounts and other post-employment benefits. Amounts transferred from the Rate Stabilization Fund may also be included in Gross Revenues as described under the heading “ - Rate Stabilization Fund.”

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received for such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“Parity Obligations” means all revenue bonds, certificates of participation or notes (including bond anticipation notes and commercial paper) of the District authorized, executed, issued and delivered under and pursuant to applicable law, and all other contracts (including financial contracts) or leases of the District authorized and executed by the District under and pursuant to applicable law, the installment, lease or other payments which are, in accordance with the provisions of the Installment Purchase Agreement, payable from Net Revenues on a parity with the Installment Payments under the Installment Purchase Agreement. See “Parity Obligations” below.

Special Obligations

The obligation of the District to pay the Installment Payments and other payments required to be made by it under the Installment Purchase Agreement, is a special obligation of the District payable solely from Net Revenues and other funds provided for in the Installment Purchase Agreement, and does not constitute a debt of the District, the State or any political subdivision thereof, in contravention of any constitutional or statutory debt limitation or restriction. Neither the faith and credit nor the taxing power of the District, the State or any political subdivision thereof, is pledged to the payment of the Installment Payments, or the interest thereon, or other payments required to be made under the Installment Purchase Agreement.

Allocation of Net Revenues

In order to carry out and effectuate the pledge and lien contained in the Installment Purchase Agreement, the District agrees that (i) all Gross Revenues (other than Ad Valorem Tax Revenues) shall be received by the District in trust and, except for Net Proceeds, shall be deposited when and as received in the Water Fund, and (ii) all Ad Valorem Tax Revenues shall be received by the District in trust and shall be deposited when and as received in the Ad Valorem Tax Account of the Water Fund, a separate account established in the Water Fund, which fund and account therein the District agrees to maintain and to hold and apart from other funds until all Installment Payments have been fully paid or provision has been made therefor in accordance with the Installment Purchase Agreement.

From the moneys in the Water Fund, the District will pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable. Thereafter, all remaining moneys in the Ad Valorem Tax Account and in the Water Fund shall be set aside by the District at the following times for the transfer to the following respective special funds in the following order of priority:

(a) *Installment Payments.* Not later than each Installment Payment Date, the District will, first from remaining moneys in the Ad Valorem Tax Account and second from other remaining moneys in the Water Fund, transfer to the Trustee the Installment Payment due and payable on that Installment Payment Date. The District will also, from the moneys in the Water Fund, transfer when due to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any Parity Obligation Payments in accordance with the provisions of the applicable Parity Obligations.

(b) *Parity Obligation Reserve Funds.* Moneys on deposit in the Water Fund not necessary to make any of the payments required above in (a) for a Fiscal Year may, subject to the limitations in the Installment Purchase Agreement, be expended by the District to restore any debt service reserve funds for any Parity Obligations to an amount equal to the amount required to be maintained therein.

(c) *Surplus.* Moneys on deposit in the Water Fund not necessary to make any of the payments required above in a Fiscal Year may, subject to the limitations in the Installment Purchase Agreement, be expended by the District at any time for any purpose permitted by law, including but not limited to payments with respect to any Subordinate Obligations and deposits to the Rate Stabilization Fund.

Rate Covenants

In the Installment Purchase Agreement, the District covenants to fix, prescribe and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues sufficient to pay the following amounts in the following order of priority:

- a) All anticipated expenses for the Operation and Maintenance Costs of the Enterprise for such Fiscal Year;
- b) The Installment Payments and all other Parity Obligation Payments, and all Subordinate Obligation Payments as they become due and payable;
- c) All payments required for compliance with the terms of any Parity Obligations requiring restoration of a debt service reserve fund to the amount required to be maintained therein;
- d) All payments required for compliance with the terms of any Subordinate Obligations requiring restoration of a debt service reserve fund to the amount required to be maintained therein; and
- e) All payments to meet any other obligations of the District which are charges, liens or encumbrances upon the Gross Revenues.

In addition, the District shall fix, prescribe and collect rates, fees and charges and manage the operation of the Enterprise for each Fiscal Year so as to yield during such Fiscal Year (i) Net Revenues (excluding capacity charges), equal to at least 125% of the Installment Payments and any Parity Obligations due in such Fiscal Year, and (ii) Net Revenues equal to at least 100% in such Fiscal Year of (A) Installment Payments and debt service for any Parity Obligations, plus (B) annual debt service for any Subordinate Obligations, due in such Fiscal Year.

The District may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Gross Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the rate requirements of the Installment Purchase Agreement.

In any Fiscal Year in which the Net Revenues of Enterprise are in excess of the aggregate annual principal and interest components of the Installment Payments and debt service of Parity Obligations in such Fiscal Year

and other conditions of the Installment Purchase Agreement have been satisfied, such excess may be used by the District for any purpose permitted by law, all as further described in “APPENDIX C — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Installment Purchase Agreement.”

For information regarding the Enterprise, including financial information, see “THE ENTERPRISE” and “APPENDIX B — AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023.”

No Reserve Fund

No reserve fund is being established in connection with the Certificates and no reserve fund is required to be established in connection with the issuance of any Parity Obligations (see “–Parity Obligations” below).

Parity Obligations

There are currently no Parity Obligations outstanding following execution and delivery of the Certificates, but the District may at any time incur Parity Obligations provided the following conditions are met:

(a) The District is in compliance with all agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be observed or performed by it, and a Written Certificate of the District to that effect has been filed with the Trustee.

(b) The Net Revenues (excluding capacity charges) for any 12 consecutive months within the last 18 months preceding the date of entry into or incurrence of such Parity Obligations, as shown by a Certificate of an Independent Consultant on file with the Trustee, are equal to at least 125% of the Maximum Annual Debt Service as calculated after the entry into or incurrence of such Parity Obligations; provided that, in the event that all or a portion of such Parity Obligations are to be issued for the purpose of refunding and retiring any Parity Obligations then outstanding, interest and principal payments on the Parity Obligations to be so refunded and retired from the proceeds of such Parity Obligations being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service; and provided further that, the District may at any time enter into or incur Parity Obligations without compliance with the foregoing conditions, if the aggregate Annual Debt Service, during the years which such Parity Obligations are outstanding, will not be increased by reason of the entry into or incurrence of such Parity Obligations.

The District may adjust the foregoing Net Revenues to reflect:

(a) An allowance for increased or decreased Net Revenues arising from any increase or decrease in the rates, fees and charges of the Enterprise which was duly adopted by the Board of the District prior to the date of the entry into or incurrence of such Parity Obligations but which, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased or decreased if such increase or decrease in rates, fees and charges had been in effect during the whole of such 12-month period;

(b) An allowance for Net Revenues that would have been derived from each new use or user of the Enterprise that, during any part of such Fiscal Year or 12-month period, was not in existence, in an amount equal to 70% of the estimated additional Net Revenues that would have been derived from each such new use or user if it had been in existence for the entire 12-month period.

The District may incur obligations secured by a pledge of the Net Revenues that are junior and subordinate to the first lien and pledge of the Net Revenues with respect to the Installment Payments. There are currently no Subordinate Obligations outstanding secured by a pledge of and payable from Net Revenues.

Rate Stabilization Fund

The District may, at any time, determine to deposit in a Rate Stabilization Fund, which it may establish in conjunction with the Enterprise, any Net Revenues and any other money received and available to be used for such purpose. Amounts in and deposits to the Rate Stabilization Fund are not to be considered as Net Revenues. The District may at any time withdraw any or all of the money from the Rate Stabilization Fund for inclusion in Net Revenues; provided that any such withdrawal from the Rate Stabilization Fund will be made not later than 180 days after the end of the Fiscal Year for which the withdrawal from the Rate Stabilization Fund will be included as Net Revenues.

The Rate Stabilization Fund is currently funded in the amount of \$460,762 from funds of the Enterprise.

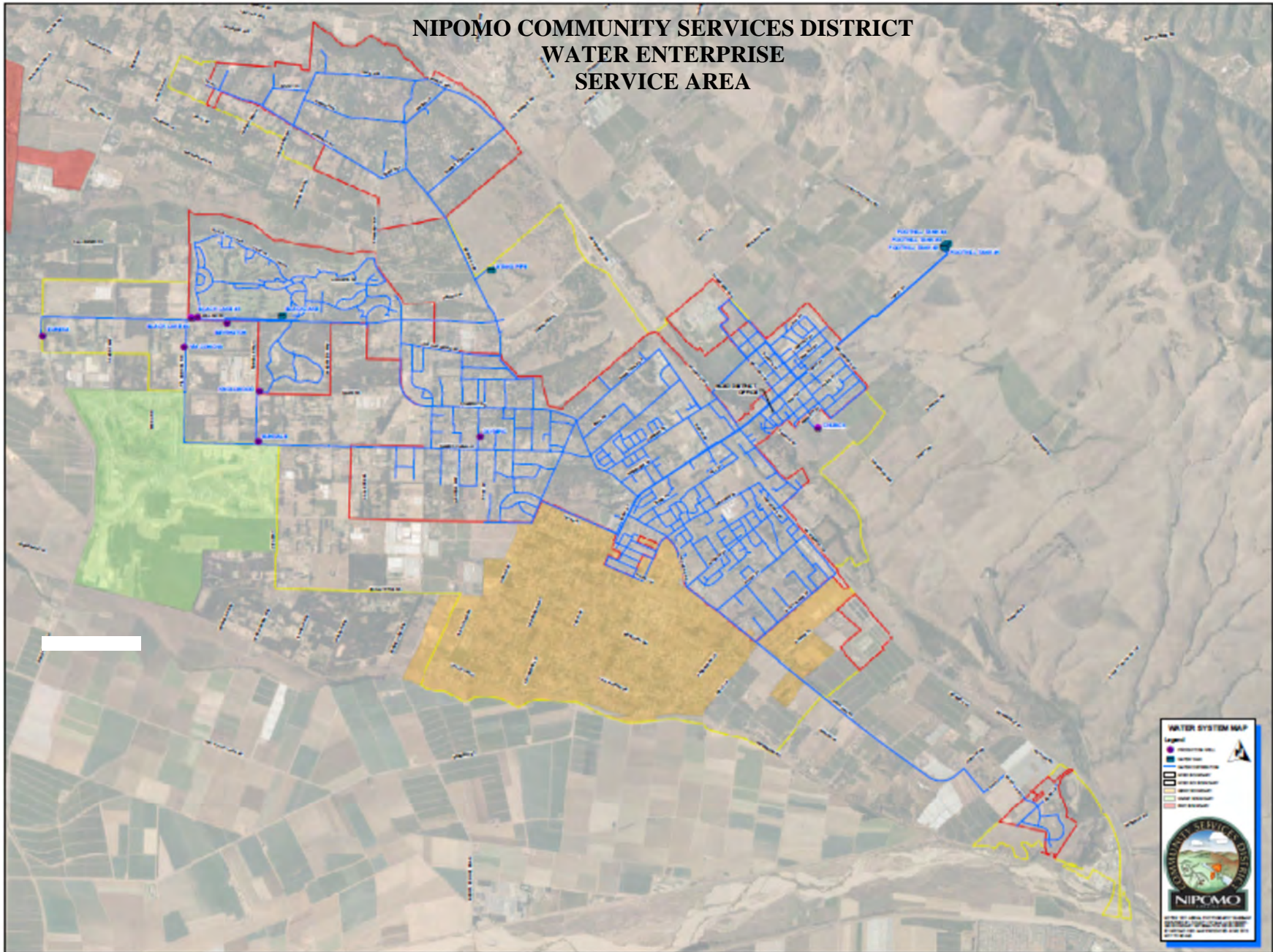
Insurance

To the extent such insurance is available for reasonable premiums from a reputable insurance company, the District will procure and maintain at all times insurance on the Enterprise against such risks (including accident to or destruction of the Enterprise) and in such amounts as are usually insured in connection with operations in California similar to the Enterprise; provided, that such insurance coverage may be satisfied under a self-insurance program. The District will procure and maintain or cause to be procured and maintained public liability insurance covering claims against the District (including its city council, officers and employees) for bodily injury or death, or damage to property occasioned by reason of the District's operations, including any use of the Enterprise, and such insurance shall afford protection in such amounts as are usually covered in connection with operations in California similar to the Enterprise. Such insurance coverage may also be satisfied under a self-insurance program. The District will procure and maintain such other insurance which it will deem advisable or necessary to protect its interests and the interests of the Corporation. See "THE DISTRICT — Risk Management" and APPENDIX C — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Installment Purchase Agreement" herein.

Installment Payment Fund

Installment Payments are required to be made by the District under the Installment Purchase Agreement five (5) days prior to each Interest Payment Date, or if such day is not a Business Day, then the preceding Business Day (each an "Installment Payment Date"). The Trust Agreement requires that Installment Payments be deposited in the Installment Payment Fund maintained by the Trustee. Pursuant to the Trust Agreement, the Trustee is to use the moneys in the Installment Payment Fund (i) on each Interest Payment Date, to deposit in the Interest Account that amount of moneys representing the interest on the Installment Payments coming due on such Interest Payment Date and used by the Trustee for the purpose of paying the interest evidenced by the Certificates when due and payable, (ii) on each Principal Payment Date, to deposit in the Principal Account that amount of moneys representing the Installment Payments coming due on such Principal Payment Date, and used by the Trustee for the purpose of paying the principal evidenced by the Certificates when due and payable, including mandatory sinking payments, and (iii) on the prepayment date specified in a Written Request of the District filed with the Trustee at the time that any prepaid Installment Payment is paid to the Trustee pursuant to the Installment Purchase Agreement, to deposit in the Prepayment Account that amount of moneys representing such prepaid Installment Payment, the accrued interest thereon to the prepayment date and any premium payable with respect thereto and used by the Trustee for the purpose of paying the interest, premium, if any, and principal evidenced by the Certificates to be prepaid. See "APPENDIX C — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Trust Agreement — *Installment Payment Fund.*"

NIPOMO COMMUNITY SERVICES DISTRICT WATER ENTERPRISE SERVICE AREA



NIPOMO COMMUNITY SERVICES DISTRICT

General

The District was formed in 1965 and currently provides 15,080 residents of the Nipomo area with one or more services including water, wastewater, street lighting, solid waste disposal or limited drainage services. The District is a California Community Services District organized pursuant to Government Code Sections 61000 *et seq.* The District is located off of Highway 101 on the central coast of California between San Francisco and Los Angeles, in the rural area of San Luis Obispo County (the “County”), south of the City of San Luis Obispo and north of the City of Santa Maria, in the unincorporated town known as Nipomo. Nipomo is located in the southwest section of the County near the City of Arroyo Grande and the community of Oceano. The town of Nipomo includes approximately 14.9 square miles of land.

The District’s service area overlies the southern portion of the Nipomo area within the unincorporated portion of San Luis Obispo County. The District includes approximately 4,650 acres of land comprising 7 square miles. The District’s authority does not include legislative or executive powers over zoning or land use.

The District currently provides water service to approximately 4,500 residential, commercial and industrial connections. Most of the customers reside in single family homes, but service is also provided to multi-family residential homes and commercial and light industrial users.

The District population is expected to grow from 15,080 to 17,946 by 2040. Approximately 4,000 acres of land within the District are currently developed, of which approximately 3,316 acres are residential, 400 acres are commercial, and 300 acres are recreational.

The District is in the process of annexing approximately two hundred eighty-eight (288) acres into the District. The development known as the Dana Reserve Project (the “Dana Reserve Project”) was approved by the County on April 24, 2024. Annexation of the Dana Reserve Project into the District’s service area is a condition of approval of development imposed by the County. The Dana Reserve Project will need to receive water, wastewater, and solid waste services from the District through the annexation. On August 28, 2024, the Board of the District accepted a negotiated property tax exchange with the County, approved an Annexation Agreement with NKT Development LLC (“NKT”) and a San Luis Obispo County Local Agency Formation Commission (“LAFCO”) Plan for Services, and made required findings under CEQA relating to the Dana Reserve Project. See “Dana Reserve Project” herein for further discussion of the Dana Reserve Project and impacts on the District.

Governance and Management

The District is governed by a 5-member board of directors (the “Board of Directors”), the members of which are elected by the registered voters in the District to staggered 4-year terms. The current Board of Directors members, the expiration dates of their terms and their occupations are set forth below.

The names of the members of the District Board and the dates their terms expire are as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires (December)</u>	<u>Occupation</u>
Ed Eby	President	2026	Retired Aerospace Program Manager
Dan Gaddis	Vice President	2026	Retired Aerospace Manager
Gary Hansen	Director	2026	Civil and Traffic Engineer
Phil Henry*	Director	2024	Retired Communications Shop Manager
Mario Iglesias*	Director	2024	Retired District General Manager

Day-to-day management of the District is delegated to the General Manager. Set forth below is a brief resume of the General Manager and principal staff:

Ray Dienzo, P.E., General Manager and Secretary to the Board. Mr. Dienzo has over 20 years of experience in the utility industry as a solutions champion and a leader in community collaboration. For the past three and a half years, Mr. Dienzo has served as the District Engineer/Utilities Manager for Cambria Community Services District, overseeing an annual budget of \$9 million. Prior to that, he worked for the County of San Luis Obispo in their Public Works Department as the Unit Supervisor for the Water Resources Division. Mr. Dienzo graduated from California Polytechnic State University with an Engineering Degree and has been involved in the San Luis Obispo County area's water and wastewater challenges ever since.

Jana Ettetddgue, Finance Director/Assistant General Manager. Jana Ettetddgue has served as the District's Finance Director since April 2023, and as Administrative Supervisor since November 2020. She received a Bachelor of Science degree in Business Administration with a concentration in accounting from California Polytechnic State University, San Luis Obispo. She has over 10 years of experience in private and public accounting.

Peter V. Sevcik, P.E., Director of Engineering and Operations. Peter V. Sevcik, is the Director of Engineering and Operations and has served in this capacity since September 2007. Mr. Sevcik has over 35 years of experience in wastewater and water including project management, construction management, design, planning and operations & maintenance. Prior to joining the District, he served 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 as well as overseeing all operations activities. Mr. Sevcik has a Bachelor's degree in Civil Engineering from the University of Illinois, Urbana, Illinois, and a Master's 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 adopts a resolution establishing the appropriation's limit, annually provides for audits and annual financial reports. 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 2025 was adopted on June 12, 2024.

* Appointed to fill vacancy until next general election in 2024.

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, 2024 through June 30, 2025, 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, property replacement insurance with coverage of \$1,000,000,000 per occurrence and boiler and machinery replacement insurance with coverage of \$100,000,000 per occurrence. Members are subject to dividends and/or assessments. No such dividends have been declared, nor assessments levied. As of June 30, 2024, 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 four fiscal years. Settled claims have not exceeded any of the coverages in any of the last four fiscal years. There were no reductions in insurance coverage in fiscal year 2024. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2024. The District carries cyber liability insurance.

Outstanding Indebtedness

Enterprise Obligations. Following execution and delivery of the Certificates, the District has no other obligations secured by a pledge of, and payable from, Net Revenues.

Sewer Obligations. In March 2022, \$10,630,000 of Revenue Certificates of Participation ("2022 Sewer Certificates") were executed and delivered to prepay the outstanding balance of the 2012 Revenue Certificates of Participation and fund a portion of the costs of certain capital improvements to the District's sewer enterprise. The outstanding amount of the 2022 Sewer Certificates as of June 30, 2024, is \$9,785,000.

Special Assessment Debt. On August 19, 2020, the District issued Assessment District No. 2020-1 (Blacklake Sewer Consolidation) Limited Obligation Bonds in the amount of \$11,225,000 (the "Assessment Bonds"). The balance outstanding as of June 30, 2024 was \$10,720,000. The Assessment Bonds are secured by the unpaid assessment on each parcel of land within the Blacklake Division sewer service area and not from Net Revenues pledged under the Installment Purchase Agreement.

Dana Reserve Project

The District is cooperating with San Luis Obispo County ("County") and the San Luis Obispo County Local Agency Formation Commission ("LAFCO") in LAFCO's consideration of a property owner's request that property subject to the Dana Reserve Specific Plan ("DRSP") be annexed into the District. The DRSP property is approximately two hundred eighty-eight (288) acres and is currently within the District's sphere of influence, immediately adjacent to the District's current boundaries. The DRSP was approved by the County on April 24, 2024. Annexation of the Dana Reserve Project into the District's service area is a condition of approval of development imposed by the County, and must be approved by LAFCO. The Dana Reserve Project will receive water, wastewater, and solid waste services from the District through the annexation, if approved by LAFCO.

The DRSP is proposed to include residential, commercial, open space and park uses, with up to 1,370 residential units, up to approximately 154 accessory dwelling units, up to 203,000 square feet of commercial uses (including a hotel of up to 60,000 square feet and an educational/training facility of up to 30,000 square feet), and up to approximately 61.94 acres of active and passive open space uses as specified in Resolution No. 2024-109 of the San Luis Obispo County Board of Supervisors. The District's 2020 Urban Water Management Plan Update and

Water Shortage Contingency Plan both show that sufficient water is available from the District to serve the Dana Reserve Project, even in single and multiple dry years. Beginning in July of 2025, the District must take, and pay for, 2,500 AF of Supplemental Water from the City of Santa Maria. One-third of that water is allocated to two other local purveyors, which must pay the District for their share of the water. Water for the DRSP project must, by District Board policy, be supplied by the Supplemental Water and not from groundwater. See “THE ENTERPRISE – Water Supply.”

In March 2022 the Dana Reserve Development Water and Wastewater Service Evaluation was completed which identified the water and wastewater infrastructure that would be required to be constructed for the District to provide service to the DRSP development. The information from this evaluation was incorporated in the County’s draft Environmental Impact Report (EIR) for the development. At the request of the County, the District updated these evaluations in 2024 to address project changes. In May 2022, the District commissioned MKN & Associates to complete a Water and Wastewater Service Phasing Study for the proposed development, which was completed in March 2024 and updated in August 2024. This study was a detailed analysis to determine when off-site water and wastewater infrastructure projects must be completed to serve the appropriate phases of the DRSP construction, and provide a cash flow analysis comparing the costs of improvements to the timing of fee income from the DRSP.

The District Board considered and adopted these technical studies through public processes as required by law. There was no public opposition to any of the technical studies when they were being considered, and no evidence has been presented to the District to date to dispute the accuracy of any data or analysis in the studies.

The County is the Lead Agency for environmental review and the local land use authority on the Dana Reserve Specific Plan. As the land use authority, the County is responsible for essential project entitlements, including the General Plan amendment(s), Specific Plan, Conditional Use Permit, EIR, Developer Agreement, and Vesting Tentative Tract Map. The County Board of Supervisors approved the Dana Reserve Specific Plan and associated land use entitlements, certified the final EIR and adopted a Mitigation Monitoring and Reporting Plan (MMRP) on April 24, 2024.

On May 28, 2024, the Nipomo Action Committee and the California Native Plant Society, SLO Chapter, filed a petition for writ of mandate, seeking to invalidate the County’s approval of the DRSP, based on the alleged inadequacy of the County’s Final EIR, *Nipomo Action Committee, et al. v. County of San Luis Obispo, et al.* (San Luis Obispo County Superior Court Case No. 24CV-0351). The Developer and the District were named as “real parties in interest.” Subsequently, on August 26, 2024, the petitioners filed an amended petition for writ of mandate, to add a cause of action for declaratory relief against the District, seeking a determination that the District cannot provide water to the DRSP project. The hearing on the adequacy of the EIR is scheduled for February 6, 2025 and a case management conference on the declaratory relief cause of action against the District is scheduled on the same date.

The District intends to oppose the request for declaratory relief vigorously. The use of Supplemental Water in the Nipomo Basin is controlled exclusively by the stipulation and judgment in the Santa Maria Valley Groundwater Adjudication which established the “physical solution” for water allocation in the area where the District is located. Among other provisions, the stipulation requires that new development in the area take water exclusively from the nearest public water supplier (the District, for DRSP) and that the water be provided on a non-discriminatory basis. Because the DRSP was approved by the County, the District has an obligation to provide water and wastewater service to the project if LAFCO approves the annexation. The District believes that the San Luis Obispo County court cannot rewrite the existing provisions of a stipulated judgment over which another court has retained jurisdiction.

On July 9, 2024, the County approved a Property Tax Share Exchange with the District. Under the agreement, the District’s property tax share is 2.3679% calculated after the share of education entities (ERAF). On August 28, 2024, the Board of the District accepted the negotiated Property Tax Share Exchange, approved an Annexation Agreement with the Developer, and the LAFCO Plan for Services, and made required findings under CEQA relating to the Dana Reserve Project. This percentage means the District would receive an estimated property

tax share of \$270,599 at DRSP buildout. This amount is estimated to increase the District’s annual ad valorem tax revenues by 20-30%, consistent with the amount of increase in the population of the District’s service area brought about by the DRSP.

LAFCO’s purview on the Dana Reserve Project relates to the proposed annexation into the District for water, wastewater and solid waste services. Annexation proceedings by LAFCO have commenced and a study session was held by LAFCO on September 19, 2024. The LAFCO hearing has been scheduled for November 14, 2024. Because the petitioners in the litigation did not request an injunction or stay, the developer has elected to proceed with the approval process and LAFCO will consider the Final EIR for the project under the assumption that it complies with CEQA, including any evidence relating to water, and shall approve or disapprove the annexation within the required timeframe.

The Dana Reserve Project will require significant upgrades to the District’s water and wastewater infrastructure. Pursuant to the Annexation Agreement, the developer has committed to make a non-refundable payment of \$4.5 million to the District within ninety (90) days of the final project approvals as an infrastructure enhancement payment to be used for District infrastructure. The current estimates of capacity charges for the DRSP would yield approximately \$41 million, which exceeds the estimated costs of identified infrastructure needs over time. Prior to recordation of the first final map for the Dana Reserve Project that creates a developable lot, the developer also has agreed to prepay water and sewer capacity fees for 170 residential dwelling units, to provide the District with sufficient revenue to construct the first portion of off-site improvements.

The developer is responsible for paying for and constructing all on-site infrastructure. To the extent that some of the off-site infrastructure is constructed by the District, the owner will pay for this cost through capacity charges for the Project.

Major water transmission and storage projects were recommended for implementation prior to completion and occupancy of the first residential unit due to the need for fire flow, emergency storage, and redundant water supply to the project. The technical reports for the Dana Reserve Project shows that seven new offsite capital projects for the Enterprise are required to be constructed. Prior to the first unit, the developer shall construct the Frontage Road Extension, and Willow Road End of Line project. According to the Annexation Agreement, the District will construct five of the projects, including prior to first unit, Foothill Tank, 16-inch Main located on North Oak Glen Drive, and a new 16-inch Highway 101 Crossing at Sandydale Drive, and a 16-inch Main replacement on Tefft Street (prior to unit 689) and Joshua Road Pump Station Reservoir (prior to unit 1,009). The water improvements required to support the development in the Dana Reserve are estimated to cost approximately \$21.5 million and will be constructed over eight years. Upon annexation of the Dana Reserve Project, such improvements will be included in the District’s adopted capital improvement plan, and are not listed in Table 18. See “THE ENTERPRISE – Future Facilities.”

Employees and Employee Benefits

The District is currently staffed with 21 full-time employees, including a General Manager, Finance Director/Assistant General Manager, Director of Engineering and Operations, utility billing staff, and certified water/wastewater operators. None of the District’s employees are presently represented by a union. The District has not experienced any strikes or other labor actions.

Pension Plan

This subcaption contains certain information relating to the California Public Employees Retirement System (“PERS”). The information is primarily derived from information produced by PERS, its independent accountants and actuaries. The District has not independently verified the information provided by PERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by PERS.

The comprehensive annual financial reports of PERS are available on its Internet website at www.calpers.ca.gov. The PERS website also contains PERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. The District cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by PERS. The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors three rate plans (all miscellaneous). Benefit provisions under the Plan are established by State statute and District resolution.

PERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the PERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the PERS Board.

As of June 30, 2022 measurement date, the District has 18 active members, 8 inactive members not yet receiving benefits, and 15 retirees and beneficiaries that are covered by the benefit terms for the three Miscellaneous Plans.

A portion of the District's contributions to PERS for District employees constitute Operation and Maintenance Costs of the Enterprise. PERS provides retirement, disability and death benefits to plan members and their beneficiaries. District employees are enrolled in the Miscellaneous Plan in one of three pension formulas: 3% at 60 (Tier 1) if hired prior to June 18, 2011 (currently 5 active employees, 2 separated and 15 retired); 3% at 60 (Tier 2) if hired between June 18, 2011 and January 1, 2013 (currently 5 active employees, 2 transferred); and 3% at 65 (PERL) if not previously a PERS member and hired on or after January 1, 2013 (currently 10 active employees, 2 transferred and 4 separated). The number of PERL employees is expected to increase in the future as new hires join PERL and the number of Tier 1 and 2 employees is expected to be gradually reduced each year as such employees retire or leave the District.

Required employer and employee contributions are determined from rates established by PERS based upon various actuarial assumptions which are revised annually. In Fiscal Year 2024 under the Miscellaneous Plan, employees in Tiers 1 and 2 contributed an 8.0% employee contribution and employees in PERL contributed an 8% employee contribution.

PERS issues a publicly available financial report, which includes a full description of the pension plan regarding benefit provisions, and assumptions and membership information that can be obtained at <https://www.calpers.ca.gov>. The most recent annual reports for the Miscellaneous Plan issued by PERS to the

District were in July 2023 (the “July 2023 PERS Reports”). The July 2023 PERS Reports includes information based on the June 30, 2022 actuarial valuation of assets included therein (the “2022 Actuarial Valuation”). Additional information about the PERS Plans can also be found in Note 7 to the District’s Audited Financial Statements attached as Appendix B to this Official Statement.

PERS does not prepare separate actuarial reports for the Enterprise’s share of the unfunded liability. However, the net pension liability attributable to the Enterprise is approximately 60% of the District’s estimated Fiscal Year 2024 net pension liability as a whole. The District’s contribution to the Plan for the fiscal year ended June 30, 2023 was \$385,177. The actual employer payments of \$356,716 made to PERS by the District during the measurement period ended June 30, 2022 differed from the District’s proportionate share of the employer’s contributions of \$392,937 by \$36,211, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan. There can be no assurance that District contributions to PERS will not increase significantly in excess of such projected amounts in the future.

The District funds 100% of its required annual pension costs. The following table summarizes the District’s annual required contributions for its Miscellaneous Plans as a whole, for Fiscal Years 2019 through 2023:

<i>Fiscal Year</i>	<i>Contributions in Relation to</i>			<i>Covered Payroll</i>	<i>Contribution as a % of Covered Payroll</i>
	<i>Actuarially Determined Contribution</i>	<i>Actuarially Determined Contribution</i>	<i>Contribution Deficiency (Excess)</i>		
2019	\$231,550	\$(231,550)	-	\$1,149,787	20.14%
2020	275,007	(275,007)	-	1,329,670	20.68
2021	320,704	(320,704)	-	1,428,771	22.45
2022	356,716	(356,716)	-	1,520,028	23.46
2023	385,177	(385,177)	-	1,608,091	23.95

Source: District.

The following table sets forth the schedule of the District’s net pension liability and related ratios for the Plans as a whole.

<i>Valuation Date (June 30)</i>	<i>Collective Net Pension Liability</i>	<i>Annual Covered Payroll</i>	<i>Net Pension Liability as a % of Annual Covered Payroll</i>	<i>Net Position as a % of Total Pension Liability</i>
2018	\$1,607,847	\$1,120,809	143.45%	77.49%
2019	1,727,302	1,149,787	150.23	77.53
2020	1,894,758	1,329,670	142.50	77.08
2021	1,281,923	1,428,771	89.72	86.59
2022	2,581,393	1,520,028	169.83	74.88

Source: District.

In June 2024, PERS reported a preliminary 9.3% net return on investments for the fiscal year ended June 30, 2024. In the two prior fiscal years ended June 30, 2022 and 2023, the reported return was -6.1% and 5.8%, respectively. PERS weighted average investment returns for the past five, ten and twenty years ending June 30, are 6.6%, 6.2% and 6.7%, respectively.

Effective with the June 30, 2021, valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. On November 17, 2021, the PERS Board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for

administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30%, and modifications to retirement rates, termination rates, mortality rates and rates of salary increases. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date. Actual investment returns lower than the actuarially assumed level (in and of itself) will result in decreased funding status and increased required contribution by the District.

Post-Employment Benefits

The District currently provides post-retirement health care benefits through PERS (“HC Plan”). In general, to be eligible for retiree medical benefits, an employee must retire from PERS on or after age 50 with at least 5 years of District service. For employees hired prior to February 1, 2006, the District’s financial obligation is to pay 100% of the cost of coverage for the eligible retiree and any eligible dependents. For employees hired on or after February 1, 2006, the District’s contribution percentage is based on the employee’s years of PERS eligible service at retirement starting at 50% for employees with 10 years increasing by 5% per year of service up to 100% at 20 years of service. The District’s maximum contribution is based on this contribution percentage applied to the average weighted premium rates established annually by PERS. A separate financial report is not prepared for the HC Plan. On July 10, 2024, 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, 2024, was determined to be \$3,695,120, based on a discount rate of 6.2%. Based on this valuation, for fiscal year ended June 30, 2024, the District paid \$127,072 in retiree medical benefits. In fiscal year 2008, the District established an Irrevocable Trust with the PERS’ California Employer’s Retiree Benefit Trust (CERBT). The Irrevocable Trust was required to fully implement the District’s direction of prefunding the District’s OPEB liability. For fiscal year June 30, 2024, the District’s cash contribution to CERBT was \$130,000 in payments to the trust and the estimated implied subsidy of \$41,316 resulting in total OPEB payments of \$168,388. The District’s contributions to the OPEB plan are not based on a measure of pay. Currently nine (9) retired employee are receiving health care benefits as of June 30, 2024. The OPEB liability attributable to the Enterprise is approximately 60% of the District’s estimated Fiscal Year 2024 OPEB liability as a whole.

The following table provides information as of the June 30, 2022 valuation date of the District’s post-employment benefits.

Number of active participants	20
Employer’s actuarially determined contributions	\$272,152
Employer’s actual contributions	\$298,388
Total OPEB Liability	\$3,695,120
Plan Fiduciary Net Position	\$2,676,098
Net OPEB Liability	\$1,019,022
Plan fiduciary net position as % of Net OPEB Liability	38.08%
Covered employee payroll	\$1,730,697
Net OPEB Liability as a % of covered employee payroll	58.88%

THE ENTERPRISE

History and Management

The District was formed in 1965 and currently provides 15,080 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 21 people full time, and operates one shift, seven days a week to operate and maintain the Enterprise. The District’s Finance Department is responsible for billing and collecting all water utility bills.

The Enterprise currently serves 4,513 customers, consisting of 3,842 single-family, 465 multi-family, 96 commercial and 110 irrigation accounts. The approximate 288-acre Dana Reserve Project is in the process of being annexed to the District. See “NIPOMO COMMUNITY SERVICES DISTRICT – Dana Reserve Project.”

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.

Existing Facilities

Currently, the District operates five (5) production wells, four (4) of which are active, and one (1) is currently being rehabilitated. The District also purchases supplemental water from the City of Santa Maria. The District has adequate water storage to provide water during power outages and has the Via Concha Well (650 gallons per minute (“gpm”)) and the Joshua Road Pump Station (2,100 gpm) which have dedicated standby generators available to operate the facilities totally independent of electrical power supply for operations. The well depths of the Enterprise are monitored monthly. 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.

Wells. The District operates five (5) production wells, located throughout the distribution system, which produce approximately 50% of its water supply for the Enterprise. The five (5) wells have a capacity of 2,100 gpm and extract water primarily from the Nipomo Mesa Management Area (“NMMA”) of the Santa Maria Groundwater Basin (the “Basin”). Each well has pumping facilities sufficient to pump water into the system and fill the reservoirs.

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

Pumping Facilities. The Joshua Road Pump Station has pumping facilities sufficient to pump water up to a rate of 2,100 gpm into the system and fill the reservoirs.

Distribution System. The District’s water distribution system includes approximately eighty-five (85) miles of water lines varying in size from 6 inches to 24 inches, as well as valves, fire hydrants, and over 4,500 service connections. 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. Prior to the Supplemental Water Project (“Supplemental Water Project” or SWP”), groundwater pumped from the NMMA of the Basin, an aquifer that has been adjudicated since 2008, was the sole source of water to the District. Groundwater is supplied by four active wells and pumping stations. One of the District’s wells is currently being rehabilitated. The wells have an average depth of 600 feet. The three largest wells are the Eureka Well, currently being rehabilitated (1,000 gpm), Sundale Well (1,000 gpm), and the Via Concha Well (650 gpm). Total maximum daily production from operating wells is about 2,100 gpm. Rehabilitation on the Eureka Well is expected to be completed in 2026.

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 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 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 the NMMA Technical Group, the District and other Nipomo Mesa purveyors can be ordered to reduce pumping. The NMMA Technical Group has defined criterion for Potentially Severe (current designation) and Severe water shortage

conditions for the NMMA, based on both water quality measures at coastal sentinel wells and an index of well levels measured across the area. Should the well index trigger Severe criterion, the NMMA Technical Group will evaluate further actions, up to and including mandatory pumping reductions. 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 Basin. The Stipulation requires the District to develop additional water supplies to serve current and future customers. Phase 1 of the Supplemental Water Project financed by the 2013 COPs was in response to this need. The Supplemental Water Project increases the reliability of the District water supply by providing an additional source other than groundwater.

In 2008, the Court confirmed the Stipulation and incorporated its terms as part of the Final Judgment. The Court has retained on-going jurisdiction to make orders enforcing the rights of the respective parties and the provisions of the Stipulation. Two separate non-stipulating parties to the litigation filed appeals of the Final Judgment to the California Court of Appeals. Oral argument was heard in the spring of 2012. On November 21, 2012, the Appellate Court ruled and, among other things, upheld the Stipulation. The non-stipulating parties then petitioned the Supreme Court of California for review. The Stipulation has been finally adjudicated, and on February 13, 2013, the California Supreme Court denied the petition for review. Petition for review to the U.S. Supreme Court has been made concerning matters other than the Stipulation, but no further action to contest the Stipulation may be taken. The Court entered into an amended judgment on April 17, 2014, which provides for the long-term management of the Basin water resources. The Judgment requires the District to ultimately purchase and transmit a minimum of 2,500 acre-feet of Supplemental Water each year. The District is further required to employ its best efforts to timely implement the Supplemental Water Project. The Judgment further provides that once the Supplemental Water is capable of being delivered, the parties to the agreement are to purchase designated portions of the Supplemental Water each year to offset ground water pumping in the NMMA.

In 2015, the District completed a portion of the Supplemental Water Project allowing the District to receive imported water from the City of Santa Maria. The Supplemental Water Project allows the District and the other water suppliers on the NMMA to reduce pumping from existing wells to slow the depletion of groundwater and to reduce the potential for seawater intrusion on the Nipomo Mesa. The Supplemental Water Project is consistent with the Stipulation and the judgment related to the groundwater adjudication of the Basin.

The District partner purveyors within the NMMA include Woodlands Mutual Water Company (“WMWC”) and Golden State Water Company (“GSWC”), both of which receive Supplemental Water Project water under the Supplemental Water Management and Groundwater Replenishment Agreement (the “Replenishment Agreement”) entered into by WMWC, GSWC and the District in October 2016. Under the Replenishment Agreement and as provided in the Stipulation, GSWC and WMWC each have a purveyor purchase allocation of 16.66%¹, for a total of 33.32% of the total 2,500 acre-feet (“AF”) per year delivered through the Supplemental Water Project to the District. Pursuant to the Replenishment Agreement, the District is to operate the Supplemental Water Project as an enterprise fund, separating all costs associated to Supplemental Water Project within and only to that fund. The amortization period for capital costs is 30 years beginning July 1, 2015. As part of the Supplemental Water Project, three new interconnection facilities are being constructed to allow for the maximum allocations of water delivery to the GSWC and the WMWC. The new interconnection facilities and appurtenances, expected to be completed this fiscal year, will be operated and maintained by the District and are included in the list in Table 18 of the District capital improvement projects.

Supplemental Water Project. The overall costs to construct the Supplemental Water Project was approximately \$28,960,000. The project was completed in 2022 and allows for the delivery on average of a total of 3,000 acre-feet per year (“AFY”) of supplemental water.

¹ At the time the Stipulation and Replenishment Agreement were entered into, GSWC was required to purchase 8.33%, and a third water supplier, Rural Water Company, was required to purchase 8.33%, of the water delivered through the Supplemental Water Project. GSWC has since purchased Rural Water Company and is now responsible for Rural Water Company’s 8.33% share.

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 Supplemental Water Project. The Wholesale Water Agreement also addresses pricing, points of connection, and operational issues.

The Wholesale Water Agreement provides for a minimum delivery schedule whereby 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, when the minimum required purchases will be reevaluated. 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 a Base Energy Cost equal to \$206.85 per AF. The initial delivery occurred in 2015 and in 2025 the District’s minimum water purchase will be 2,500 AFY. The term of the agreement is 85 years from the initial delivery of the Supplemental Water. The Wholesale Water Agreement also provides for an additional delivery of 3,200 AFY above the minimum delivery.

Historical and Projected Water Supply and Deliveries

As required in the Stipulated Agreement, the District has dramatically reduced overall water demand and significantly reduced its reliance on groundwater through the importation of water from the Supplemental Water Project. The Stage II water severity condition that the NMMA is presently in sets a goal that groundwater deliveries be reduced by twenty percent from average production in 2009 through 2013. For the District, the average for the five-year period is 2,533.4 AFY, so the District has targeted its groundwater pumping to not exceed 2,027 AFY. Since 2016 the District has pumped less than 2,027 AFY.

The District reduced its pumping demand on the groundwater basin from a high of 3,033 AFY in 2003 to a low of 602 AFY in 2023, an eighty percent (80%) reduction in groundwater production. The 680 AFY of groundwater production in 2024 is significantly lower than the requested 1,266.7 AFY production level requested under the Stage IV water severity condition.

As of June 30, 2024, the District has pumped 680 AFY for the current fiscal year, up from 602 AF for the same period last year. As of June 30, 2024, the District has imported 1,140 AFY equal to its share of Supplemental Water for the current fiscal year. As of June 30, 2024, the District has delivered 1,621 AFY of water for the current fiscal year, up slightly from 1,542 AFY for the same period last year. Set forth below in Table 1 is a summary of the amount of historical groundwater pumped, Supplemental Water imported 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 in 2003 at approximately 3,000 AF. In recent years water usage has declined primarily due to decreased construction and development activity in the region and conservation efforts by the District. This trend is anticipated to reverse in the near future as building activity and development expands and new connections increase as a result of the Dana Reserve Project. See Table 5 for projected connections based on capacity fee information. For purposes of 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. The projections in Table 2 of the Supplemental Water to be purchased include the amounts to be purchased by WMWC and GSWC.

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

Fiscal Year Ended June 30	Pumped Water	Percent Change	Imported Supplemental Water	Total	Percent Change	Water Deliveries	Percent Change
2020	1,026	16.6%	970	1,996	7.8%	1,789	(3.3)%
2021	1,016	(1.0)	1,077	2,093	4.9	1,881	5.1
2022	878	(13.6)	1,100	1,978	(5.5)	1,819	(3.3)
2023	602	(31.4)	1,116	1,718	(13.1)	1,542	(15.2)
2024	680	12.9	1,140	1,820	5.9	1,621	5.1

Source: Nipomo Community Service District.

TABLE 2
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
PROJECTED PUMPED GROUNDWATER AND SUPPLEMENTAL WATER
(IN ACRE-FEET PER YEAR)

Fiscal Year Ended June 30	Pumped Water	Imported Supplemental Water	Total
2025	1,040	1,100	2,140
2026	550	2,500	3,050
2027	644	2,500	3,144
2028	742	2,500	3,242
2029	810	2,500	3,310

Source: Nipomo Community Service District.

Historical and Projected Water Connections

As of June 30, 2024, the District has 4,513 connections, an increase of 4 connections from last fiscal year or 0.1%. The following Tables 3 and 4 show the number of water connections to the District’s Enterprise for the five most recent fiscal years, as well as the current breakdown between the connection categories as of June 30, 2024.

TABLE 3
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
HISTORICAL WATER CONNECTIONS

Fiscal Year Ended June 30	Water Connections	Percent Change
2020	4,391	1.1%
2021	4,485	2.1
2022	4,501	0.4
2023	4,509	0.2
2024	4,513	0.1

Source: Nipomo Community Service District.

TABLE 4
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
NUMBER OF CONNECTIONS BY CATEGORY
(As of June 30, 2024)

Category	Number of Connections	Percent of Total
Single Family	3,842	85%
Multifamily	465	11
Commercial	96	2
Irrigation	<u>110</u>	<u>2</u>
TOTAL	4,513	100%

Source: Nipomo Community Service District.

Table 5 depicts projected new connections between the fiscal years 2024-25 through 2028-29 based on capacity fees received by the District, and information received by the District at this time regarding the planning stages of such developments, as well as future projected development within the District, primarily consisting of the Dana Reserve Project. In its financial projections, the District has estimated a growth of 1,172 new connections through 2028-29, of which an estimated 1,000 is attributed to the Dana Reserve Project.

**TABLE 5
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
PROJECTED CONNECTIONS**

	2024-25	2025-26	2026-27	2027-28	2028-29
Active & Estimated Connections	4,513	4,516	4,697	5,062	5,344
<u>Projects with Intent to Serve Letters⁽¹⁾</u>					
CO 20-0027	2				
120 S. Thompson Avenue	1				
Tract 3148		23			
Tract 3135		23			
655 Juniper Street			57		
170 Magenta Lane				17	
646 Grande Avenue				15	
213 W. Dana Street				4	
Honey Grove Ln, APN 092-321-030					2
Tract 3056					17
1067 Evergreen Way					1
549 Hill Street					10
Subtotal	3	46	57	36	30
<u>Estimated Dana Reserve Connections⁽²⁾</u>	0	135	308	246	311
Projected New Connections	3	181	365	282	341
Total Projected Connections	4,516	4,697	5,062	5,344	5,685

1. Based on current intent to serve letters as of August 5, 2024.
2. Dana Reserve Development Water and Wastewater Phasing Study, March 5, 2024. Based on estimated Dana Reserve Project connections from developer projections.

Source: Nipomo Community Services District.

Historical Water Sale Revenues

For the Fiscal Year ending June 30, 2024, the District received \$7,248,240 in revenues from water sales, up from the \$6,447,413 in revenues received over the same period last year. Table 6 shows annual water sale revenues from water sales in the service area for the five most recent fiscal years. The increases in water sales revenues reflect both increased connections as well as rate increases. See the caption “Water Rates and Charges – Water Service Rates.”

TABLE 6
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
HISTORICAL WATER SALES REVENUES

Fiscal Year Ended June 30	Sales Revenue	Percent Change
2020	\$5,766,696	16.46%
2021	6,417,044	11.28
2022	6,537,090	1.87
2023	6,447,413	(1.37)
2024 ⁽¹⁾	7,248,240	12.42

1. Unaudited.

Source: Nipomo Community Service District.

Largest Customers

The following Table 7 sets forth the District's ten largest customers in the service area as of June 30, 2023 as determined by annual payments.

TABLE 7
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
TEN LARGEST ENTERPRISE CUSTOMERS BASED ON PAYMENT
FISCAL YEAR ENDED JUNE 30, 2023

Account Name	Annual Payment	Percent of Total Water Revenue
Lucia Mar School District	\$162,665	2.52%
Nipomo Regional Park	127,006	1.97%
San Luis Bay Apartments	124,101	1.92%
La Placita Plaza	50,098	0.78%
Brassica Nursery	39,242	0.61%
SLO Gas & Mart	29,038	0.45%
Safeway Inc.	23,343	0.36%
The Oaks at Nipomo	22,671	0.35%
Cider Village Apartments	20,288	0.31%
Buena Vista Mobile Home	<u>18,468</u>	<u>0.29%</u>
Subtotal of Top Ten	\$616,920	9.56%
Total all Others	<u>\$5,830,493</u>	<u>90.44%</u>
Total	\$6,447,413	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, 2023, were responsible for approximately 9.6% of Enterprise revenue during such period. The majority of the District's customers are residential. See Table 4.

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 water capacity fees and property tax revenues plus replacement reserves.

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. 2020-1576, which became effective on January 1, 2021 and are presented in Table 12. The current approved rates reflect an overall revenue goal of 8.9% increase annually through fiscal year 2024-25. 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 “RISK FACTORS –Articles XIII C and XIII D.” Prior to the adoption of Resolution No. 2020-1576, the last increase in rates for the Enterprise occurred in 2017.

The structure consists of a monthly fixed charge by meter size and a consumption charge consisting of a uniform volume charge for all customers and separate volume fire protection charges for commercial customers. The District expects to begin the Proposition 218 process to obtain a new rate study for its water rates in 2025. The projections in Table 22 assume the rate increase for January 1, 2025 will be implemented but do not assume future rate increases thereafter.

The chart below sets forth the current approved rate structure for the Enterprise.

**TABLE 8
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
CURRENT RATE STRUCTURE**

MONTHLY FIXED CHARGES
(Effective January 1)

<u>METER SIZE</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
1 inch and less	\$ 26.85	\$ 30.36	\$ 33.86	\$ 37.62	\$ 41.56
1 1/2 inch	37.88	42.42	47.03	51.98	57.19
2 inch	53.21	59.32	65.60	72.34	79.45
3 inch	111.52	124.64	138.20	152.66	167.87
4 inch	156.49	174.18	192.58	212.22	232.94
6 inch	315.64	348.53	383.17	420.33	459.73
8 inch	497.52	547.80	601.00	658.16	718.92

WATER VOLUME CHARGE
(Effective January 1)
(per Unit¹)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
All consumption	\$6.21	\$6.68	\$7.21	\$7.80	\$8.45

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

Source: Nipomo Community Service District.

Table 9 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 during the last rate study showing bi-monthly bills of water purveyors in San Luis Obispo County and other local communities. The comparison shown in Table 9 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 July 1, 2020 for surrounding water purveyors. The table indicates that the District’s bi-monthly bill at 40 Ccf, with the January 1, 2021 rates, is in the upper middle of the agencies listed.

TABLE 9
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
REGIONAL COMPARISON OF WATER RATES
(Bi-monthly charges
as of last rate study July 2020)

District /Agency	Bi-Monthly Rate for Single Family Residence (40 Ccf)
Avila Beach Community Services District	\$299.64
Los Osos Community Services District	278.75
City of San Luis Obispo	217.54
Nipomo Community Services District ⁽¹⁾	202.74
City of Santa Maria	197.02
City of Pismo Beach	176.88
City of Grover Beach	172.97
San Miguel Community Services District	156.54
City of Paso Robles	152.52
City of Arroyo Grande	152.02
Golden State Water Company	115.27
Heritage Ranch	110.48
Templeton Community Services District	90.00

1. January 1, 2021 Uniform Bill.

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. Since a portion of the proceeds of the Certificates will be used to prepay the 2013 COPs which financed a portion of the first phase of the Supplemental Water Project, both the Water Capacity Fees and the Supplemental Water Capacity Fees (the “Capacity Fees”) are available for making Installment Payments 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, 2015, and each fiscal year thereafter, the capacity charge shall be increased to reflect the estimated increase in the costs of the construction of District facilities. The determination of whether there has been an increase in costs and the estimated 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 May 2014, value of nine thousand seven hundred ninety-six (9,796) as the basis and the Index value for May of each year to calculate the increase. The Index value for May 2024 is 13,352. Water Capacity Fees are deposited into the Water Capacity Fund of the Enterprise and the Supplemental Water Capacity Fees are deposited into the Supplemental Water Fund of the Enterprise. Current and historical capacity charge revenues are summarized in the tables below. The current Water Capacity Fee effective July 1, 2024 is \$4,035 for a 1 inch meter. The current Supplemental Water Capacity Fee effective July 1, 2024 is \$10,457 for a 1 inch meter.

The table below shows the historical revenues generated by the Capacity Fees for the past five fiscal years. Unusually high revenue was derived from Capacity Fees in Fiscal Years 2021-22 and 2022-23. There were no new Capacity Fees collected for Fiscal Year 2023-24 due to no new development. Projections for Capacity Fees in Table 22 reflects no revenue for Fiscal Year 2023-24.

**TABLE 10
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
HISTORICAL CAPACITY FEES**

Fiscal Year Ended June 30	Water Capacity Fee Revenues	Supplemental Water Capacity Fee Revenues	Total Capacity Fee Revenues
2020	\$ 23,952	\$ 14,832	\$ 38,784
2021	41,275	15,930	57,205
2022	279,030	114,821	393,851
2023	129,053	50,153	179,211
2024 ⁽¹⁾	116	301	417

1. Unaudited. Capacity Fees for Fiscal Year 2023-24 are negligible and consist of true-up fees for significant Capacity Fees collected in Fiscal Years 2021-22 and 2022-23. No new development was charged a new Capacity Fee for Fiscal Year 2023-24.

Source: Nipomo Community Service District.

The following table depicts the projected revenue derived from current and future Capacity Fees for the fiscal years 2024-25 through 2028-29 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.

**TABLE 11
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
PROJECTED CAPACITY FEES**

	2024-25	2025-26	2026-27	2027-28	2028-29
Individual Projects with Intent to Serve Letters					
CO 20-0027	\$32,538				
120 S. Thompson Avenue	16,269				
Tract 3148		\$374,187			
Tract 3135		74,187			
655 Juniper Street			\$27,333		
170 Magenta Lane				\$276,573	
646 Grande Avenue				244,035	
213 W. Dana Street				65,076	
Honey Grove Lane					\$ 32,538
Tract 3056					276,573
1067 Evergreen Way					16,269
549 Hill Street					162,690
Estimated Subtotal	\$48,807	\$748,374	\$927,333	\$585,684	\$488,070
Dana Reserve Annexation¹	0	\$1,956,420	\$4,463,536	\$3,565,032	\$4,507,012
Estimated Total	\$48,807	\$2,704,794	\$5,390,869	\$4,150,716	\$4,995,082

1. Based on Table 5 projections.

Source: Nipomo Community Services District.

Ad Valorem Property Taxes

The District receives a portion of the general ad valorem taxes imposed by San Luis Obispo County (the “County”) and ad valorem assessments imposed by the District. The Ad Valorem Tax Revenues have been pledged as the first source of funds from which Installment Payments will be made. See “SECURITY AND SOURCES FOR THE PAYMENT OF THE BONDS - Pledge of Revenues.” The District’s pledge of Ad Valorem Tax Revenues to the Installment Payments is limited to its share of the 1% general property tax levy and the District cannot be compelled to levy an additional property tax to pay the Certificates.

Assessed Valuation. The assessed valuation of the property in the County is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Due to changes in assessment required under State Constitution Article XIII A, the County assessment roll no longer purports to be proportional to market value. Generally, property can be reappraised to market value only upon a change in ownership or completion of new construction. The assessed value of property that has not incurred a change of ownership or new construction must be adjusted annually to reflect inflation at a rate not to exceed 2% per year based on the State consumer price index. In the event of declining property value caused by substantial damage, destruction, economic or other factors, the assessed value may be reduced temporarily to reflect market value. For the definition of full cash value and more information on property tax limitations and adjustments, see “RISK FACTORS – Article XIII A” herein.

The County Assessor determines and enrolls a value for each parcel of taxable real property in the County every year. The value review may result in a reduction in value. Taxpayers in the County also may appeal the determination of the County Assessor with respect to the assessed value of their property. San Luis Obispo County utilizes the Teeter plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest. The District receives

approximately 8.3% of its revenues from the 1% property tax levy that the County levies in accordance with Article XIII A of the State Constitution (the “Ad Valorem Property Taxes”). There are no redevelopment agencies within the boundaries of the District to impact positively or negatively the receipt by the District of Ad Valorem Tax Revenues.

The County Auditor-Controller has estimated the adjusted assessed valuation for property within the District for fiscal year 2023-24 as \$2,242,859,988 (\$2,236,874,821 for secured, \$22,428,167 for unsecured and \$16,443,000 for homeowners’ exemption), with estimated revenues of \$883,505. Table 12 below sets forth the secured and unsecured assessed valuations for property in the District, along with the Ad Valorem Tax Revenues actually received by the District for the fiscal years 2020 through 2024.

**TABLE 12
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 Tax Revenues⁽¹⁾
2020	\$1,828,875,688	\$18,518,514	\$(16,563,400)	\$1,830,830,802	\$717,022
2021	1,947,740,574	20,366,954	(16,650,200)	1,951,457,328	763,077
2022	1,992,461,908	19,241,866	(16,692,200)	1,995,011,574	780,655
2023	2,126,314,543	19,357,194	(16,563,400)	2,129,108,337	845,177
2024	2,236,874,821	22,428,167	(16,443,000)	2,242,859,988	883,505

(1) Share of 1% General Fund Apportionment, net of adjustments. Fiscal Year 2023-24 collected amount is unaudited.

Source: County of San Luis Obispo Assessor.

State Legislative Shift of Property Tax Allocation. For a number of years, the State Legislature shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund (“ERAF”). In Fiscal Years 1993 and 1994, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over \$3 billion of property taxes from cities, counties, and special districts to schools and community college districts pursuant to ERAF shifts. The Fiscal Year 2004-05 State Budget included an additional \$1.3 billion shift of property taxes from certain local agencies, including the City, in Fiscal Years 2004-05 and 2005-06. On July 27, 2009, the Governor signed a revised Fiscal Year 2010 State budget that included an ERAF shift of approximately 8% of 1% ad valorem property tax revenues from certain local agencies, including the District. On November 2, 2010, State voters approved Proposition 22, which: (i) prohibits the State of California from shifting or delaying the distribution of funds from special districts to schools and community colleges; (ii) eliminates the authority to shift property taxes temporarily during a severe financial hardship of the State; and (iii) restricts the State’s authority to use fuel tax revenues to pay debt service on transportation bonds, to borrow or change the distribution of fuel tax revenues or to use vehicle license fee revenues to reimburse local governments for state-mandated costs. Additionally, the Ad Valorem Property Taxes are specifically pledged to payment of Debt Service on the Bonds which may limit the ability of the State to reduce or eliminate such revenues. Despite the passage of Proposition 22, there can be no assurance that the Ad Valorem Property Taxes the District currently expects to receive will not be temporarily shifted from the District or reduced pursuant to State legislation enacted in the future. If the property tax formula is permanently changed in the future, it could have a material adverse effect on the receipt of its share of 1% property tax revenues by the District. See “RISK FACTORS – Proposition 1A and – Proposition 22” herein.

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 annum from and after the July 1 following the delinquency date. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half (1½) percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer-Tax Collector.

Property taxes on the unsecured roll are due as of January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent (10%) penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one- and one-half (1-1/2) percent per month begins to accrue on November 1.

The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer. The County, however, utilizes the Teeter Plan for assessment levy and distribution, distributing 100% of the assessments (but no late fees, penalties or interest payments) to the taxing entity. There is no assurance that the County will continue to utilize the Teeter Plan or that the County’s Teeter Plan will not be amended to exclude the Ad Valorem Property Taxes.

Table 8 below sets forth the property tax rates for the District for the fiscal years 2020 through 2024. The information in the table below has been provided by California Municipal Statistics, Inc. Neither the District nor the Underwriter has independently verified the information in the table below and do not guarantee its accuracy.

TABLE 13
NIPOMO COMMUNITY SERVICES DISTRICT
PROPERTY TAX RATES
Typical Total Tax Rates (TRA52-98)

	2019-20	2020-21	2021-22	2022-23	2023-24
General	1.00000	1.00000	1.00000	1.00000	1.00000
State Water Project	.00400	.00400	.00400	.00400	.00363
Lucia Mar Unified School District	.07234	.05749	.05878	.03950	.03500
San Luis Obispo Community College District	.01925	.01925	.01925	.01925	.01925
Total	1.09559	1.08074	1.08203	1.06275	1.05788

Source: California Municipal Statistics, Inc.

Table 14 below sets forth the direct and overlapping debt statement for the District as of June 30, 2024. The information in the table below has been provided by California Municipal Statistics, Inc. Neither the District nor the Underwriter has independently verified the information in the table below and do not guarantee its accuracy.

TABLE 14
NIPOMO COMMUNITY SERVICES DISTRICT
DIRECT AND OVERLAPPING DEBT STATEMENT
June 30, 2024

2023-24 Assessed Valuation: \$2,259,302,988

	Total Debt <u>6/30/24</u>	<u>% Applicable (1)</u>	District's Share of <u>Debt 6/30/24</u>
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Luis Obispo County Community College District	\$205,380,000	3.161%	\$ 6,492,062
Lucia Mar Unified School District	146,249,802	11.714	17,131,702
Nipomo Community Services District Assessment District No. 2020-1	10,965,000	100.	<u>10,965,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$34,588,764
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Luis Obispo County General Fund Obligations	\$81,021,650	3.174%	\$2,571,627
San Luis Obispo County Pension Obligation Bonds	22,760,324	3.174	722,413
Lucia Mar Unified School District General Fund Obligations	14,015,000	11.714	1,641,717
Nipomo Community Services District	0	100.	<u>0</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$4,935,757
TOTAL DIRECT DEBT			\$0
TOTAL OVERLAPPING DEBT			\$39,524,521
COMBINED TOTAL DEBT			\$39,524,521 (2)

- (1) The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the community services district divided by the overlapping district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2023-24 Assessed Valuation:

Total Direct Debt.....	0.00%
Total Overlapping Tax and Assessment Debt	1.53%
Combined Total Debt.....	1.75%

The 20 largest property taxpayers in the District as shown on the 2023-24 secured tax roll and the percentage of the District’s total assessed valuation attributable to each are shown in Table 15 below. The information in the table below has been provided by California Municipal Statistics, Inc. Neither the District nor the Underwriter has independently verified the information in the table below and do not guarantee its accuracy.

TABLE 15
NIPOMO COMMUNITY SERVICES DISTRICT
LARGEST SECURED PROPERTY TAXPAYERS
June 2024

	Property Owner	Primary Land Use	2023-24 Secured Assessed Valuation⁽¹⁾	Percentage of Total
1.	Nipomo Oaks Senior Living	Assisted Living Facility	\$ 17,468,500	0.78%
2.	Domingos G. Ribeiro	Shopping Center	15,504,872	0.69
3.	Nipomo Self Storage LLC	Mini Storage	9,851,257	0.44
4.	ACI Real Estate SPE 145 LLC	Shopping Center	8,108,788	0.36
5.	Nipomo Group	Commercial	7,215,756	0.32
6.	Nipomo West LLC	Shopping Center	6,100,508	0.27
7.	CIM Newhope LLC	Commercial	5,559,000	0.25
8.	Garfield Beach CVS LLC	Commercial	5,408,600	0.24
9.	Nipomo Partners LLC	Mini Storage	5,332,576	0.24
10.	FE Nipomo LLC	Commercial Land	5,015,098	0.22
11.	SPZ Properties LLC	Apartments	4,745,232	0.21
12.	La Placita Shopping Center LLC	Shopping Center	4,509,375	0.20
13.	Mary Miller	Apartments	4,334,927	0.19
14.	Howard & Pepper, Inc.	Commercial	4,057,172	0.18
15.	Margarita Valley Ranch Inc.	Residential Development	3,937,310	0.18
16.	Nextgen5 LLC	Commercial	3,904,313	0.17
17.	Woodlake Apartment Associates LLC	Apartments	3,888,255	0.17
18.	Blacklake Golf Resort LLC	Golf Course	3,671,119	0.16
19.	Santa Barbara Cottage Hospital Foundation	Commercial Land	3,436,406	0.15
20.	Rodney Edwards	Residential Properties	3,417,959	0.15
			\$125,467,023	5.61%

(1) 2023-24 Local Secured Assessed Valuation: \$2,236,874,821

Source: California Municipal Statistics, Inc.

Supplemental Water Sales

The Wholesale Water Agreement provides that the District is required to purchase the following minimums from the City: 645 AFY of water during 2015, 800 AFY during 2016 through 2019, 1,000 AFY during 2020 through 2024, and 2,500 AFY thereafter 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 is the Base Rate of the City’s Water Consumption Rates plus a Base Energy Cost equal to \$206.85 per AF. Table 16 reflects the cost of the Supplemental Water. Expenses for each fiscal year are separated since the City’s rates are effective each January 1. Table 17 reflects the allocation of the Supplemental Water costs among the District (66.68%) and the two water purveyors (each 16.66%) obligated to purchase the Supplemental Water from the District pursuant to the Replenishment Agreement.

TABLE 16
NIPOMO COMMUNITY SERVICES DISTRICT
COST OF SUPPLEMENTAL WATER PURCHASED
FROM THE CITY OF SANTA MARIA

Period	(a) Total Acre Feet Purchased	(b) Total Cost Per Acre Foot	(a) x (b) Cost of Water Purchased
Q3/4	463	\$2,123.73	\$ 983,287
Q1/2	<u>487</u>	1,695.10	<u>825,514</u>
FY2019-20	950		\$1,808,801
Q3/4	498	2,203.78	1,097,482
Q1/2	<u>555</u>	2,123.73	<u>1,178,670</u>
FY 2020-21	1,053		\$2,276,152
Q3/4	531	2,275.84	1,208,471
Q1/2	<u>539</u>	2,203.78	<u>1,187,837</u>
FY 2021-22	1,070		\$2,396,308
Q3/4	509	2,488.48	1,266,636
Q1/2	<u>582</u>	2,275.84	<u>1,324,539</u>
FY 2022-23	1,091		\$2,591,175
Q3/4	515	2,545.40	1,310,881
Q1/2	<u>600</u>	<u>2,488.48</u>	<u>1,493,088</u>
FY 2023-24	1,115		\$2,803,969

Source: Nipomo Community Services District.

TABLE 17
NIPOMO COMMUNITY SERVICES DISTRICT
ALLOCATION OF COST OF SUPPLEMENTAL WATER
TO PARTNER PURVEYORS

Fiscal Year	NCSD 66.68%	WMWC 16.66%	GSWC 16.66%	Total
2019-20	\$1,206,109	\$301,346	\$301,346	\$1,808,801
2020-21	1,517,738	379,207	379,207	2,276,152
2021-22	1,597,858	399,225	399,225	2,396,308
2022-23	1,727,795	431,690	431,690	2,591,175
2023-24	1,869,686	467,141	467,141	2,803,969

Source: Nipomo Community Services District.

Capital Improvement Program

The District's projected capital improvement plan for the Enterprise for Fiscal Years 2024-25 through Fiscal Year 2028-29, as well as the estimated source of revenue for such improvements, is set forth below. The table does not include capital improvements required for the Dana Reserve Project, which will be funded primarily by the developer or Capacity Fees derived from the Dana Reserve Project.

**TABLE 18
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
CAPITAL IMPROVEMENT PROGRAM SUMMARY**

Project	Funding Source (Acct)	2024-25	2025-26	2026-27	2027-28	2028-29
Mallagh Street Waterline	805	\$ 250,000				
Eureka Well	805	2,500,000				
Chlorine Analyzers	805	100,000	\$100,000	\$100,000		
Red Oak Waterline	805	100,000				
Blow-Off Repair	805	20,000	20,600	21,218	\$ 21,855	\$ 22,510
Air Vac Replacement	805	20,000	21,600	21,218	21,855	22,510
Fire Hydrant Replacement	805	50,000	51,500	53,045	54,636	56,275
Valve Replacement	805	50,000	103,000	106,090	109,273	112,551
Well Refurbishment	805	50,000	103,000	106,090	109,273	112,551
Large Meter Replacement	805	50,000				
Foothill Tank Repair	805	100,000	103,000	106,090	109,273	112,551
Tefft Street Waterline Crossings	805	25,000	250,000			
SCADA System Improvements	805	100,000	100,000			
Interconnects	500	1,000,000				
Pomeroy Water Line	500	1,800,000				
Summit Station Booster	500			200,000	1,800,000	
Foothill Tank	700	500,000	1,000,000	3,000,000		
Third Blacklake Connection	700	190,000				
TOTAL (uninflated)		\$6,905,000	\$1,852,700	\$3,713,751	\$2,226,165	\$438,948
TOTAL (with 3.5% inflation)			\$1,917,545	\$3,978,263	\$2,468,189	\$503,703

Account Key

500: Supplemental Water Capacity Fund

700: Water Capacity Fund

805: Water Replacement Fund

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 Certificates have been incorporated into the above table for the Foothill tank. New capital improvements and upgrades are expected to be funded 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. The District has no current expectation to incur future debt other than the Certificates to fund the capital improvements listed above.

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 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 a very low, if any, annual delinquency rate on the collection of its utility charges. As of August 30, 2024, the delinquency rate is 2.1%. 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 sites prior to entering the system. The District can also adjust the disinfectant residual of Supplemental Water at the Joshua Road Pump Station prior to it 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 nine years depending on the constituent. The District is in compliance with all applicable federal and state water quality laws.

Conservation

Chapter 3.8 of the District's Code outlines the various conservation measures that the District implements based on the current water supply conditions, such as limiting or prohibiting use of water for landscape irrigation. The District also has a number of public outreach programs, such as a high efficiency washer rebate program, water conservation advertising, and door-hanger program for water waste and other water-use issues.

The District has also begun implementing Advanced Metering Infrastructure (AMI) with 15 minute read intervals. When a leak is detected, the District contacts the customer with the information need to find leaks. Statistics of the number of customers assisted with leak detection and repair is tracked by utility billing staff.

In addition, as required by California Water Code 10632(a) and as documented in the District's 2020 Urban Water Management Plan (UWMP) and Water Shortage Contingency Plan (WSCP) updates, the District must conduct, document, and submit an Annual Water Supply and Demand Assessment (AWSDA) to the State of California Department of Water Resources (DWR) by July 1 of each year. Based on the results of the 2024 AWSDA that was submitted in July 2024 to DWR, the District will have sufficient water supply available to meet the Next Year Demands (2024-2025) without the need to activate the District's WSCP. No planned shortage response actions will be required for the upcoming fiscal year.

Historical Financial Operations

The following tables present historical revenues, expenditures and changes in net assets and for the Enterprise for the past five Fiscal Years. When comparing Fiscal Year 2022-23 budgeted versus actual results, operating revenues decreased by 11.4% and operating expenditures decreased by 5.6%. When comparing Fiscal Year 2023-24 budgeted versus unaudited actual results, operating revenues decreased by 1.6% and operating expenditures decreased by 1.7%.

TABLE 19
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
HISTORICAL REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For Fiscal Years Ended June 30*

	Audited 2018-19	Audited 2019-20	Audited 2020-21	Audited 2021-22	Audited 2022-23	Unaudited 6/30/24
OPERATING REVENUES						
Charges for Services	\$4,951,637	\$5,766,696	\$6,417,044	\$6,537,090	\$6,447,413	\$7,248,240
Charges for services–purveyor	538,590	602,689	758,412	798,448	863,379	1,028,023
Charges for services-purveyor reimbursements	57,428	57,427	57,426	57,426	57,427	57,426
Other operating revenue	237,540	174,180	114,234	219,185	1,009,821	328,295
Total Operating Revenues	<u>\$5,785,195</u>	<u>\$6,600,992</u>	<u>\$7,347,116</u>	<u>\$7,612,149</u>	<u>\$8,378,040</u>	<u>\$8,661,985</u>
OPERATING EXPENSES						
Purchased water	\$1,077,827	\$1,206,101	\$1,517,735	\$1,597,857	\$1,727,795	\$1,869,685
Purchased water related expenses	101,847	116,544	128,876	151,981	173,191	130,222
Purchased water-purveyors	538,591	602,690	758,413	798,448	863,379	934,284
Personnel	1,247,229	1,594,028	1,703,135	1,616,678	1,797,684	1,983,147
Contractual Services	197,639	193,565	221,882	179,869	179,924	134,706
Utilities	311,728	341,266	351,764	344,383	362,517	428,637
Repairs and Maintenance	50,960	128,963	88,328	94,772	141,614	274,836
Other supplies and expenses	630,014	638,620	760,360	1,066,210	966,277	1,146,517
Insurance	58,372	65,969	95,547	127,673	158,733	196,068
Depreciation	1,042,217	1,083,926	1,167,885	1,212,507	1,260,099	1,293,428
Total Operating Expenses	<u>\$5,256,424</u>	<u>\$5,971,672</u>	<u>\$6,793,925</u>	<u>\$7,190,378</u>	<u>\$7,631,213</u>	<u>\$8,391,531</u>
OPERATING INCOME (LOSS)	\$ 528,771	\$ 629,320	\$ 553,191	\$ 421,771	\$ 746,827	\$ 270,453
NON-OPERATING REV (EXP)						
Interest Income	\$ 694,759	\$ 666,859	\$ 494,352	\$ 483,725	\$ 628,611	\$1,277,473
Property taxes ¹	-	-	-	-	-	-
Cell Site rental income	35,800	37,093	31,640	19,532	20,475	21,142
Gain on disposal of equipment	-	18,826	(51,789)	-	3,620	8,032
Other revenue-purveyor	53,044	64,086	808,466	203,130	147,528	4,752
Interest Expense	(397,659)	(393,676)	(389,632)	(385,018)	(382,023)	(376,823)
Total Non Operating Revenues	<u>\$ 385,944</u>	<u>\$ 393,188</u>	<u>\$ 893,037</u>	<u>\$ 321,369</u>	<u>\$ 418,211</u>	<u>\$ 934,577</u>
Income (Loss) before Contrib.	\$ 914,715	\$1,022,508	\$1,446,228	\$ 743,140	\$1,165,038	\$1,111,291
Capital contributions received	\$ 687,589	\$ 568,897	\$ 57,205	\$ 448,178	\$ 637,750	\$ 417
Transfers in	413,325	476,200	474,325	553,025	533,101	527,900
Transfers out	(295,247)	(331,664)	(291,767)	(333,513)	(390,341)	(388,131)
Total contributions and transfers	<u>\$ 805,667</u>	<u>\$ 713,433</u>	<u>\$ 239,763</u>	<u>\$ 667,690</u>	<u>\$ 780,510</u>	<u>\$ 140,186</u>
Change in Net Position	<u>\$1,720,382</u>	<u>\$1,735,941</u>	<u>\$1,685,991</u>	<u>\$1,410,830</u>	<u>\$1,945,548</u>	<u>\$1,251,477</u>
Total Net Position, Beginning	<u>\$44,830,853</u>	<u>\$46,551,235</u>	<u>\$48,287,176</u>	<u>\$49,973,167</u>	<u>\$51,383,997</u>	<u>\$53,329,545</u>
Total Net Position, Ending	<u>\$46,551,235</u>	<u>\$48,287,176</u>	<u>\$49,973,167</u>	<u>\$51,383,997</u>	<u>\$53,329,545</u>	<u>\$54,581,022</u>

1. Property taxes are reflected in Transfers In line in the amount utilized for debt service.

Source: Nipomo Community Services District.

TABLE 20
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
COMBINING STATEMENT OF NET ASSETS
(as of June 30*)

	Audited 2018-19	Audited 2019-20	Audited 2020-21	Audited 2021-22	Audited 2022-23	Unaudited 6/30/24
ASSETS						
<i>Current Assets</i>						
Cash and cash equivalents	\$11,793,178	\$11,741,661	\$11,040,266	\$12,774,659	\$10,653,557	\$10,480,617
Investments	-	-	-	-	3,895,585	4,085,624
Accounts receivable	369,652	462,229	592,810	371,187	343,138	390,072
Unbilled utility receivable	753,000	934,000	949,000	556,000	624,000	773,000
Accrued interest receivable	179,089	143,254	116,058	131,419	215,380	220,958
Due from other funds	-	-	-	76,856	77,459	-
Contract receivable, current portion	108,953	108,956	130,797	142,935	154,946	164,575
Total current assets	\$13,203,872	\$13,390,100	\$12,828,931	\$14,053,056	\$15,964,065	\$16,114,846
<i>Noncurrent Assets</i>						
Restricted cash – funded replacement	\$ 789,003	\$ 982,052	\$ 1,201,942	\$ 1,442,187	\$ 1,682,669	\$ 1,959,024
Cash with fiscal agent	97	45	-	-	46	234
Deposits and other assets	48,927	46,889	44,850	42,811	40,773	38,734
Contract receivable, less current portion	6,574,152	6,031,248	6,701,166	6,760,337	6,752,818	6,595,202
Capital assets:						
Capital assets, not being depreciated	1,356,561	4,939,808	1,342,506	1,289,415	1,808,221	1,706,252
Depreciable capital assets, net	35,148,048	34,876,954	38,687,949	38,387,835	37,741,406	38,502,493
Total noncurrent assets	\$43,916,788	\$46,876,996	\$47,978,413	\$47,922,585	\$48,025,933	\$48,801,939
TOTAL ASSETS	\$57,120,660	\$60,267,096	\$60,807,344	\$61,975,641	\$63,989,998	\$64,916,784
DEFERRED OUTFLOWS OF RESOURCES						
OPEB related	\$ 468,652	\$ 475,639	\$ 621,849	\$ 536,085	\$ 594,656	\$ 594,656
Pension Related	388,746		355,576	359,365	766,036	766,036
Total deferred outflows of resources	\$ 857,398	\$ 830,229	\$ 977,425	\$ 895,450	\$ 1,360,692	\$ 1,360,692
LIABILITIES						
<i>Current Liabilities</i>						
Accounts payable	\$ 570,752	\$ 1,818,330	\$ 786,395	\$ 754,078	\$ 947,959	\$ 831,458
Deposits and retention	10,000	154,915	12,000	10,000	18,663	14,500
Accrued liabilities	206,133	225,286	164,026	161,395	204,516	169,156
Current portion long-term debt	145,000	150,000	213,250	219,735	216,347	231,738
Total current liabilities	\$ 931,885	\$ 2,348,531	\$ 1,175,671	\$ 1,145,208	\$ 1,387,485	\$ 1,246,852
<i>Noncurrent Liabilities</i>						
Net OPEB liability	\$ 735,163	\$ 768,142	\$ 1,006,795	\$ 736,202	\$ 702,273	\$ 702,273
Net pension liability	1,062,787	1,141,746	1,252,435	631,305	1,511,939	1,511,939
Long-term debt, less current portion	8,618,185	8,476,801	8,357,040	8,214,566	8,055,331	7,871,273
Total noncurrent liabilities	\$10,416,135	10,386,689	\$10,616,270	\$ 9,582,073	\$10,269,543	\$10,085,485
TOTAL LIABILITIES	\$11,348,020	12,735,220	\$11,791,941	\$10,727,281	\$11,657,028	\$11,332,337
DEFERRED INFLOWS OF RESOURCES						
OPEB related	\$ 30,299	\$ 19,438	-	\$ 203,513	\$ 324,952	\$ 324,952
Pension Related	48,504	55,491	\$ 19,661	556,300	39,165	39,165
Total deferred inflows of resources	\$ 78,803	\$ 74,929	\$ 19,661	\$ 759,813	\$ 364,117	\$ 364,117
NET POSITION						
Net investment in capital assets	\$27,741,521	\$31,189,961	\$31,545,035	\$31,338,212	\$31,361,971	\$31,361,971
Restricted for system expansion	11,351,907	8,977,276	10,792,617	11,260,476	12,809,622	12,809,622
Restricted for system replacement	844,069	1,069,362	1,283,053	1,493,903	1,734,385	2,050,600
Unrestricted (deficit)	6,613,738	7,050,577	6,352,462	7,291,406	7,423,567	8,358,829
Total net position	\$46,551,235	\$48,287,176	\$49,973,167	\$51,383,997	\$53,329,545	\$54,581,022

Source: Nipomo Community Services District.

Historical and 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 21
NIPOMO COMMUNITY SERVICES DISTRICT
WATER ENTERPRISE
HISTORICAL DEBT SERVICE COVERAGE
For Fiscal Years Ended June 30

	2018-19	2019-20	2020-21	2021-22	2022-23
GROSS REVENUES					
Water Sales and Service Charges	\$4,951,637	\$5,766,696	\$6,417,044	\$6,537,090	\$6,447,413
Water Sales to other entities	596,018	660,116	815,838	855,874	920,806
Water Ad Valorem Property Tax	683,090	717,022	763,077	780,665	845,177
Connection (Capacity) Fees	650,589	38,784	57,205	448,178	637,750
Interest Income	679,730	648,432	487,526	479,741	594,995
Other	237,540	174,180	114,234	219,185	1,009,821
Total Gross Revenues	\$7,798,604	\$8,005,230	\$8,654,924	\$9,320,733	\$10,455,962
OPERATIONS AND MAINTENANCE COSTS					
Water Treatment	\$ 80,671	\$ 80,925	\$ 80,515	\$ 80,215	\$ 82,724
Water purchased	1,616,418	1,808,791	2,276,148	2,396,305	2,591,174
Transmission and Distribution	1,401,506	1,639,755	2,008,980	2,045,545	2,019,375
Administrative and General	1,115,612	1,358,275	1,460,397	1,455,806	1,677,841
Total Operations and Maintenance Costs	\$4,214,207	\$4,887,746	\$5,826,040	\$5,977,871	\$6,371,114
NET REVENUES	\$3,584,397	\$3,117,484	\$2,828,884	\$3,342,862	\$4,084,848
2013A Bonds Debt Service	\$529,640	\$531,288	\$532,413	\$533,025	\$533,100
2013 COPs Debt Service	223,675	222,800	221,675	220,300	218,675
Total Debt Service	\$753,315	\$754,088	\$754,088	\$753,325	\$751,775
DEBT SERVICE COVERAGE	476%	413%	375%	444%	543%

Source: Nipomo Community Services District.

The following table sets forth the projected revenues, expenses and debt service coverage of the Enterprise for the previous and current Fiscal Year and the next five Fiscal Years based on the assumptions listed following the table.

TABLE 22
NIPOMO COMMUNITY SERVICES DISTRICT WATER ENTERPRISE
PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE
For Fiscal Years Ended June 30

	FY 23-24 Budget	FY 24-25 Estimate	FY 25-26 Estimate	FY 26-27 Estimate	FY 27-28 Estimate	FY 28-29 Estimate
GROSS REVENUES						
Charges for Services ⁽¹⁾⁽⁴⁾⁽⁵⁾	\$7,459,716	\$ 8,792,755	\$ 9,351,566	\$ 9,507,187	\$ 9,837,001	\$10,253,836
Pledge of Property Tax Revenue ⁽²⁾	828,145	901,095	919,117	937,499	956,249	975,374
Miscellaneous	156,000	156,000	156,000	156,000	156,000	156,000
Interest Income ⁽³⁾	563,240	584,522	678,392	867,104	1,119,229	1,396,873
Water Capacity Charge Revenue ⁽⁴⁾	-	104,910	675,556	1,457,576	1,321,764	1,701,449
Supplemental Water Capacity Charge Revenue ⁽⁴⁾	-	277,654	1,788,066	3,857,700	3,497,908	4,502,133
Cell Site	41,500	41,500	41,500	-	-	-
Total Gross Revenues	\$9,048,601	\$10,858,436	\$13,610,197	\$16,782,219	\$16,885,576	\$18,981,290
OPERATING EXPENSES*						
Water Purchases ⁽⁶⁾	\$1,966,819	\$ 2,053,172	\$ 4,881,180	\$ 5,054,101	\$ 5,292,461	\$ 5,546,283
Salaries and Benefits	1,253,600	1,324,952	1,400,479	1,480,432	1,565,077	1,654,697
Utilities	420,000	582,011	264,921	282,790	332,289	400,077
Chemicals	43,500	43,112	19,246	20,149	23,221	27,420
Lab Testing	58,000	60,320	62,733	65,242	67,852	70,566
Supplies	199,000	206,960	215,238	223,848	232,802	242,114
Repairs and Maintenance	111,500	115,960	120,598	125,422	130,439	135,657
Engineering	70,000	72,800	75,712	78,740	81,890	85,166
Meters	200,000	200,000	200,000	200,000	200,000	200,000
General And Administration	1,984,544	2,093,699	2,175,451	2,284,042	2,385,720	2,504,757
Other Expenses	339,550	353,132	367,258	381,948	397,226	413,116
Total Operating Expenses	\$6,646,513	\$ 7,106,118	\$ 9,782,816	\$10,196,714	\$10,708,977	\$11,279,853
NON-OPERATING EXPENSES*						
Fixed Asset Purchases	\$ 322,500	\$ -	\$ 30,000	\$ -	\$ -	\$ 30,000
Total Non-Operating Expenses	\$ 322,500	\$ -	\$ 30,000	\$ -	\$ -	\$ 30,000
Total Net Revenue Available for Debt Service	\$2,079,588	\$ 3,752,318	\$ 3,797,381	\$ 6,585,505	\$ 6,176,599	\$ 7,671,437
DEBT SERVICE						
Series 2013 Certificates Debt Service	\$ 527,900	\$ 347,650	\$ -	\$ -	\$ -	\$ -
2013A Revenue Refunding Bonds Debt Service	221,675	191,525	-	-	-	-
Series 2024 Certificates Debt Service ⁽⁷⁾	-	225,000	900,000	900,000	900,000	900,000
Total Debt Service	\$ 749,575	\$ 764,175	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000
Coverage with Water and Supp Water Capacity Charges	277%	491%	422%	732%	686%	852%
Coverage w/o Water and Supp Water Capacity Charges	277%	441%	148%	141%	151%	163%
Beginning Fund Balances						
Water Fund (Fund 125)	\$4,150,000	\$ 4,262,586	\$ 5,708,628	\$ 5,031,866	\$ 4,106,517	\$ 3,040,867
Water Rate Stabilization Fund (Fund 128)	438,800	456,710	475,351	494,753	514,947	535,965
Supplemental Water Capacity Fund (Fund 500)	2,500,000	1,915,878	956,540	3,409,487	8,074,425	12,562,634
Water Capacity Fund (Fund 700)	2,000,000	2,081,633	2,273,649	2,294,263	3,875,229	5,382,140
Water Replacement Fund (Fund 805)	3,900,000	3,302,041	4,087,839	4,913,873	5,780,766	6,660,593
Supplemental Water Replacement Fund (Fund 915)	1,442,186	1,712,137	1,993,107	2,280,243	2,578,815	2,889,574
Total	\$14,430,986	\$13,730,985	\$ 15,495,114	\$18,424,485	24,930,699	\$31,071,773
Ending Fund Balances						
Water Fund (Fund 125)	\$ 4,262,586	\$ 5,708,628	\$ 5,031,866	\$ 4,064,170	\$ 2,954,445	\$ 1,736,245
Water Rate Stabilization Fund (Fund 128)	456,710	475,351	494,753	514,947	535,965	557,841
Supplemental Water Capacity Fund (Fund 500)	1,915,878	956,540	3,409,487	8,074,425	12,562,634	18,258,755
Water Capacity Fund (Fund 700)	2,081,633	2,273,649	2,294,263	3,875,229	5,382,140	7,337,992
Water Replacement Fund (Fund 805)	3,302,041	4,087,839	4,913,873	5,780,766	6,660,593	7,570,209
Supplemental Water Replacement Fund (Fund 915)	1,712,137	1,993,107	2,280,243	2,578,815	2,889,574	3,213,017
Total	\$13,730,985	\$15,495,114	\$18,424,485	\$24,888,352	\$30,985,351	\$38,674,059

* Operating Expenses and Non-Operating Expenses shown in Table 22 equal Operations and Maintenance Costs pursuant to the Installment Purchase Agreement.

Numbered footnotes are listed on following page.

Footnotes to Table 22.

- [1] Projected revenue assumes the water rates adopted in the most recent Proposition 218 Notice will be implemented through January 1, 2025. No rate increase is assumed thereafter.
- [2] Assumes an increase of 2 percent annually.
- [3] Assumes an interest earnings rate of 4.0% annually.
- [4] Assumes Dana Reserve accounts added as follows: 135, 308, 246 and 311, respectively, for fiscal years 2025-26, 2026-27, 2027-28 and 2028-29, respectively. Assumes an average of 25 new non-Dana Reserve accounts for each fiscal year commencing fiscal year 24-25.
- [5] Excludes revenues from water purveyors for Supplemental Water. See Table 17.
- [6] Projected expenses includes take-or-pay increase in District's share of supplemental water cost and volume from 667 to 1,667 AFY.
- [7] Preliminary, subject to change.

Source: Nipomo Community Services.

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. Combined beginning fund balance for the Water Fund, Water Replacement Fund, Water Capacity Fund, Supplemental Water Fund, Supplemental Water Capacity Fund and Water Rate Stabilization Fund for fiscal year 2023-24 was \$14,430,986. Combined ending balance of such funds is projected to be \$13,730,985 for fiscal year 2023-24.

Tuckfield & Associates, independent consultant to the District (the “Independent Consultant”), has prepared Table 22 to provide projections of operating results of the Enterprise based on certain assumptions made by the District. These assumptions include the following:

- Fiscal year 2023-24 figures are based on budgeted amounts.
- Projected revenues, including Capacity Fee revenues, are based on the current existing rate structure, as well as 25 new connections added each year in the District’s current service area and additional residential and commercial connections that are estimated to occur over the next five (5) years from the Dana Reserve Project. See footnotes (1) and (4) to Table 22.
- Projected revenues include the most recent rate increase implemented on January 1, 2024 and assume that the last remaining Proposition 218 voter approved rate increase for January 1, 2025 is implemented. No rate increase is assumed in fiscal year 2025-26 or thereafter. See footnote (1) to Table 22 and “THE ENTERPRISE – Water Rates and Charges” and “RISK FACTORS – Articles XIIC and XIID.”
- Projected revenues do not include any revenues derived from purchase of construction water for the Dana Reserve Project.
- Capacity Revenue projections include Water Capacity Fee and Supplemental Water Capacity Fee. See RISK FACTORS – Articles XIIC and XIID.” See footnote (4) to Table 22.
- Cell Site revenue is held constant through fiscal year 2025-26 and thereafter reduced to \$0.
- Interest income is based on an interest rate of 4.0% on the average fund balances. See footnote (3) to Table 22.
- Ad Valorem Tax Revenue of \$901,095 in fiscal year 2024-25 is based on County estimates, and is inflated at two percent (2%) conservatively in future years. Does not include potential increase of Ad Valorem Tax Revenue due to annexation of Dana Reserve Project. See footnote (2) to Table 22.
- Operation and Maintenance expenses are inflated at the following annual rates: Salaries – 5.0%; Benefits – 7%; Chemicals (per Ccf) – 2%, and Electricity (per Ccf) - 4%. All other expenses are inflated at 4% annually.

- Transfers to the Replacement Fund for annual capital replacement are based on District Policy, which sets no specific requirement but states that reserves can be used for both short-term and long-term purposes. The objective is to provide monies for the current and future replacement of existing capital assets as they reach the end of their useful lives. This fund helps normalize the impact of the capital asset replacements on future water rates.
- District policy is to maintain an estimated 360 days of operation and maintenance expense (not including Funded Replacement) as an operating reserve in the Water Fund (taking into account amounts in the Rate Stabilization Fund).
- Water sales to purveyors equals 33.32% of Supplemental Water sold to the District and are excluded from Table 22. See footnote (5) to Table 22.
- The District will purchase Supplemental Water in the amount of 2,500 AF beginning July 1, 2025 as agreed in the Wholesale Water Agreement; costs associated with the purchase of Supplemental Water sold to purveyors is excluded. See Tables 16 and 17.
- Cost per hundred cubic feet (HCF) of purchased Supplemental Water from the City of Santa Maria increases at 4.5% through fiscal year 2026-27 which reflects their adopted rate schedule. After this date, the cost per HCF is assumed to increase at 5%. Only the cost of District's share of Supplemental Water is reflected in Table 22. See footnote (6) to Table 22.

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, and such variances may be material and adverse.

Delinquencies

The District's water system has historically accounted for 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.

Due to Governor Newsom's Executive Order, dated April 2, 2020, the District waived late fees and postponed service shutoffs during the COVID-19 emergency. The District resumed late fees as of May 2022 after the Governor lifted the order. The number of delinquent accounts was 1.2% as of June 30, 2023 and 1.3% as of June 30, 2024.

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 issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

See “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2023” for a more complete summary of the District’s accounting policies.

Future Facilities

In addition to the facilities referenced herein under “Capital Improvement Program,” the Dana Reserve Project will require significant upgrades to the Enterprise estimated to cost approximately \$21.5 million. The District expects to design and construct these improvements over the course of eight years beginning in 2025. These improvements are not included in Table 18. Pursuant to the Annexation Agreement, the developer has committed to make a payment of \$4.5 million to the District as an infrastructure enhancement payment to be used for the construction and improvement of District infrastructure. The current estimate of capacity charges for the Dana Reserve Project is approximately \$41 million for water and wastewater, with identified infrastructure for the Enterprise and the sewer enterprise of approximately the same amount. See “NIPOMO COMMUNITY SERVICES DISTRICT – Dana Reserve Project.”

Regulation

The District’s operation and maintenance of the Enterprise is primarily regulated by the California State Department of Health Services (“DHS”) and the California Regional Water Quality Control Board (“RWQCB”). The District believes that the Enterprise currently meets all applicable DHS and RWQCB standards and requirements.

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 Certificates. However, the following does not purport to be an exhaustive list of risks and other considerations which may be relevant to investing in the Certificates 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 and/or failure of water purveyors to take or pay for amounts of purchased water required by the Stipulation 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 Installment Purchase Agreement. See “APPENDIX C — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — Installment Purchase Agreement.” 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 Wholesale Water Agreement with the City of Santa Maria, the District is required to purchase up to 2,500 AF of water in 2025 through 2035. The cost of this water may require significant water rate increases beyond what has already been approved absent development, or substantial delay in development of the Dana Reserve Project. There can be no assurance that rate increases can be implemented or implemented in time to meet the District’s water purchase obligations.

Limitations on the District’s existing water facilities due to potential seawater intrusion or continuation of drought conditions may impact the local supply available for water service and thereby impact the level of demand.

Enterprise Operation and Maintenance Costs and Net Revenues

There can be no assurance that the District's Operation and Maintenance Costs for the Enterprise will remain at the levels described in this Official Statement. Changes in technology, energy or other expenses, including any increased treatment costs, could reduce the District's Net Revenues and require substantial increases in rates or charges. Such rate increases could increase the likelihood of nonpayment or decrease demand. Although the District has covenanted to prescribe, revise and collect rates and charges for the Enterprise at certain levels, there can be no assurance that such amounts will be collected in the amounts and at the times necessary to make timely payments with respect to the Installment Payments.

The ability of the District to comply with its covenants under the Installment Purchase Agreement and generate Net Revenues sufficient to pay principal of and interest with respect to the Certificates may be adversely affected by actions and events outside the control of the District and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "- Articles XIII C and XIII D." The remedies available to the owners of the Certificates upon the occurrence of an event of default under the Installment Purchase Agreement are in many respects dependent upon judicial actions that are typically subject to discretion and delay and could prove both expensive and time consuming to obtain.

Environmental Laws and Regulations

Water facilities are 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 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 the Installment Payments. See "THE ENTERPRISE – Regulation."

Natural Disasters

A number of natural disasters could affect the physical condition of the Enterprise facilities and/or the ability or willingness of Enterprise customers to pay their water bills when due. This may include the following:

Seismic. The District, like most communities in California, is an area of unpredictable seismic activity, and therefore, is subject to potentially destructive earthquakes.

Flood Zone Mapping. No portion of the District has been designated by Federal Emergency Management Agency ("FEMA") as a Special Flood Hazard Area (which is estimated to have a 1% annual chance of experiencing a flood with a magnitude expected once every hundred years ("100-year flood")). There were no damages to the Enterprise from the atmospheric river events which occurred in 2022 and 2023.

Wildfire Risks. In recent years, wildfires have become an increasing risk for communities throughout the State, led in part due to drought conditions in the State and in part to other climactic conditions. A wildfire impacting the District could have a material adverse impact on property values, use and demand for water and otherwise within the District. No portion of the District is located in State Responsibility Area Fire Hazard Zones.

Risks Relating to the Drought

Beginning in April 2021, Governor Newsom signed a series of proclamations determining that 50 counties in the State are in a state of emergency due to drought conditions affecting such areas. On October 19, 2021 (the "October 19 Proclamation"), Governor Newsom signed a proclamation placing the remaining eight California counties in a state of emergency due to drought conditions, resulting in the entire State being under a state of emergency. The October 19 Proclamation requires local water suppliers to implement their urban water shortage contingency plans and agricultural drought plans, as applicable, at a level appropriate for local conditions that take into account the possibility of a third consecutive dry year. On July 8, 2021, Governor Newsom signed Executive Order N-10-21, which asks citizens of the State to voluntarily reduce their water use by 15% compared to 2020 levels. Subsequently, on March 28, 2022, Governor Newsom issued Executive Order N-7-22, which required the

State Water Resources Board to evaluate the adoption of certain emergency water usage regulations by May 25, 2022. On March 24, 2023, Governor Newsom eased the emergency drought restrictions imposed in 2021, however, there can be no assurance that subsequent declarations will not impose mandatory water use restrictions should dry conditions persist in future years.

The District does not currently believe that further reductions in water use will have a material adverse effect on the District's ability to pay the Installment Payments; however, if water usage decreases significantly, whether by operation of mandatory use restrictions, prohibitively high water costs or otherwise, Net Revenues available to pay the Installment Payments may be adversely impacted.

Cybersecurity

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the District is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that its efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack would not materially impact the operations or finances of any entity, including with respect to the administration of the Certificates. The District is also reliant on other entities and service providers in connection with its information technology generally, as well as with the administration of the Certificates, including without limitation the Trustee. The District has cyber security checks and protocols in place. The District has not been subject to a major cyberattack in the last 10 years. No assurance can be given that the District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Certificate owners.

The District currently maintains insurance coverage with respect to certain information security and privacy liability claims. See "NIPOMO COMMUNITY SERVICES DISTRICT – Risk Management." The increased severity of cybersecurity claims, driven by high ransom demands, has affected the cybersecurity insurance market and has made insurance coverage more expensive and difficult to obtain. In the event the District's current coverage limits are reduced or the District declines to obtain insurance coverage relating to cybersecurity, the District's financial burden may increase if it experiences a cyberattack.

Future Suspensions and Moratoriums on Utility Shut-Offs

Due to Governor Newsom's Executive Order, dated April 2, 2020, the District waived late fees and postponed service shutoffs during the COVID-19 emergency. The District and the State may implement additional billing suspensions and moratoriums on shut-offs or other changes to its customers and such actions may affect Net Revenues. No assurance can be made that Net Revenues will not be materially adversely affected by the existence of suspensions and moratoriums on water and wastewater shut-offs, nor can there be any assurance that District and the State may not establish new moratoriums that could affect Net Revenues in the future.

Limitations on Remedies; Bankruptcy

The District is authorized to file for bankruptcy under certain circumstances. Should the District file for bankruptcy, there could be adverse effects on the owners of the Certificates.

If the Net Revenues are "special revenues" under the Bankruptcy Code, then Net Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Trust Agreement. "Special revenues" are defined to include receipts derived from the ownership or operation of projects or systems that are primarily used to provide utility services. Although the Net Revenues appear to satisfy this definition and thus be "special revenues," no assurance can be given that a court would not hold that the Net Revenues are not special revenues or are not subject to the lien of the Trust Agreement. If the Net Revenues are determined to not be "special revenues," then Net Revenues collected after the commencement of the bankruptcy case will likely not be subject to the lien of the Trust Agreement. The owners of the Certificates may not be able to assert a claim against any

property of the District other than the Net Revenues, and if these amounts are no longer subject to the lien of the Trust Agreement, then there may be no amounts from which the owners of the Certificates are entitled to be paid.

The Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the related project or system before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, the District may be able to use Net Revenues to pay necessary operating expenses of the Enterprise that are greater than or different from the Operation and Maintenance Costs defined in the Installment Purchase Agreement before the remaining Net Revenues are made available to the Trustee to pay amounts owed to the owners of the Certificates. It is not clear which expenses would constitute necessary operating expenses.

If the District is in bankruptcy, then the District's creditors (including the Trustee on behalf of owners of the Certificates) may be prohibited from taking any action to collect any amount from the District or to enforce any obligation of the District without the bankruptcy court's permission. This prohibition may also prevent the Trustee from making payments to the owners of the Certificates from funds in the Trustee's possession. The rate covenant (see "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Rate Covenant") may not be enforceable in bankruptcy by the Trustee or the owners of the Certificates.

The provisions of the Installment Purchase Agreement that provide that the commencement of a bankruptcy case by the District is an event of default and that certain other insolvency-related events with respect to the District are also events of default may be unenforceable. This may limit the ability of the Trustee to require the District to turn over to the Trustee Net Revenues and may allow the District to continue to spend Net Revenues for any purpose permitted by law as provided in the Installment Purchase Agreement, free and clear of the lien of the Installment Purchase Agreement, notwithstanding that the District is in bankruptcy.

The District may be able to borrow additional money that is secured by a lien on any of its property (including the Net Revenues), which lien could have priority over the lien of the Installment Purchase Agreement, as long as the bankruptcy court determines that the rights of the Trustee and the owners of the Certificates will be adequately protected. The District may be able to cause some of the Net Revenues to be released to it, free and clear of the lien of the Trust Agreement, as long as the bankruptcy court determines that the rights of the Trustee and the owners of the Certificates will be adequately protected.

The District may be able, without the consent and over the objection of the Trustee and the owners of the Certificates, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Trust Agreement and the Certificates as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in Installment Payments, and consequently payments on the Certificates, while the court considers any of these issues. There may be other possible effects of a bankruptcy of the District that could result in delays or reductions in Installment Payments, or result in losses to the owners of the Certificates. Regardless of any specific adverse determinations in a District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and value of the Certificates.

Article XIII A

On June 6, 1978, State voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, as amended, limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service: (i) on indebtedness approved by the voters prior to December 1, 1978; (ii) on bonded indebtedness approved by a two-thirds vote on or after December 1, 1978, for the acquisition or improvement of real property; or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of

the voters voting on the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, including a general economic downturn, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by counties and distributed according to a formula among taxing agencies. Increases in assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full cash value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Articles XIII C and XIII D

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

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

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a “fee” or “charge” as defined in Article XIII D, the local government’s ability to increase such fee or charge may be limited by a majority protest.

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

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

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

On August 3, 2020, the California Supreme Court issued an opinion in *Wilde v. City of Dunsmuir* (Cal S. Ct S252915) holding that local legislation measures setting water and other utility rates are not subject to challenge by referendum. Referendum allows voters to approve or reject laws before they take effect and is distinct from the Article XIID protest procedures described above and the legal process for initiative measures discussed below.

In any event, the District does not believe that Article XIIC grants to the voters within the District the power to repeal or reduce rates and charges for the water service in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Certificates. Remedies available to beneficial owners of the Certificates in the event of a default are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. So long as the Certificates are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the District and the rights and remedies of the Certificate Owners will be exercised through the procedures of DTC.

Proposition 1A

Proposition 1A was approved by the voters at the November 2, 2004 election. Proposition 1A amended the State Constitution to, among other things, reduce the Legislature’s authority over local government revenue sources by placing restrictions on the State’s access to local governments’ property, sales, and vehicle license fee revenues as of November 3, 2004. Beginning with Fiscal Year 2008-09, the State may borrow up to eight percent of local property tax revenues, but only if the Governor proclaims such action is necessary due to a severe State fiscal hardship, and two-thirds of both houses of the Legislature approves the borrowing. The amount borrowed is required to be paid back within three years. The State also will not be able to borrow from local property tax revenues for more than two fiscal years within a period of 10 fiscal years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the statewide local sales tax.

Many of the provisions of Proposition 1A have been superseded by Proposition 22 enacted in November 2010 and described below.

Proposition 22

On November 2, 2010, the voters of the State approved Proposition 22, known as “The Local Taxpayer, Public Safety, and Transportation Protection Act” (“Proposition 22”). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the State Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government’s purposes. Furthermore, Proposition 22 restricts the State’s ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds although this provision no longer has any meaningful impact given the statewide dissolution of redevelopment agencies. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government’s control over local revenues. The District cannot predict whether Proposition 22 will have a beneficial effect on the District’s financial condition.

Proposition 26

Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIII C. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters in California Constitution Articles XIII A, XIII C and XIII D pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the State or local government of providing the service or product to the payor. Proposition 26 applies to charges imposed or increased by local governments after the date of its approval. The District believes its Enterprise rates and charges are not taxes under Proposition 26. The District is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impact will be.

Constitutional Limitations on Appropriations and Fees

Under Article XIII B of the California Constitution, as amended, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The District is of the opinion that the user charges of the Enterprise imposed by the District do not exceed the costs the District reasonably bears in providing the water service. In general terms, the “appropriations limit” is to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District’s current “appropriations limit” for fiscal year 2024-25 is \$7,794,429.

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 “Proposition 1A” and “Proposition 22” above. The Ad Valorem Property Taxes are specially pledged to the Installment Payments and any Parity Obligations, and if such property taxes are reallocated or reapportioned, Net Revenues available to make Installment Payments and debt service on any Parity Obligations may be adversely affected.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiatives have been and could be proposed and adopted affecting the Enterprise’s revenues or ability to increase revenues. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the District.

Loss of Tax-Exemption

As highlighted under the heading “TAX MATTERS,” the interest component of the Installment Payments could become includable in gross income for purposes of federal income taxation retroactive to the date on which the Certificates were executed and delivered, as a result of future acts or omissions of the District in violation of its covenants in the Installment Purchase Agreement and the Trust Agreement.

Should such an event of taxability occur, the Certificates are not subject to special prepayment and will remain Outstanding until maturity or until prepaid under other provisions of the Trust Agreement.

Secondary Market for the Certificates

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

No assurance can be given that the market price for the Certificates will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Certificates for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Certificates or obligations that present similar tax issues as the Certificates.

Limited Obligations

No fund, other than the fund comprised of the Net Revenues of the Enterprise is liable for the payment of the Certificates or their interest or premium, if any, nor is the credit or taxing power of the District pledged for the payment of the Certificate or their interest or premium, if any. The Owners of the Certificates may not compel the exercise of the taxing power by the District or the forfeiture of any of its property. The principal of and interest with respect to the Certificates and any premiums upon the prepayment of any thereof are not a debt of the District nor a legal or equitable pledge, charge, lien, or encumbrance, upon any of its property, or upon any of its income, receipts, or revenues, except the Net Revenues which are, under the terms of the Installment Purchase Agreement, pledged to the payment of the Installment Payments. The District may (but is not legally obligated to) advance funds for the payment of interest or principal or for the performance of any covenants, provided that such funds

are derived from a source legally available for such purpose and may be used by the District for such purpose without incurring indebtedness.

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. 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.

THE CORPORATION

The Nipomo Community Services District Public Facilities Corporation is a California nonprofit public benefit corporation, formed in March 2003 for the purpose of providing assistance to public agencies in acquiring capital improvements. Under its articles of incorporation, the Corporation has all powers conferred upon nonprofit public benefit corporations by the laws of the State, provided that it will not engage in any activity other than that which is necessary or convenient for, or incidental to the purposes for which it was formed.

The Corporation is a separate legal entity from the District. It is governed by a five member Board of Directors. The Corporation has no employees. All staff work is performed by employees of the District. The members of the Corporation's Board of Directors are the Board of Directors of the District. The District's General Manager and other District employees are available to provide staff support to the Corporation.

FORWARD-LOOKING STATEMENTS

This Official Statement contains certain "forward-looking statements" concerning the Enterprise and the operations, performance and financial condition of the District, including their future economic performance, plans and objectives and the likelihood of success in developing and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond 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

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending with respect to which proper notice has been duly served upon and received by the District, or to the best knowledge of the District, threatened against the District affecting the existence of the District or the titles of its directors or officers to their offices or seeking to restrain or to enjoin the sale or delivery of the Certificates, the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Certificates, the Trust Agreement, the Installment Purchase Agreement or any action of the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement, or contesting the powers of the District or its authority with respect to the Certificates or any action of the District contemplated by any of said documents, nor, to the knowledge of the District is there any basis therefor.

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending with respect to which proper notice has been duly served upon and received by the District, or to the best knowledge of the District, threatened against the District contesting or affecting the ability of the District to collect amounts from which Installment Payments are payable, or which would have a material adverse effect on the District's ability to make Installment Payments.

TAX MATTERS

Federal Tax Exemption

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel to the District, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the District with certain covenants in the Trust Agreement, the Installment Purchase Agreement, the Tax Certificate and other documents pertaining to the Certificates and requirements of the Internal Revenue Code of 1986 (the “Code”) regarding the use, expenditure and investment of proceeds of the Certificates and the timely payment of certain investment earnings to the United States, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is not included in the gross income of the owners of the Certificates for federal income tax purposes. Failure to comply with such covenants and requirements may cause the portion of each Installment Payment representing interest and distributed in respect of any Certificate to be included in gross income retroactive to the date of execution and delivery of the Certificates.

In the further opinion of Special Counsel, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Special counsel expresses no opinion regarding the applicability of the federal corporate alternative minimum tax to the adjusted financial statement income of certain corporations.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Special Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Certificates should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Trust Agreement, the Tax Certificate or other documents pertaining to the Certificates may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Special Counsel expresses no opinion as to the effect of any change to any document pertaining to the Certificates or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Norton Rose Fulbright US LLP or in reliance upon the advice of counsel other than Norton Rose Fulbright US LLP with respect to the exclusion from gross income for federal income tax purposes of the portion of each Installment Payment representing interest and distributed in respect of any Certificate.

Special Counsel’s opinion is not a guarantee of result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and judicial decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Special Counsel, and Special Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the Certificates is commenced, under current procedures the IRS is likely to treat the District as the “taxpayer,” and the owners of the Certificates would have no right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the portion of each Installment Payment representing interest and distributed in respect of any Certificate, the District may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the examination, regardless of its ultimate outcome.

Tax Accounting Treatment of Bond Premium and Original Issue Discount

Bond Premium. To the extent a purchaser acquires a Certificate at a price in excess of the amount payable at its maturity, such excess will constitute “bond premium” under the Code. The Code and applicable Treasury Regulations provide generally that bond premium on a tax-exempt obligation is amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations) based on the obligation's yield to maturity (or shorter period in the case of certain callable obligations). The amount of premium so amortized reduces the owner's basis in such obligation for federal income tax purposes, though such amortized premium is not deductible for federal income tax purposes. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. Special Counsel is not opining on the accounting for bond premium or the consequence to a Certificate purchaser of purchasing a Certificate with bond premium. Accordingly, persons considering the purchase of Certificates with bond premium should consult their own tax advisors with respect to the determination of bond premium on such Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Certificates.

Original Issue Discount. The excess, if any, of the stated redemption price at maturity of Certificates of a particular maturity over the initial offering price to the public of the Certificates of that maturity at which a substantial amount of the Certificates of that maturity is sold to the public is “original issue discount.” Original issue discount accruing on a Certificate is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes under the same conditions and limitations as are applicable to the portion of each Installment Payment representing interest and distributed in respect of any Certificate. Original issue discount on a Certificate of a particular maturity purchased pursuant to the initial public offering at the initial public offering price at which a substantial amount of the Certificates of that maturity is sold to the public accrues on a semiannual basis over the term of the Certificate on the basis of a constant yield; and within each semiannual period accrues on a ratable daily basis. The amount of original issue discount on a Certificate accruing during each period is added to the adjusted basis of such Certificate, which will affect the amount of taxable gain upon disposition (including sale, redemption or payment on maturity) of such Certificate. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers that purchase Certificates other than at the initial offering price. Special Counsel is not opining on the accounting for or consequence to a Certificate purchaser of purchasing a Certificate with original issue discount. Accordingly, persons considering the purchase of Certificates with original issue discount should consult their own tax advisors with respect to the determination of original issue discount on such Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Certificates.

Information Reporting and Backup Withholding

Interest paid on the Certificates will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of the portion of each Installment Payment representing interest and distributed in respect of any Certificate to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

State Tax Exemption

In the further opinion of Special Counsel, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is exempt from personal income taxes imposed by the State of California.

Future Developments

Existing law may change to reduce or eliminate the benefit to owners of the Certificates of the exclusion of the portion of each Installment Payment representing interest and distributed in respect of any Certificate from gross income for federal income tax purposes or of the exemption of the portion of each Installment Payment representing interest and distributed in respect of any Certificate from State of California personal income taxation. Any proposed legislation, whether or not enacted, or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors with respect to any proposed or future change in tax law.

A copy of the form of opinion of Special Counsel relating to the Certificates is included in APPENDIX D hereto.

UNDERWRITING

The Certificates are being purchased by Raymond James & Associates, Inc. as underwriter (the "Underwriter"). The Underwriter has agreed to purchase the Certificates at a price of \$_____ (being \$_____ aggregate principal amount thereof, less Underwriter's discount of \$_____ plus/less original issue premium/discount of \$_____). The purchase agreement relating to the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such certificates purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

FINANCIAL INTERESTS

The fees being paid to the Underwriter, Underwriter's Counsel, and the Trustee are contingent upon the execution and delivery of the Certificates. From time to time, Special Counsel represents the Underwriter on matters unrelated to the Certificates.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Public Finance, LLC, the Verification Agent, will verify the accuracy of (i) mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the Defeasance Securities deposited in the 2013A Bonds Escrow Fund and the 2013 COPs Escrow Fund, together with amounts held as cash therein, to provide for (a) payment of interest on the 2013A Bonds to and including January 28, 2025, and payment of the redemption price of the 2013A Bonds on January 28, 2025; and (b) payment of interest with respect to the 2013 Certificates to and including January 28, 2025, and payment of the prepayment price of the 2013 Certificates on January 28, 2025; and (ii) certain mathematical computations supporting the conclusion that the Certificates are not "arbitrage bonds" under the Code, which will be used in part by Special Counsel to be delivered at the closing of the Certificates in concluding that interest with respect to the Certificates is excluded from gross income of the holders thereof for federal income tax purposes under present laws, including applicable provisions of the Code, existing court rulings, regulations and Internal Revenue Service rulings.

The report of the Verification Agent will include the statement that the scope of its engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it and that the Verification Agent has no obligation to update its report because of events occurring, or data or information coming to its attention, after the date of its report.

RATING

S&P Global Ratings (“S&P”) has assigned a rating of “AA-” to the Certificates. A rating reflects only the views of the rating agency assigning such rating at the time such rating is issued and an explanation of the significance of such rating may be obtained from the rating agency furnishing the same. The rating is not a recommendation to buy, sell or hold the Certificates; and there is no assurance that such rating will continue for any given period of time or will not be revised downward or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates. Neither the District nor the Underwriter have undertaken any responsibility to maintain such rating, to bring to the attention of the registered owners as the Beneficial Owners of the Certificates 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 Certificates (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 February 1 of each year, commencing with February 1, 2025 for the report for the 2023-24 Fiscal Year, and (b) to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Special District Financing & Administration (“SDFA”) on behalf of the District, with the Municipal Securities Rulemaking Board (“MSRB”) through the Electronic Municipal Marketplace Access (“EMMA”) website of the MSRB. The notices of enumerated events will be filed by the SDFA on behalf of the District with EMMA. 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 Certificate. See APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12 (the “Rule”).

The District is, or was during the past five years, responsible for providing continuing disclosure with respect to four bond issues. In conjunction with the delivery of the Certificates, a continuing disclosure compliance review with respect was conducted with respect to the four bond issues. During the course of review, it was determined that the District inadvertently failed to state the balance in the reserve funds in the fiscal year annual 2018-19 reports for the 2013A Bonds and the 2013 COPs, which reserves were funded with reserve sureties. All remedial filings have been made. The District believes that its procedures with the Dissemination Agent will be sufficient in the normal due course to assure substantial compliance with its continuing disclosure undertakings in the future, including the Continuing Disclosure Certificate with respect to the Certificates.

LEGAL MATTERS

Legal matters incident to the authorization, execution, delivery and sale of the Certificates are subject to approval by Norton Rose Fulbright US LLP, Los Angeles, California, Special 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 Richards Watson & Gershon, A Professional Corporation, San Luis Obispo, California, General Counsel to the District and Norton Rose Fulbright US LLP, Disclosure Counsel.

MUNICIPAL ADVISOR

Columbia Capital Management LLC, Carlsbad, California, an independent financial consulting firm, has served as Municipal Advisor to the District with respect to the sale of the Certificates. The Municipal Advisor has advised the District as to the financial structure and certain other financial matters relating to the Certificates 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 Municipal Advisor as to accuracy or completeness, nor has it been independently verified.

FINANCIAL STATEMENTS

The general purpose financial statements of the District for the fiscal year ended June 30, 2023 included in Appendix B to this Official Statement, have been included in reliance upon the report of Rogers, Anderson, Malody & Scott, LLP (the "Auditor"), San Bernardino, 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.

In connection with the financial statements of the District for fiscal year 2022-23, the Auditor provided a Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (the "GAGAS Report"). The Auditor found a material weakness in internal control over financial reporting due to inadequate segregation of duties, including the journal entry process. The Auditor recommended that an adequate segregation of duties requires that one individual does not handle a transaction from its inception to its completion, but realized that the weakness was due to the limited number of individuals available to the District to perform numerous, and sometimes incompatible duties. The District is a small special district, with a very limited number of administrative staff. The District has never experienced material fraud or adverse impacts to its financial reporting and none was identified in the most recent audit. Management recognizes the Auditor's concerns and, within the reality of staffing constraints, will continue to work to address the segregation of duties with a goal of removing the comment entirely from the management letter.

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 such estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Certificates.

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

By: _____
District Manager

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APPENDIX A

COUNTY OF SAN LUIS OBISPO DEMOGRAPHIC AND ECONOMIC DATA

The following information concerning the County of San Luis Obispo is presented as general background data. The Installment Payments are payable solely from Net Revenues and other sources described herein (see “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES”). The taxing power of the County of San Luis Obispo, the State of California or any political subdivision thereof is not pledged to the payment of the Installment Payments. See the information under the caption “THE CERTIFICATES.”

Introduction

The County of San Luis Obispo (the “County”) was formed in 1850 as a general law county, pursuant to the established general laws of the State of California. A five-member Board of Supervisors, elected for four-year terms in district nonpartisan elections, governs the County. The seven incorporated cities in the County are Paso Robles, Atascadero, Morro Bay, San Luis Obispo, Pismo Beach, Arroyo Grande, and Grover Beach which comprise approximately 57% of the total population in the County.

Population

According to the Department of Finance estimates, the population in the County remained relatively stable over the last five years.

Population of San Luis Obispo County and Incorporated Cities (As of January 1)

Area	2020 ⁽¹⁾	2021	2022	2023	2024
Arroyo Grande	18,347	18,396	18,137	18,039	17,941
Atascadero	30,800	30,582	30,226	30,323	30,279
El Paso de Robles	31,383	31,403	30,906	30,792	30,907
Grover Beach	12,789	12,763	12,622	12,542	12,481
Morro Bay	10,557	10,602	10,378	10,315	10,261
Pismo Beach	8,054	8,015	7,911	7,869	7,846
San Luis Obispo (city)	46,986	47,326	47,394	48,249	48,684
SUBTOTAL	158,916	159,087	157,574	158,129	158,399
Unincorporated	123,508	119,650	121,865	121,689	120,070
TOTAL	276,818	271,172	279,439	279,818	278,469

1. Reflects 2020 Census data as of April 1, 2020.

Source: State of California, Department of Finance; Table 2: E-4 Population Estimates for Cities, Counties and State, 2021-2024 with 2020 Census Benchmark, Sacramento, California, May 2024.

Industry and Employment

The following table compares estimates of the labor force, civilian employment and unemployment for Nipomo residents, County residents, State residents and United States residents between 2019 through 2023. The not seasonally adjusted unemployment rate for June 2024 for Nipomo Census Designated Place (CDP), the County, State and United States was 3.6%, 4.0%, 5.3% and 4.1%.

**Civilian Labor Force, Employment and Unemployment
Annual Average for Years 2019 Through 2023**

Year and Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
2019				
Nipomo CDP	8,500	8,200	300	2.7%
County	139,700	135,600	4,100	2.9
State	19,385,300	18,859,600	795,700	4.1
United States	163,539,000	157,538,000	6,001,000	3.7
2020				
Nipomo CDP	8,100	7,500	600	7.2%
County	134,200	123,700	10,500	7.8
State	18,958,600	17,037,000	1,921,600	10.1
United States	160,742,000	147,795,000	12,947,000	8.1
2021				
Nipomo CDP	8,200	7,800	400	4.9%
County	135,100	127,900	7,200	5.3
State	18,956,600	17,568,700	1,387,800	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
2022				
Nipomo CDP	8,200	8,000	200	2.8%
County	135,800	131,600	4,200	3.1
State	19,169,300	18,348,900	820,400	4.3
United States	263,973,000	158,291,000	5,996,000	3.6
2023				
Nipomo CDP	8,300	8,000	300	3.2%
County	136,300	131,600	4,700	3.5
State	19,308,300	18,388,300	920,000	4.8
United States	266,942,000	161,037,000	6,080,000	3.6

† Preliminary. Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.

Source: *State Employment Development Department, Labor Market Information Division, and U.S. Bureau of Labor Statistics.*

The largest industries in the County, in terms of the percentage of employment in each respective industry, are estimated by the State Employment Development Department as follows:

**County of San Luis Obispo
Employment by Industry Group
Annual Averages**

Industry Employment ⁽¹⁾	2019	2020	2021	2022	2023
Agriculture	5,000	4,800	5,000	5,500	5,500
Mining, Logging and Construction	8,300	8,500	9,100	8,900	8,700
Manufacturing	7,800	7,300	7,900	8,200	8,500
Trade, Transportation, & Utilities	20,800	19,100	19,700	20,000	19,900
Information	1,200	1,100	1,200	1,300	1,200
Financial Activities	3,900	3,800	3,900	4,000	3,900
Professional and Business Services	11,200	10,500	11,000	11,100	11,200
Private Educational and Health Services	18,200	17,000	17,500	18,100	18,600
Leisure and Hospitality	19,800	15,400	17,400	19,500	20,000
Other Services	4,100	3,300	3,400	3,700	3,800
Government	24,500	23,500	23,200	23,400	23,200
TOTAL ⁽²⁾	124,700	114,400	119,300	123,500	124,400

(1) Based on place of work.

(2) "Total" may not be precise due to independent rounding.

Source: State of California, Employment Development Department - Labor Market Information Division, County of San Luis Obispo (San Luis Obispo Paso Robles Arroyo Grande MSA) Annual Average Labor Force and Industry Employment, March 2023 Benchmark.

Agriculture

The County is comprised of approximately 2,126,240 acres, of which approximately 1,389,350 acres (representing 65.3%) are zoned for agricultural uses. The value of agricultural production since 2019 is set forth in the table below.

**County of San Luis Obispo
Value of Agricultural Production
Top Ten Crops
Calendar Years 2019 Through 2023
(In Thousands)**

	2019	2020	2021	2022	2023
Wine Grapes	\$254,273	\$218,238	\$281,517	\$261,937	\$323,952
Strawberries	271,431	287,562	319,901	277,883	274,072
Cattle and Calves	35,446	43,077	39,754	45,230	68,646
Broccoli	47,659	31,107	46,524	39,867	36,184
Avocados	38,875	47,169	57,757	33,597	34,202
Vegetable & Transplants	35,467	33,305	32,150	35,372	33,543
Brussel Sprouts	na	na	na	25,461	24,604
Cauliflower	31,339	30,877	24,272	38,931	20,603
Cut Flowers	26,996	21,284	18,583	19,490	19,067
Celery	na	na	na	na	16,172
Head Lettuce	23,422	24,860	21,433	38,415	na
Lemons	21,376	16,803	18,382	na	na
Top Ten Crops Subtotal	\$786,284	\$754,282	\$860,273	\$816,183	\$851,045
All Other Crops	192,725	224,393	221,679	258,149	263,193
TOTAL	\$979,009	\$978,675	\$1,081,952	\$1,074,332	\$1,114,238

Source: San Luis Obispo County Department of Agriculture/Weights and Measures.

Major Employers

The following table provides a listing of major employers headquartered or located in the County and their estimated full-time equivalent (FTE) employment levels.

County of San Luis Obispo Major Employers 2022-23

Employer	Product or Service	Estimated No. of Employees	% of Total County Employment
California Polytechnic State University, SLO	Education	3,143	2.25%
County of San Luis Obispo	Government	2,932	2.10
Dept of State Hospital - Atascadero	Health Services	2,000	1.43
Lucia Mar Unified School District	Education	1,573	1.13
California Men's Colony	Correction Institution	1,517	1.09
Tenet Healthcare Central Coast	Health Services	1,425	1.02
San Luis Coastal Unified School District	Education	1,388	0.99
Paso Robles Joint Unified School District	Education	1,262	0.90
Compass Health Inc.	Health Services	1,200	0.86
Cuesta College	Education	<u>892</u>	<u>0.64</u>
Total		139,800	100.00%

Sources: County of San Luis Obispo 2022-23 Comprehensive Financial Report.

Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

The following table summarizes per capita personal income for the County, the State of California, and the United States for the years 2018 through 2022. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

**Per Capita Personal Income⁽¹⁾
County of San Luis Obispo, State of California, and United States For Years 2018
Through 2022⁽²⁾**

<i>Year</i>	<i>County of San Luis Obispo</i>	<i>California</i>	<i>United States</i>
2018	\$35,832	\$35,021	\$32,621
2019	37,233	36,955	34,103
2020	38,686	38,576	35,384
2021	41,407	41,276	37,638
2022	47,390	45,591	41,261

(1) Per capita personal income is the personal income divided by the population estimates of the U.S. Bureau of the Census based on five-year estimates from the American Community Survey (“ACS”). The estimates are based on information gathered on a five-year rolling period basis. For example, the 2015-2019 5-year estimates and the 2016-2020 5-year estimates both use data collected in 2016, 2017, 2018 and 2019. Thus, the difference between the 2015-2019 and 2016-2020 ACS 5-year estimates is largely driven by differences between dropping off 2015 and adding 2020. Information should not be relied upon to illustrate changes from year-to-year. All dollar estimates are inflation adjusted dollars for the respective years presented.

(2) Most recent year available.

Source: U.S. Census Bureau, American Community Survey 5-Year Estimates for 2014-18, 2015-19, 2016-2020, 2017-21 and 8-22.

Assessed Value, Tax Levy and Delinquencies

County assessed valuations and tax levies and delinquencies as of June 30 for the past ten Fiscal Years are shown in the tables below.

**County of San Luis Obispo
Assessed Valuations
Fiscal Years 2014 Through 2024
(\$ in thousands)**

Fiscal Year	Secured	Unsecured	Exemptions	Net Assessed Valuation	% Change
2013-14	\$42,900,845	\$1,195,631	\$(1,036,531)	\$43,059,945	3.0%
2014-15	45,288,599	1,230,775	(1,093,212)	45,426,162	5.5
2015-16	48,037,099	1,257,845	(1,122,568)	48,172,375	6.0
2016-17	50,458,742	1,362,539	(1,173,683)	50,647,598	5.1
2017-18	53,278,739	1,386,183	(1,248,961)	53,415,961	5.5
2018-19	56,147,148	1,420,625	(1,305,110)	56,262,663	5.3
2019-20	58,382,427	2,345,033	(1,277,412)	59,540,048	5.7
2020-21	61,279,618	2,349,231	(1,428,237)	62,200,611	4.6
2021-22	63,459,055	2,281,455	(1,487,547)	64,252,963	3.3
2022-23	67,503,193	2,512,544	(1,648,668)	68,367,069	6.4
2023-24	71,302,780	2,750,976	(1,708,529)	72,345,226	5.8

Source: County of San Luis Obispo Auditor-Controller’s Office, Property Tax Division.

County of San Luis Obispo
Summary of Property Tax Collections and Delinquencies
Fiscal Years 2013-14 through 2022-23
(\$ in thousands)

Fiscal Year (June 30)	Total Levy	Collected Amount	Delinquent Amount[†]	% Levy Delinquent
2013-14	\$421,140	\$416,450	\$4,690	1.11%
2014-15	447,088	442,330	4,758	1.06
2015-16	470,629	466,465	4,164	0.88
2016-17	495,277	490,890	4,387	0.89
2017-18	522,528	517,777	4,751	0.91
2018-19	549,869	544,994	4,874	0.89
2019-20	573,449	564,422	9,027	1.57
2020-21	599,508	592,847	6,660	1.11
2021-22	619,518	614,110	5,408	0.87
2022-23	661,387	654,754	6,632	1.00

[†] Property taxes are due in two installments and become delinquent on December 10, with respect to the installment due on November 1 and on April 10, with respect to the installment due on February 1.
Source: County Auditor-Controller.

Principal Taxpayers

Assessed values for the principal taxpayers totaled over \$3 billion, or 4.41% of the County's 2022-23 Net Assessed Valuations. The principal largest taxpayers in the County, as shown on the Fiscal Year 2022-23 secured tax roll, and the approximate amounts of their assessed values within the County are shown in the table below.

County of San Luis Obispo
Principal Taxpayers
Fiscal Year 2022-23

Company	Type of Business	2022-23 Assessed Value (in thousands)[†]	% of Total
Pacific Gas and Electric	Utility	\$ 1,281,887	1.88%
High Plans Ranch II LLC	Solar Ranch	768,188	1.12
Southern California Gas Company	Utility	178,395	0.26
Jamestown Premier	Commercial	156,329	0.23
Phillips 66 Company	Oil Refinery	138,067	0.20
E&J Gallo Winery/Vineyards	Winery	110,945	0.16
Firestone Walker LLC	Brewery	101,520	0.15
CAP VIII Mustang Village LLC	Apartments	100,006	0.15
Treasury Wines Estates	Winery	92,517	0.14
Sierra Vista Hospital	Hospital	83,107	0.12
Subtotal		\$ 3,010,961	4.41%
Remaining taxpayers		\$65,356,108	95.59%
TOTAL		\$68,367,069	100.00%

[†] Excludes exempt publicly owned property, State assessed property and property subject to special taxes.
Source: County of San Luis Obispo Auditor-Controller's Office.

Commercial Activity

Commercial activity is an important contributor to San Luis Obispo County's economy. The following table estimates the County's commercial activity between calendar years 2019 through 2023.

**County of San Luis Obispo
Trade Outlets and Taxable Sales
for Calendar Years 2019-2023⁽¹⁾**
(\$ in Thousands)

Taxable Retail Sales	2019	2020	2021	2022	2023 ⁽¹⁾
Motor Vehicle & Parts Dealer	\$ 653,526	\$694,447	\$833,407	\$801,092	\$725,170
Home Furnishings & Appliances Store	150,050	155,242	190,219	187,567	185,682
Bldg Mater. & Garden Equip. & Supplies	427,121	496,270	565,797	587,900	555,057
Food and Beverage Stores	314,628	336,996	354,038	371,490	365,528
Gasoline Stations	476,941	350,922	501,298	638,365	589,534
Clothing & Clothing Accessories Store	250,271	205,501	286,965	284,012	281,674
General Merchandise Store	371,209	363,641	421,281	450,626	441,349
Food Services & Drinking Places	711,919	561,561	789,556	876,185	877,964
Other Retail	569,176	840,924	860,782	866,795	840,969
Total Retail & Food Services	3,924,841	4,005,502	4,803,344	5,064,032	4,862,928
All Other Outlets	1,576,453	1,475,211	1,892,171	2,030,051	2,048,483
TOTAL ALL OUTLETS	\$5,501,294	\$5,480,713	6,695,515	\$7,094,083	\$6,911,410

(1) Most recent annual data available.

Source: Taxable Sales in California (Sales and Use Tax) Annual Reports, California State Board of Equalization.

Construction Activity

The total valuation of building permits issued in the County as estimated by the Construction Industry Research Board was approximately \$386 million for calendar year 2023. The following table provides an estimated building permit valuation summary for calendar years 2019 through 2023.

**County of San Luis Obispo
Building Permit Valuation
for Calendar Years 2019 - 2023**
(\$ in thousands)

Year	Residential			Nonresidential	Total ⁽²⁾
	Single Family	Multifamily	Valuation ⁽¹⁾	Valuation	
2019	697	204	\$410,042	\$131,602	\$541,644
2020	847	79	300,174	78,776	378,951
2021	741	288	315,644	93,262	408,907
2022	648	401	336,138	98,957	435,096
2023	373	217	183,938	202,541	386,480

(1) Includes the value of residential alterations and additions.

(2) Total represents the sum of residential and nonresidential building permit valuations. Columns may not total due to independent rounding.

Source: Construction Industry Research Board.

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APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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NIPOMO COMMUNITY SERVICES DISTRICT



ANNUAL COMPREHENSIVE FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2023

148 S. Wilson Street | P.O. Box 326 | Nipomo, California 93444 | www.ncsd.ca.gov

MISSION STATEMENT

The Nipomo Community Services District's mission is to provide our customers with reliable, quality, and cost-effective services now and in the future.

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2023

NIPOMO COMMUNITY SERVICES DISTRICT

148 South Wilson Street
Nipomo, California 93444

(805) 929-1133

www.ncsd.ca.gov

Prepared by:

The Finance and Administration Department
Jana Etteddgue, Finance Director

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Nipomo Community Services District

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Nipomo Community Services District

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INTRODUCTORY SECTION

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NIPOMO COMMUNITY

BOARD MEMBERS

RICHARD MALVAROSE, **PRESIDENT**
DAN ALLEN GADDIS, **VICE PRESIDENT**
ED EBY, **DIRECTOR**
DAN WOODSON, **DIRECTOR**
GARY HANSEN, **DIRECTOR**



SERVICES DISTRICT

STAFF

RAY DIENZO, P.E., **GENERAL MANAGER**
LISA BOGNUDA, **ASST. GENERAL MANAGER**
JANA ETTEDDUE, **FINANCE DIRECTOR**
PETER SEVCIK, P.E., **DIRECTOR OF ENG. & OPS.**
CRAIG A. STEELE, **GENERAL COUNSEL**

Serving the Community since 1965

148 SOUTH WILSON STREET POST OFFICE BOX 326 NIPOMO, CA 93444 - 0326
(805) 929-1133 FAX (805) 929-1932 Website address: ncsd.ca.gov

November 1, 2023

To the Board of Directors and Citizens of the Nipomo Community Services District:

We are pleased to present the Nipomo Community Services District's (hereinafter referred to as "the District") Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2023. The purpose of this report is to provide the Board of Directors, customers, investors, the public and other interested parties with reliable financial information about the District.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Rogers, Anderson, Malody & Scott, LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the Nipomo Community Services District's financial statements for the year ended June 30, 2023. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the District

Nipomo Community Services District was organized January 28, 1965 under the provisions of the California Community Services District Law (Sections 61000 et seq. of the Government Code of the State of California) for purposes of supplying water for domestic, irrigation, sanitation, industrial, commercial, recreation and fire suppression use. The District is located off of Highway 101 on the central coast of California between San Francisco and Los Angeles, in San Luis Obispo County. The District includes approximately 4,450 acres of land comprising seven square miles. The District's service area includes portions of the unincorporated area of Nipomo and currently serves a population of approximately 13,500. The District provides water service to approximately 4,509 customer accounts and provides sewer service to approximately 3,779 customer accounts under two separate wastewater systems, the Town Sewer Division and the Blacklake Sewer Division.

The District has operated under the Board of Director-General Manager form of government since its inception. Policy-making and legislative authority are vested in a governing board (Board) consisting of five members elected on a non-partisan basis by qualified voters in the District to four-year terms. Board members serve overlapping four-year terms. The Board employs the General Manager who is responsible for carrying out the policies of the Board, for overseeing the day-to-day operations of the District and the hiring of all District employees.

Under law, community services districts may perform a variety of municipal services if authorized to do so by the residents thereof. The District provides water, sewer, solid waste, limited street lighting, limited street landscape maintenance and limited drainage and general administrative services.

The District's Board annually adopts a budget prior to the new fiscal year. The budget authorizes and provides the basis for financial reporting, control of financial operations and accountability for the District's enterprise operations and capital projects. Quarterly financial reports are also presented to the Board.

Economic Conditions

On July 2, 2015, the District began purchasing supplemental water from the City of Santa Maria ("City") pursuant to the May 7, 2013, Wholesale Water Supply Agreement ("Agreement"). The Agreement has a term end date of June 30, 2085, at which time parties can elect to extend the Agreement. The terms of the Agreement between the District and the City are subject to the contract renewal between the City and the Central Coast Water Authority of which the City is a member.

During fiscal year 2022-2023, the District purchased 1,091 acre-feet of water. The District paid a volumetric charge of \$2,275.84 per acre-foot (AF) for imported water purchased between July 1, 2022 to December 31, 2022 and \$2,488.48 per AF on imported water purchased from January 1, 2023 to June 30, 2023, plus a volumetric operational cost of \$206.52 per AF. Of the 1,091 AF, the District sold 181.76 AF (16.66%) of the supplemental water to Woodlands Mutual Water Company and 181.76 AF (16.66%) to Golden State Water. The District retained the balance of 727.48 AF (66.68%) for use by District customers.

The cost of supplemental water is built into the District's water rates. All District customers pay a fixed water charge based on the water meter size and a volumetric charge based on the number of units used.

Relevant Financial Policies – Investment Policy

On April 26, 2023, the Board of Directors of the District adopted a resolution amending the District's Investment Policy. The amendment included certain permitted investments that enables the District to invest in United States Treasuries and Certificates of Deposit in compliance with applicable state law. The United States Treasuries and Certificates of Deposit market at the time had a rate of return of almost double when compared to Local Agency Investment Fund (LAIF).

On June 14, 2023, the Board of Directors of the District adopted a resolution determining the amount of funds to be invested pursuant to the District's Investment policy to be \$5.6 million. On June 28, 2023 the District purchase \$4.6 million in Treasuries and \$1.0 million in Certificates of Deposit. Pursuant to the resolution, the District shall determine the amount of funds available for investment in July of each year.

Major Initiatives

Nipomo Supplemental Water Project

Beginning July 1, 2022 through June 30, 2023, the District purchased 1,091 acre-feet of water from the City thereby exceeding the minimum required 1000 acre feet per year (AFY) take or pay volume of water for the year. Beginning July 1, 2025, the District is obligated to take or pay for 2,500 AFY. To reach this level of commitment, the District will need to complete the Supplemental Water Project (SWP). As of the end of the fiscal year, the purveyor interconnects project has been carried over into the fiscal year 2023-2024. The District foresees completion of the Supplemental Water Project by the end of fiscal year 2024, one year ahead of schedule.

Blacklake Assessment District 2020-1

On March 11, 2020, the District initiated assessment proceedings with the intention to form the Blacklake Assessment District (Blacklake Sewer Consolidation). On August 12, 2020, \$11,225,000 in bonds were issued to fund the design, acquisition and construction of certain public capital facilities needed to combine the District's two sewer systems serving the town of Nipomo and the Blacklake community. The bonds were issued pursuant to the provisions of the Improvement Bond Act of 1915.

The construction for the force main began Spring 2023 and is anticipated to be completed by Winter 2024. The project design, engineering and environmental work for the lift station is in progress with construction expected to begin spring 2024 and is anticipated to be completed by Spring 2025.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Excellence in Financial Reporting* to Nipomo Community Services District for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the tenth consecutive year that the District achieved this prestigious award. In order to be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Nipomo Community Services District's fiscal policies.

Respectfully submitted,



Ray Dienzo
General Manager and
Secretary to the Board of Directors



Jana Etteddgue
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Nipomo Community Services District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

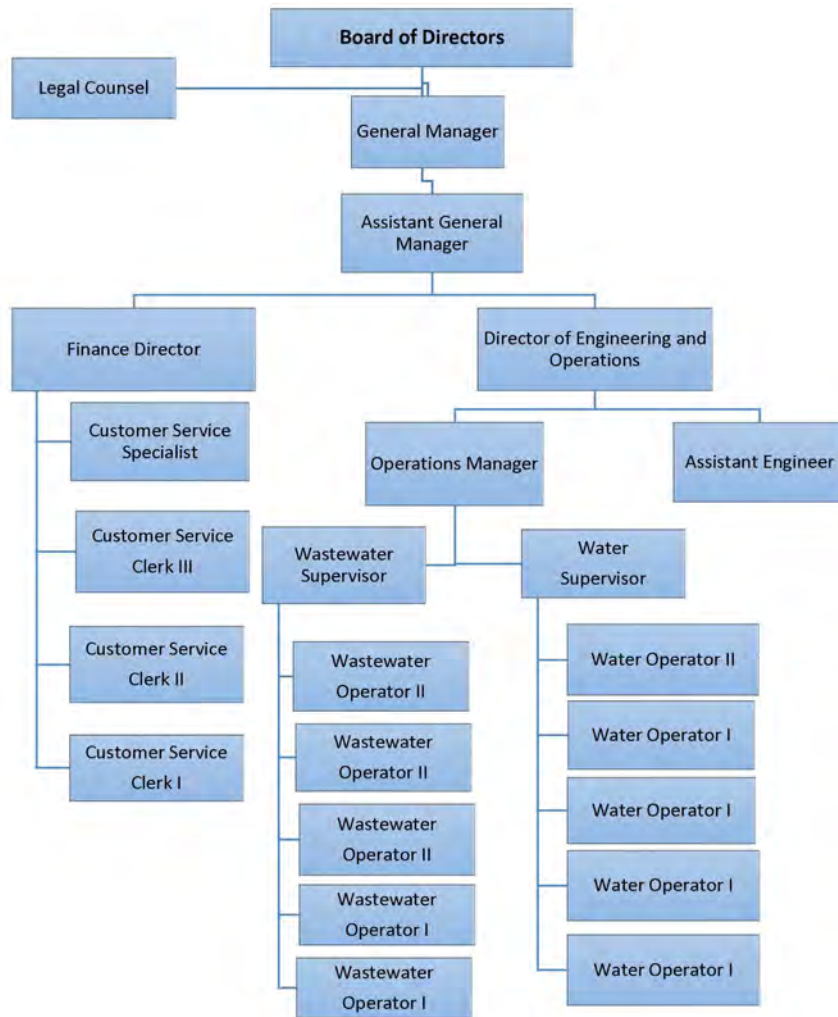
June 30, 2022

Christopher P. Morill

Executive Director/CEO

NIPOMO COMMUNITY SERVICES DISTRICT

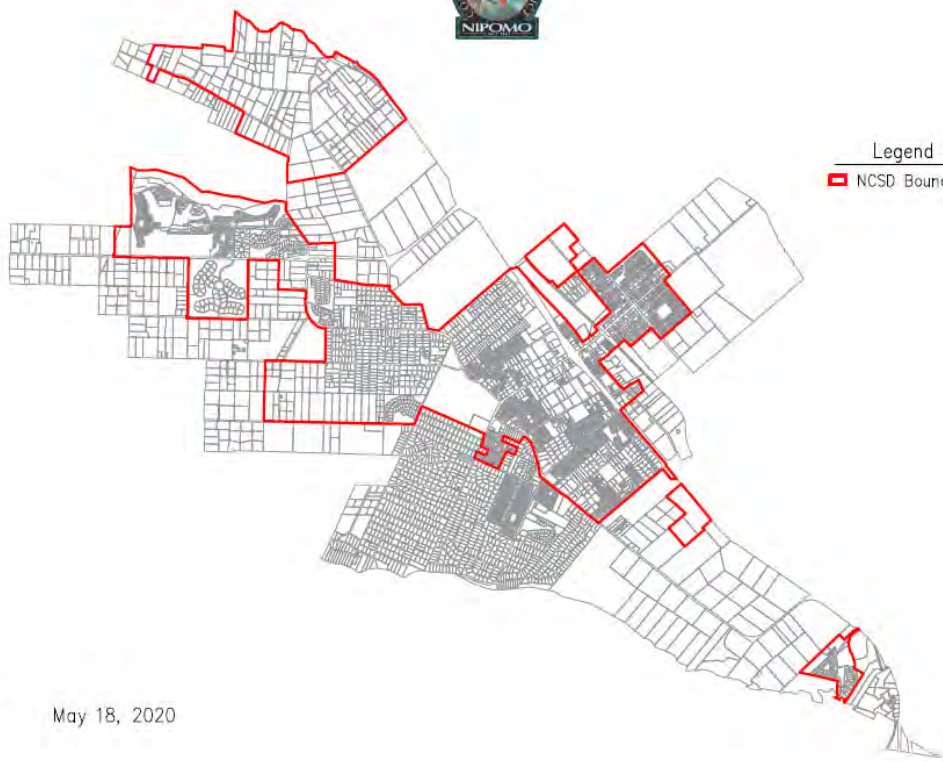
ORGANIZATIONAL STRUCTURE 2022-2023



NIPOMO COMMUNITY SERVICES DISTRICT

MAP OF SERVICE AREA

NIPOMO COMMUNITY SERVICES DISTRICT



May 18, 2020

NIPOMO COMMUNITY SERVICES DISTRICT

DISTRICT OFFICERS

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>	<u>Current Term</u>
Richard Malvarose	President	12/20 – 12/24
Dan Allen Gaddis	Vice President	12/22 – 12/26
Ed Eby	Director	12/22 – 12/26
Dan Woodson	Director	12/22 – 12/24
Gary Hansen	Director	12/22 – 12/26

MANAGEMENT

Raymond Dienzo	General Manager and Secretary to the Board of Directors
Lisa Bognuda	Assistant General Manager
Jana Eteddgue	Finance Director
Peter Sevcik, P.E.	Director of Engineering and Operations

LEGAL COUNSEL

Craig A. Steele	Richards Watson and Gershon
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FINANCIAL SECTION

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscca.net

Independent Auditor's Report

PARTNERS

Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST
Gardenya Duran, CPA, CGMA
Brianna Schultz, CPA, CGMA
Brenda L. Odle, CPA, MST (Partner Emeritus)

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Veronica Hernandez, CPA
Laura Arvizu, CPA
John Maldonado, CPA, MSA
Julia Rodriguez Fuentes, CPA, MSA
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Certified Public Accountants



Board of Directors
Nipomo Community Services District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the fiduciary fund of Nipomo Community Services District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary fund of the District as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States and the State Controller's *Minimum Audit Requirements for California Special Districts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 1, 2023

Nipomo Community Services District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Nipomo Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's Net Position increased 5.24% to \$79.7 million.
- During the year the District's operating revenues increased 9.57%, while operating expenses increased 7.89%. Interest income earnings increased due to an escalation in interest rates.
- Other revenue-purveyors is attributable to Contracts Receivable from Woodlands Mutual Water Company and Golden State Water Company pursuant to the Supplemental Water Management and Groundwater Replenishment Agreement dated October 16, 2015.
- Capital contributions consist of water and sewer capacity charges collected of \$309,889, developer contributions of improvements valued at \$522,310, and contributions of Work in Process valued at \$1,446,461 from the Blacklake Assessment District 2020-1.

Required Financial Statements

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America and consist of three interrelated statements designed to provide the reader with relevant, understandable data on the District's financial condition and operating results. They are 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses and Changes in Net Position, and 3) the Statement of Cash Flows.

The *Statement of Net Position*, or the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities, measures the financial health of the District. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic conditions, population growth, and new or changed government legislation must also be considered.

The *Statement of Revenues, Expenses and Changes in Net Position* identifies the District's revenues and expenses for the fiscal year ended June 30, 2023. This statement provides information on the District's operations over the past fiscal year and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges.

Nipomo Community Services District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

The *Statement of Cash Flows* provides information on the District's cash receipts, cash payments, and changes in cash resulting from operations, investments and financing activities. From the Statement of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash balance since the prior fiscal year.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District, as a whole, better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid. These two statements report the District's net position and changes in net position. You can think of the District's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other nonfinancial factors such as changes in economic conditions, population growth, zoning, and new and changed government legislation.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 18 through 49.

Nipomo Community Services District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

TABLE 1
Condensed Statements of Net Position

	<u>2023</u>	<u>2022</u>	<u>Current Year Increase/ (Decrease)</u>
Assets			
Current and other assets	\$ 34,245,972	\$ 32,194,204	\$ 2,051,768
Capital assets, net	<u>69,762,015</u>	<u>68,418,800</u>	<u>1,343,215</u>
Total assets	<u>104,007,987</u>	<u>100,613,004</u>	<u>3,394,983</u>
Deferred outflows	<u>2,058,535</u>	<u>1,354,691</u>	<u>703,844</u>
Liabilities			
Current liabilities	2,352,876	2,300,112	52,764
Noncurrent liabilities	<u>23,475,524</u>	<u>22,795,924</u>	<u>679,600</u>
Total liabilities	<u>25,828,400</u>	<u>25,096,036</u>	<u>732,364</u>
Deferred inflows	<u>550,857</u>	<u>1,149,491</u>	<u>(598,634)</u>
Net position			
Net investment in capital	49,117,407	47,205,935	1,911,472
Restricted	18,146,458	16,171,832	1,974,626
Unrestricted	<u>12,423,400</u>	<u>12,344,401</u>	<u>78,999</u>
Total net position	<u>\$ 79,687,265</u>	<u>\$ 75,722,168</u>	<u>\$ 3,965,097</u>

The District's net position at fiscal year June 30, 2023 increased \$3,965,097 (5.24%) when compared to fiscal year end June 30, 2022.

The largest contributing factor is the increase in cash due to water sales and increases in water and waste water rates.

Nipomo Community Services District

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

TABLE 2
Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>	Current Year Increase/ (Decrease)
Operating revenues			
Charges for services	\$ 10,773,698	\$ 10,563,424	\$ 210,274
Other operating revenue	1,297,717	454,015	843,702
 Total operating revenues	 <u>12,071,415</u>	 <u>11,017,439</u>	 <u>1,053,976</u>
Operating expenses			
Water	6,917,274	6,541,370	375,904
Sewer	2,905,640	2,755,790	149,850
Other	1,591,314	1,282,362	308,952
 Total operating expenses	 <u>11,414,228</u>	 <u>10,579,522</u>	 <u>834,706</u>
Non-operating revenues and expenses			
Interest income	750,473	498,800	251,673
Property taxes and rental income	892,863	826,143	66,720
Gain (loss) on disposal of capital assets	5,325	450	4,875
Other revenue - purveyors	147,528	203,130	(55,602)
Interest expense	(766,939)	(818,398)	51,459
Bond issuance cost	-	(243,044)	243,044
 Total non-operating revenues (expenses)	 <u>1,029,250</u>	 <u>467,081</u>	 <u>562,169</u>
 Income before contributions	 <u>1,686,437</u>	 <u>904,998</u>	 <u>781,439</u>
Capital contributions			
Capacity charges	309,889	434,048	(124,159)
Contributions from developers	522,310	176,500	345,810
Contribution from Blacklake Assessment District 2020-1	1,446,461	247,072	1,199,389
 Total capital contributions	 <u>2,278,660</u>	 <u>857,620</u>	 <u>1,421,040</u>
 Change in net position	 <u>3,965,097</u>	 <u>1,762,618</u>	 <u>2,202,479</u>
 Net position - beginning	 <u>75,722,168</u>	 <u>73,959,550</u>	 <u>1,762,618</u>
 Net position - ending	 <u>\$ 79,687,265</u>	 <u>\$ 75,722,168</u>	 <u>\$ 3,965,097</u>

Nipomo Community Services District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

Total operating revenues increased \$1,053,975 (9.57%). Water Revenue increased \$700,959, due to an 8.9% scheduled rate study increase. Town Division sewer revenues increased \$112,087 due to a 3.8% scheduled rate study increase and Blacklake Division sewer revenues increased \$112,277, due to a 16.5% scheduled rate study increase. The remaining increase of \$128,652 is attributable to miscellaneous income from various funds.

Total operating expenses increased \$834,706 (7.89%). Operational costs increased throughout the year and the cost of supplemental water purchased from the City of Santa Maria increased.

District non-operating revenues and expenses increased \$562,169. The increase in interest rates resulted in an increase in interest income of \$251,673. Revenue recognized as contracts receivable from Woodlands Mutual Water Company and Golden State Water Company pursuant to the Supplemental Water Management and Groundwater Replenishment Agreement dated October 16, 2015 decreased \$55,601, due to completion of construction projects in the prior fiscal year.

TABLE 3 **Capital Assets**

More information about the District's Capital assets is presented in Note 5 of the Notes to Basic Financial Statements.

	<u>2023</u>	<u>2022</u>	<u>Current Year Increase/ (Decrease)</u>
Non-depreciable assets	\$ 4,854,054	\$ 3,417,324	\$ 1,436,730
Depreciable assets	95,852,837	93,698,580	2,154,257
Accumulated depreciation	<u>(30,944,876)</u>	<u>(28,697,104)</u>	<u>(2,247,772)</u>
Total capital assets, net	<u>\$ 69,762,015</u>	<u>\$ 68,418,800</u>	<u>\$ 1,343,215</u>

The increase in depreciable assets and decrease in non-depreciable assets is attributable to construction work in progress being completed and placed in service.

Total capital assets, net increased as the costs of equipment purchases, and on-going construction projects exceeded the increase in accumulated depreciation.

Nipomo Community Services District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

TABLE 4
Long Term Debt

	<u>2023</u>	<u>2022</u>	<u>Current Year Increase/ (Decrease)</u>
Certificates of Participation Series 2013	\$ 8,187,655	\$ 8,339,038	\$ (151,383)
Refunding Revenue Bonds Series 2013A	1,911,838	2,058,707	(146,869)
Certificates of Participation Series 2022	<u>10,545,115</u>	<u>10,815,120</u>	<u>(270,005)</u>
Total long-term debt	<u>\$ 20,644,608</u>	<u>\$ 21,212,865</u>	<u>\$ (568,257)</u>

Standard & Poor's Rating Service reviewed the Certificates of Participation Series 2013 and Refunding Revenue Bonds Series 2013A in August 2018 and raised the underlying rating from "A" to "AA-". In January 2022, Standard & Poor's reaffirmed its "AA-" rating.

Standard & Poor's Rating Service reviewed the Certificates of Participation Series 2022 and assigned a rating of "AA-".

The Standard & Poor's rationales are available for review upon request.

Additional information on long-term debt is presented in Note 6 of the Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The District is governed by provisions of the California Special District Code that require rate-based revenues must cover the cost of Operations, Maintenance and Repairs (OM&R) and capital improvement projects. The District is not subject to general economic conditions such as increases or reductions in property tax values or other types of revenues, such as sales taxes, that vary with economic conditions. Accordingly, the District sets its rates to its users to cover the costs of OM&R, capital improvement projects, plus any increments for known or anticipated changes in enterprise costs.

On May 7, 2013, the District entered into a Wholesale Water Supply Agreement that provides a mechanism through which the District will purchase supplemental water from the City of Santa Maria. The District is obligated to purchase minimum quantities of water each year regardless of the District's ability to accept and deliver said water. The District is currently required to purchase 1,000-acre feet per year (year seven of the contract). In year eleven (fiscal year 2025-2026), the minimum delivery requirement will reach 2,500-acre feet, the highest level in the purchase agreement.

Nipomo Community Services District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2023

A court judgment issued in connection with litigation regarding the Santa Maria groundwater basin requires Golden State Water Company, Rural Water Company (subsequently purchased by Golden State Water in 2015), and Woodlands Mutual Water Company to pay their respective shares of the costs of the supplemental water being purchased from Santa Maria and the infrastructure improvements required for the delivery of the supplemental water to the NMMA. The Nipomo Supplemental Water Project Supplemental Water Management and Groundwater Replenishment Agreement was executed on October 16, 2015. This agreement obligates those three companies to pay 33.32% of the supplemental water costs and related project capital costs beginning as of July 2, 2015.

The District completed a water rate study in August 2020. The third of five rate increases that went into effect January 1, 2023.

The Town Division completed a wastewater rate study in April 2021. The third of five rate increases will go into effect July 1, 2023. The Blacklake Sewer Division is in its last year of a five-year rate schedule. The last rate increase was effective April 1, 2023.

Requests for Information

This financial report is designed to provide the District's elected officials, customers, investors, creditors and other interested parties with an overview of the District's financial condition, as well as insight into current fiscal practices and management. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Finance Department at 148 South Wilson Street, Nipomo, CA 93444 or (805) 929-1133.

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Nipomo Community Services District

Statement of Net Position Proprietary Funds June 30, 2023

ASSETS

Current assets:

Cash and cash equivalents (Note 2)	\$ 15,289,593
Investments (Note 3)	5,591,009
Accounts receivable	385,001
Unbilled utilities receivable	910,000
Accrued interest receivable	261,651
Accrued franchise fees	34,150
Due from County	19,434
Contract receivable, current portion (Note 4)	154,946
Total current assets	<u>22,645,784</u>

Noncurrent assets:

Restricted cash and cash equivalents (Note 2 & 3)	64,397
Restricted cash - funded replacement (Note 2 & 3)	1,682,669
Cash with fiscal agent (Note 2 & 3)	3,050,574
Deposits and other assets	49,730
Contract receivable, less current portion (Note 4)	6,752,818
Capital assets:	
Capital assets, not being depreciated (Note 5)	4,854,054
Depreciable capital assets, net (Note 5)	64,907,961
Total noncurrent assets	<u>81,362,203</u>

Total assets 104,007,987

DEFERRED OUTFLOWS OF RESOURCES

OPEB related (Note 8)	899,631
Pension related (Note 7)	1,158,904
Total deferred outflows of resources	<u>2,058,535</u>

LIABILITIES

Current liabilities:

Accounts payable	1,137,298
Deposits and retentions	255,001
Accrued liabilities	301,665
Current portion of long-term liabilities (Note 6)	658,912
Total current liabilities	<u>2,352,876</u>

Noncurrent liabilities:

Net OPEB liability (Note 8)	1,062,441
Net pension liability (Note 7)	2,287,351
Long-term liabilities, less current portion	20,125,732
Total noncurrent liabilities	<u>23,475,524</u>

Total liabilities 25,828,400

DEFERRED INFLOWS OF RESOURCES

OPEB related (Note 8)	491,606
Pension related (Note 7)	59,251
Total deferred inflows of resources	<u>550,857</u>

NET POSITION (Note 9)

Net investment in capital assets	49,117,407
Restricted for system expansion	16,412,073
Restricted for system replacement	1,734,385
Unrestricted	12,423,400

Total net position \$ 79,687,265

The accompanying notes are an integral part of these basic financial statements

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Nipomo Community Services District

Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds For the Year Ended June 30, 2023

Operating revenues

Charges for services	\$ 9,852,892
Charges for services-purveyors	863,379
Charges for services-purveyor reimbursements	57,427
Other operating revenue	<u>1,297,717</u>
Total operating revenues	<u>12,071,415</u>

Operating expenses

Purchased water	1,727,795
Purchased water related expenses	173,191
Purchased water- purveyors	863,379
Personnel	3,048,612
Contractual services	297,930
Utilities	714,902
Repairs and maintenance	280,751
Other supplies and expenses	1,775,669
Insurance	266,512
Depreciation	<u>2,265,487</u>
Total operating expenses	<u>11,414,228</u>

Operating income 657,187

Non-operating revenues (expenses)

Interest income	750,473
Property taxes	868,775
Cell site rental income	24,088
Gain on disposal of capital assets	5,325
Other revenue - purveyors	147,528
Interest expense	<u>(766,939)</u>
Total non-operating revenues (expenses)	<u>1,029,250</u>

Income before contributions 1,686,437

Capital Contributions

Capital contributions received	<u>2,278,660</u>
Total contributions	<u>2,278,660</u>

Change in net position 3,965,097

Total net position - beginning 75,722,168

Total net position - ending \$ 79,687,265

The accompanying notes are an integral part of these basic financial statements

Nipomo Community Services District

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from operating revenue	\$ 11,909,563
Payments to suppliers	(5,964,687)
Payments to employees	(3,048,310)
Net cash provided by operating activities	<u>2,896,566</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Property tax revenues	868,404
Cell site rental income	24,088
Net cash provided by non-capital financing activities	<u>892,492</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contributions	309,889
Acquisition of capital assets	(1,659,573)
Principal received on contract receivable	143,036
Interest received on contract receivable	434,801
Principal paid on capital debt	(545,000)
Interest paid on capital debt	(790,196)
Proceeds from disposal of capital assets	5,325
Net cash used for capital and related financing activities	<u>(2,101,718)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	202,732
Purchase of investments	(5,596,777)
Net cash used for investing activities	<u>(5,394,045)</u>

Net decrease in cash and cash equivalents (3,706,705)

Cash and cash equivalents - beginning 23,793,938

Cash and cash equivalents - ending \$ 20,087,233

Reconciliation of cash and cash equivalents to the Statement of Net Position:

Current assets:	
Cash and cash equivalents	\$ 15,289,593
Noncurrent assets:	
Restricted cash and cash equivalents	64,397
Restricted cash - funded replacement	1,682,669
Cash with fiscal agent	3,050,574
Cash and cash equivalents at end of year	<u>\$ 20,087,233</u>

The accompanying notes are an integral part of these basic financial statements

Nipomo Community Services District

Statement of Cash Flows, (Continued) Proprietary Funds For the Year Ended June 30, 2023

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$	657,187
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		2,265,487
Changes in assets and liabilities:		
Accounts receivable		39,969
Unbilled utilities receivable		(78,000)
Accrued franchise fees		(8,648)
Deposits and other assets		2,786
Deferred outflows of resources OPEB		(88,610)
Deferred outflows of resources pension		(615,234)
Accounts payable		132,656
Deposits and retentions		(115,173)
Accrued liabilities		40,570
Compensated absences		(18,736)
Net OPEB liability		(51,329)
Net pension liability		1,332,275
Deferred inflows of resources OPEB		183,720
Deferred inflows of resources pension		(782,354)
Net cash provided by operating activities	<u>\$</u>	<u>2,896,566</u>
Noncash investing, capital, and financing activities:		
Capital assets acquired through capital contributions	\$	1,968,771
Capital assets in retentions payable		19,642

The accompanying notes are an integral part of these basic financial statements

Nipomo Community Services District

**Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2023**

	Custodial Fund AD 2020-1
ASSETS	
Cash and cash equivalents	\$ 1,366,801
Cash with fiscal agent	10,977,091
Special assessments receivable - current	5,596
Total assets	<u>12,349,488</u>
LIABILITIES	
Accounts payable	793,571
Accrued liabilities	292,757
Bonds payable - current	250,000
Retentions payable - current	60,066
Bonds payable - noncurrent	11,505,263
Total liabilities	<u>12,901,657</u>
NET POSITION	<u>\$ (552,169)</u>

The accompanying notes are an integral part of these basic financial statements

Nipomo Community Services District

**Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2023**

	Custodial Fund AD 2020-1
ADDITIONS	
Interest income	\$ 211,991
Assessments collected	<u>577,572</u>
Total additions	<u>789,563</u>
DEDUCTIONS	
Interest expense	298,484
Administrative costs	7,200
Contribution to Blacklake Sewer	<u>1,446,461</u>
Total deductions	<u>1,752,145</u>
Change in net position	(962,582)
Net position - beginning of year	<u>410,413</u>
Net position - end of year	<u><u>\$ (552,169)</u></u>

The accompanying notes are an integral part of these basic financial statements

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Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Nipomo Community Services District (District) is a multi-purpose special district and was formed on January 28, 1965 and began operations in November 1966. The District is a political subdivision of the State of California and operates under a Board of Directors - General Manager form of government. The District provides water, sewer, street lighting, solid waste, street landscape maintenance, drainage and general administrative services.

The District complies with U.S. Generally Accepted Accounting Principles (GAAP) and all relevant U.S. Governmental Accounting Standards Board (GASB) pronouncements. These technical pronouncements establish criteria for determining the organization's activities and functions that are included in the financial statements of a governmental unit.

Reporting Entity

For financial reporting purposes, the District would include in this report all funds of all agencies and boards that are controlled by, or dependent upon, the District's legislative body. The criteria of control are determined on the basis of financial accountability, imposition of will, and financial benefit or burden.

The Nipomo Community Services District Public Facilities Corporation is a component unit of the District. This Corporation was formed in 2003 to issue Revenues Certificates of Participation (COP's). COP's were issued in 2003, 2013 and 2022. The financial activity of the corporation is blended into the financial statements of the District.

The District is a member of the Special District Authority Risk Management Joint Powers Agency, which was organized for the purpose of providing general liability, automobile, errors and omissions, and property loss insurance coverage to special districts. This organization is financed through premium charges to each member. This organization does not meet the aforementioned reporting entity criteria and therefore is not included in the accompanying financial statements.

Proprietary Financial Statements

The accounts of the District are organized into proprietary/enterprise funds. Enterprise funds use the economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and cash flows. All assets, deferred outflows of resources and liabilities, deferred inflows of resources associated with an enterprise fund's activities are included on the statement of net position.

Fiduciary Fund

Fiduciary funds are used to account for assets held by the District in a trustee capacity for the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) which issued bonds to finance the acquisition and construction of certain public capital facilities to its wastewater system for the purpose of combining the Town and Blacklake sewer systems, which the properties within the Assessment District will benefit from.

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Basis of Accounting

The enterprise funds and the Fiduciary Fund of the District are accounted for using the accrual basis of accounting. Revenues, including user fees and service charges, are recognized when earned, and expenses are recognized when incurred.

Budgets and Budgetary Accounting

An annual budget is adopted by the Board of Directors at the start of each fiscal year. Any changes or revisions to that budget throughout the year must be approved by the Board of Directors.

Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating Revenues and Expenses

Operating revenues, such as charges for services (water and wastewater fees), result from exchange transactions associated with the principal activities of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as property taxes and investment income, result from non-exchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as non-operating expenses.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Water and sewer charges are billed monthly for all customers. Property liens are placed when customer account receivables are deemed uncollectible by the District. The District did not experience any significant bad debt losses and therefore no provision has been made for doubtful accounts. Accounts receivable is shown at full value.

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual costs are not available. Other donated capital assets are valued at their acquisition value on the date received. The capitalization threshold for all capital assets is \$5,000. Depreciation has been provided over the estimated useful life of the asset using the straight-line method.

The estimated useful lives are as follows:

Wastewater Treatment Plant and Collection System	50 years
Water Supply/Distribution System	20-50 years
Buildings/Blowers	20 years
General Plant Machinery and Equipment	5-10 years

Compensated Absences

Depending on the length of continuous service, a range of 10-20 vacation and 12 days of sick leave per year may be accumulated by each employee. The District accrues a liability for compensated absences which meet the following criteria:

1. The District's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the District has accrued a liability for vacation and sick pay which has been earned but not taken by District employees.

Net Position

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

1. Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
2. Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
3. Unrestricted – This component of net position consists of net position that does not meet the definition of restricted net position or net investment in capital assets.

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Net Position Flow Assumption

Sometimes the District will fund expenses for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value.

GASB 75 require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Capital Contributions

Capital contributions are recorded when cash for capacity fees or capital assets is received from developers, customers, or other governmental entities, and the purpose is for other than operating expenses.

Property Taxes

The County of San Luis Obispo bills and collects property taxes for the District. The County charges the District for these services. Tax revenues are recognized by the District in the year received. The property taxes are levied on July 1 and are due on November 1 and March 1. Property taxes become delinquent after December 10 and April 10 for the first and second installments, respectively. The lien date is January 1.

Special Assessment Debt

In August 2020, the District issued Assessment District No. 2020-1 bonds in the amount of \$11,825,293. The bonds are not secured by the general taxing power of the District. The bonds were secured by the unpaid assessment on each parcel of land. The District is not obligated in any manner. As of June 30, 2023, the outstanding balance is \$11,755,263.

Reclassification

The District has reclassified certain prior year information to conform with current year presentation, with no effect on net position.

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2023, are classified as follows:

Current assets:	
Cash and cash equivalents	\$ 15,289,593
Noncurrent assets:	
Restricted cash and cash equivalents	64,397
Restricted cash - funded replacement	1,682,669
Cash with fiscal agent	<u>3,050,574</u>
Total cash and cash equivalents	<u>\$ 20,087,233</u>

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 2: CASH AND CASH EQUIVALENTS, (continued)

Cash and cash equivalents at June 30, 2023, consist of the following:

Cash on hand	\$	600
Bank deposits		2,766,162
Cash with fiscal agent		3,050,574
Investments in LAIF		<u>14,269,897</u>
Total cash and cash equivalents	\$	<u>20,087,233</u>

NOTE 3: INVESTMENTS

Investments Authorized by the District's Investment Policy

The District is authorized to invest in the following institutions:

1. County pooled funds (California Government Code §§ 27133(g), 53635, 61053)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code §§ 16429.1, 61053)
3. One or more FDIC insured Banks and/or Savings and Loan Associations that are designated as District depositories by resolution of the Board of Directors (California Government Code § 53630 et seq., 61053).
4. U.S. Treasuries and other government obligations for which the full faith and credit of the United States are pledged for payment of principle and interest, provided that the maximum maturity is five (5) years. There shall be no limits on the dollar amount or percentage that the District may invest in U.S. Treasuries.
5. Federally insured time deposits ("Certificates of Deposit") in state or federally chartered banks, savings and loans or credit unions, provided that all such investments shall be federally insured, fully collateralized in accordance with California law. The maximum maturity of such deposits shall not exceed five (5) years.
6. Negotiable Certificates of Deposit ("NCD") issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that not more than 30% of the portfolio invested shall be invested in a combination of federally insured non-negotiable certificates of deposit, and the maximum maturity does not exceed five (5) years.
7. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.
8. Proceeds of bond issuance shall be invested in accordance with the permitted investment provisions of their specific bond indentures or other instrument providing for the bond issuance. (California Government Code §§ 5922(d), 53601(m))

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 3: INVESTMENTS, (continued)

Disclosure Relating to Interest Rate Risk

The District's investment policy contains specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
Money Market Mutual Funds	5 Years
Federal Agency Securities	5 Years
State and Local Instruments	5 Years
Certificates of Deposits	5 Years
Repurchase Agreements	5 Years
Local Agency Investment Fund (LAIF)	5 Years

Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The weighted average maturity of the investments contained in the LAIF investment pool is approximately 260 days.

Investments at June 30, 2023:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity</u>	
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>
Certificates of Deposit	\$ 997,351	\$ 599,077	\$ 398,274
U.S. Treasury securities	4,593,658	4,593,658	-
Total investments	<u>\$ 5,591,009</u>	<u>\$ 5,192,735</u>	<u>\$ 398,274</u>

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 3: INVESTMENTS, (continued)

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429.1 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF has a minimum \$5,000 transaction amount in increments of \$1,000 with a maximum 15 transactions (combination of deposits and withdrawals) per month. LAIF requires a one-day prior notice for deposits and withdrawals of \$10 million or more.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Policy, or debt agreements, and the actual ratings as of the fiscal year ended for each investment type.

Investments at June 30, 2023:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>	<u>Rating at Year End AAA to AA-</u>
Certificates of Deposit	\$ 997,351	N/A	\$ 997,351	\$ -
U.S. Treasury securities	<u>4,593,658</u>	AA	<u>2,298,880</u>	<u>2,294,778</u>
Total investments	<u>\$ 5,591,009</u>		<u>\$ 3,296,231</u>	<u>\$ 2,294,778</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by the state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 3: INVESTMENTS, (continued)

Custodial Credit Risk, (continued)

The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgages notes having a value of 150% of the secured public deposits. The District may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

As of June 30, 2023, the District's deposits with financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits were fully collateralized by securities in a separate account held by the same institution, but not in the District's name.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Concentration of Risk

The District's investment policy does not contain limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer beyond that as stipulated by the California Government Code, except for no more than 30% of the portfolio can be negotiable Certificates of Deposit. As of June 30, 2023, the District's deposit portfolio with U.S. Treasury securities, Certificate Deposits, and LAIF, was 100%.

Fair Value Measurements

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability.

Investments by Fair Value	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
U.S. Treasury	\$ 4,593,658	\$ 4,593,658	\$ -	\$ -
Certificates of Deposit	997,351	-	997,351	-
Total Investments by Fair Value Level	\$ 5,591,009	\$ 4,593,658	\$ 997,351	\$ -

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 4: CONTRACT RECEIVABLE

On October 16, 2015, the Supplemental Water Management and Groundwater Replenishment Agreement (the Agreement) was made between the Nipomo Community Services District, Rural Water Company, the Woodland Mutual Water Company of San Luis Obispo County and Golden State Water Company, effective July 1, 2015. The Parties, along with hundreds of other individuals and entities are parties to certain legal proceedings entitled Santa Maria Valley Water Conservation District v. City of Santa Maria, et al., Superior Court of the State of California, County of Santa Clara, Consolidated Cases CV770214 (Santa Maria Litigation), regarding the respective rights of the litigants to groundwater resources in the Santa Maria Ground Water Basin. After lengthy proceedings, the court entered into an amended judgment on April 17, 2014 which provides for the long-term management of the Basin water resources. The Judgment requires NCSW to ultimately purchase and transmit a minimum of 2,500 acre-feet of Nipomo Supplemental Water each year. The District is further required to employ its best efforts to timely implement the Nipomo Supplemental Water Project. The Judgment further provides that once the Nipomo Supplemental Water is capable of being delivered, the Parties to the Agreement are to purchase designated portions of the Nipomo Supplemental Water each year to offset ground water pumping in the Nipomo Mesa Management Area.

The District has entered into a Wholesale Water Supply Agreement with the City of Santa Maria dated May 7, 2013. The District and City of Santa Maria's agreement provides a mechanism through which the District may purchase Nipomo Supplemental Water for sale and distribution in the Nipomo Supplemental Water Project, consistent with obligations in the Judgment. The District has completed construction of the first stage of the Nipomo Supplemental Water Project and the District began taking delivery of Nipomo Supplemental Water as of July 1, 2015.

On or about June 25, 2015, the California Public Utilities Commission approved Golden State Water Company's acquisition of Rural Water Company. The Golden State Water Company assumed the entirety of Rural Water Company's benefits and obligations under such Agreement. The purpose of the Agreement is to enable the Parties to meet their respective obligations under the Judgment, provide payment to NCSW for each Party's allocation of costs, and for the distribution and use of Nipomo Supplemental Water. Per the Agreement, the District is to operate the Nipomo Supplemental Water Agreement as an enterprise fund, separating all costs associated to Nipomo Supplemental Water Project within and only to that fund. The amortization period for capital costs is 30 years beginning July 1, 2015. Interest will be charged monthly on the remaining unamortized balance as of the prior month end. As of June 30, 2023, the Contract Receivable associated with the Agreement is \$6,907,764.

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 5: CAPITAL ASSETS

Changes in capital assets for the current year were as follows:

	June 30, 2022	Additions	Deletions/ Transfers	June 30, 2023
Non-depreciable capital assets:				
Land	\$ 1,113,700	\$ -	\$ -	\$ 1,113,700
Construction in progress	2,303,624	2,793,806	(1,357,076)	3,740,354
 Total non-depreciable capital assets	 3,417,324	 2,793,806	 (1,357,076)	 4,854,054
Depreciable capital assets:				
Buildings and improvements	90,548,087	2,056,031	-	92,604,118
Equipment	3,150,493	115,941	(17,715)	3,248,719
 Total depreciable capital assets	 93,698,580	 2,171,972	 (17,715)	 95,852,837
Less accumulated depreciation:				
Buildings and improvements	(26,452,245)	(2,013,545)	-	(28,465,790)
Equipment	(2,244,859)	(251,942)	17,715	(2,479,086)
	(28,697,104)	(2,265,487)	17,715	(30,944,876)
 Net depreciable capital assets	 65,001,476	 (93,515)	 -	 64,907,961
 Total capital assets, net	 <u>\$ 68,418,800</u>	 <u>\$ 2,700,291</u>	 <u>\$ (1,357,076)</u>	 <u>\$ 69,762,015</u>

Depreciation expense for the period ended June 30, 2023 was \$2,265,487.

Nipomo Community Services District

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2023**

NOTE 6: LONG-TERM LIABILITIES

The summary of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	June 30, 2022	Additions	Deletions	June 30, 2023	Due Within One Year
Certificates of participation:					
Revenue COP's series 2013	\$ 8,520,000	\$ -	\$ (160,000)	\$ 8,360,000	\$ 160,000
Unamortized discount	(180,962)	-	8,617	(172,345)	-
Revenue COP's series 2022	10,295,000	-	(250,000)	10,045,000	260,000
Unamortized premium	520,120	-	(20,005)	500,115	-
Total COP's	<u>19,154,158</u>	<u>-</u>	<u>(421,388)</u>	<u>18,732,770</u>	<u>420,000</u>
Revenue bonds 2013A	1,940,000	-	(135,000)	1,805,000	145,000
Unamortized premium	118,707	-	(11,869)	106,838	-
Total revenue bonds	<u>2,058,707</u>	<u>-</u>	<u>(146,869)</u>	<u>1,911,838</u>	<u>145,000</u>
Compensated absences	<u>158,772</u>	<u>122,817</u>	<u>(141,553)</u>	<u>140,036</u>	<u>93,912</u>
Total long-term liabilities	<u>\$ 21,371,637</u>	<u>\$ 122,817</u>	<u>\$ (709,810)</u>	<u>\$ 20,784,644</u>	<u>\$ 658,912</u>

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 6: LONG-TERM LIABILITIES, (continued)

Certificates of Participation

Revenue Certificates of Participation – Series 2013

The District issued \$9,660,000 of Revenue Certificate of Participation (COP's) on June 21, 2013. The proceeds are to be used for the Supplemental Water Project Phase 1. The COP's bear interest ranging from 1.0% to 4.625% per annum.

The outstanding 2013 bonds contain a provision that if an event of default occurs and continues, the timing of repayment of outstanding amounts become due if (1) if the District is unable to make a payment, (2) if the District fails perform any of the agreements or covenants required to be performed by it under the Installment Sale Agreement, and such default continues for a period of thirty (30) days after the District has been given notice in writing of such default by the Corporation; or (3) the District files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction approves a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property.

Principal is to be paid annually starting September 1, 2014 through September 1, 2043. Annual principal payments range from \$160,000 to \$725,000 as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 160,000	\$ 367,900	\$ 527,900
2025	165,000	362,000	527,000
2026	175,000	355,200	530,200
2027	180,000	348,100	528,100
2028	185,000	340,800	525,800
2029-2033	1,065,000	1,578,574	2,643,574
2034-2038	2,540,000	1,191,230	3,731,230
2039-2043	3,165,000	545,967	3,710,967
2044	725,000	16,767	741,767
	<u>\$8,360,000</u>	<u>\$5,106,538</u>	<u>\$13,466,538</u>

Revenue Certificates of Participation – Series 2022

The District issued \$10,630,000 of Revenue Certificate of Participation (COP's) in March 2022. The proceeds were used to refund the outstanding balance of the 2012 Revenue Certificate of Participation and fund a portion of the costs of certain capital improvements. The COP's bear interest ranging from 1.5% to 4.00% per annum.

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 6: LONG-TERM LIABILITIES, (continued)

Certificates of Participation, (continued)

The District refunded the Series 2012 COP's to reduce its total debt service payments by \$2,113,554 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt, less any prior funds on hand) of \$1,033,399.

The outstanding 2022 bonds contain a provision that if an event of default occurs and continues, the timing of repayment of outstanding amounts become due if (1) if the District is unable to make a payment, (2) if the District fails perform any the other agreements or covenants required herein to be performed by it, and such default has continued for a period of 30 days after the District has been given notice in writing of such default by the Corporation or the Trustee; or (3) the District files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction approves a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property.

Principal is to be paid annually starting June 1, 2022 through June 1, 2048. Annual principal payments range from \$260,000 to \$555,000 as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 260,000	\$ 325,150	\$ 585,150
2025	270,000	314,750	584,750
2026	275,000	310,700	585,700
2027	285,000	299,700	584,700
2028	300,000	288,300	588,300
2029-2033	1,670,000	1,253,500	2,923,500
2034-2038	2,025,000	898,206	2,923,206
2039-2043	2,330,000	588,613	2,918,613
2044-2048	2,630,000	237,000	2,867,000
	<u>\$ 10,045,000</u>	<u>\$ 4,515,919</u>	<u>\$ 14,560,919</u>

Revenue Bonds

Revenue Bonds 2013A

The District issued \$2,845,000 of Refunding Revenue Bonds, Series 2013A on May 30, 2013. The proceeds were used to refund the Revenue Certificate of Participation (COP's) that were originally issued on May 1, 2003. The Refunding Revenue Bonds bear interest ranging from 3.7% to 4.8% per annum. Principal is to be paid annually starting September 1, 2014 through September 1, 2032.

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 6: LONG-TERM LIABILITIES, (continued)

Revenue Bonds, (continued)

The outstanding 2013A bonds contain a provision that if an event of default occurs and continues, the timing of repayment of outstanding amounts become due if (1) if the District is unable to make a payment, (2) if the District fails perform any of the covenants, agreements or conditions required to be performed by it under the Indenture or Bonds, and such default continues for a period of thirty (30) days after the District has been given notice in writing of such default by the Corporation; or (3) the District files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction approves a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property.

Annual payments range from \$145,000 to \$210,000 as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 145,000	\$ 76,675	\$ 221,675
2025	155,000	69,175	224,175
2026	160,000	61,300	221,300
2027	170,000	53,050	223,050
2028	180,000	44,300	224,300
2029-2032	995,000	102,300	1,097,300
	<u>\$ 1,805,000</u>	<u>\$ 406,800</u>	<u>\$ 2,211,800</u>

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors three rate plans (all miscellaneous). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN, (continued)

A. General Information about the Pension Plan, (continued)

The Plan's provisions and benefits in effect at June 30, 2023 are summarized as follows:

	Miscellaneous Tier I	Miscellaneous Tier II	Miscellaneous PEPRA
Hire Date			
Benefit formula	3.0% @ 60	3.0% @ 60	2.0% @62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 and up	50 and up	52 and up
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	2.0% to 3.0%	1.0% to 2.5%
Required employee contribution rates	8.00%	8.00%	7.25%
Required employer contribution rates	16.17%	15.45%	7.76%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2023 were \$385,177. The actual employer payments of \$356,716 made to CalPERS by the District during the measurement period ended June 30, 2022 differed from the District's proportionate share of the employer's contributions of \$392,937 by \$36,211, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN, (continued)

B. Net Pension Liability (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The collective total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Actuarial Cost Method
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN, (continued)

B. Net Pension Liability (continued)

The expected real rates of return by asset class are as follows:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return^{1,2}</u>
Global Equity - cap-weighted	30.00%	4.54%
Global Equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)
Total	<u>100.00%</u>	<u>28.93%</u>

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021-22 Asset Liability Management study.

Change of Assumptions

Effective with the June 30, 2021, valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN, (continued)

B. Net Pension Liability (continued)

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

Nipomo Community Services District

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2023**

NOTE 7: DEFINED BENEFIT PENSION PLAN, (continued)

C. Proportionate Share of Net Pension Liability

The following table shows the District's proportionate share of the Plan's net pension liability over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2021 (VD)	\$ 8,864,280	\$ 7,909,204	\$ 955,076
Balance at: 6/30/2022 (MD)	9,862,663	7,575,312	2,287,351
Net changes during 2021-22	998,383	(333,892)	1,332,275

Valuation Date (VD), Measurement Date (MD)

The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The District's proportionate share of the net pension liability for the miscellaneous Plan as of the June 30, 2021 and 2022 measurement dates was as follows:

	Miscellaneous
Proportionate Share of NPL - June 30, 2021	0.05030%
Proportionate Share of NPL - June 30, 2022	0.04888%
Change - Increase (Decrease)	<u>(0.00142%)</u>

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the miscellaneous plan as of the measurement date, calculated using the discount rate of 6.90 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Net Pension Liability	\$ 3,631,810	\$ 2,287,351	\$ 1,181,195

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN, (continued)

C. Proportionate Share of Net Pension Liability, (continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2022 is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2021), the District's net pension liability was \$955,076. For the measurement period ending June 30, 2022 (the measurement date), the District incurred a pension expense of \$319,863.

Nipomo Community Services District

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2023**

NOTE 7: DEFINED BENEFIT PENSION PLAN, (continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, (continued)

As of June 30, 2023, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 45,934	\$ 30,765
Changes of Assumptions	234,387	-
Difference Between Projected and Actual Investment Earnings	418,982	-
Change in Employer's Proportion	70,003	-
Differences Between Employer's Contributions and Proportionate Share on Contributions	4,421	28,486
Pension Contributions Subsequent to the Measurement Date	385,177	-
Total	<u>\$ 1,158,904</u>	<u>\$ 59,251</u>

The amounts above are net of outflows and inflows recognized in the 2021-22 measurement period expense. Contributions subsequent to the measurement date of \$385,177 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2024	\$ 205,044
2025	166,582
2026	86,587
2027	256,263
2028	-
Thereafter	-

E. Payable to the Pension Plan

At June 30, 2023, the District reported a payable of \$7,746 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The District has established a Retiree Healthcare Plan (HC Plan) and participates in an agent multiple-employer defined benefit retiree healthcare plan. District provides post-retirement health care benefits through the California Public Employees' Retirement System. In general, to be eligible for retiree medical benefits, an employee must retire from CALPERS on or after age 50 with at least 5 years of District service. For employees hired prior to February 1, 2006, the District's financial obligation is to pay 100% of the cost of coverage for the eligible retiree and any eligible dependents. For employees hired on or after February 1, 2006, the District's contribution percentage is based on the employee's years of CALPERS eligible service at retirement starting at 50% for employees with 10 years increasing by 5% per year of service up to 100% at 20 years of service. The District's maximum contribution is based on this contribution percentage applied to the average weighted premium rates established annually by CALPERS. A separate financial report is not prepared for the HC Plan.

Employees Covered

As of the June 30, 2022 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active employees	20
Inactive employees or beneficiaries currently receiving benefits	9
Total	<u>29</u>

Contributions

The District pays retiree medical benefits directly to CalPERS. For fiscal year ended June 30, 2023, the District paid \$101,408 in retiree medical benefits. In fiscal year 2008, the District established an Irrevocable Trust with the CalPERS' California Employer's Retiree Benefit Trust (CERBT). The Irrevocable Trust was required to fully implement the District's direction of prefunding the District's OPEB liability. For fiscal year June 30, 2023, the District's cash contribution to CERBT was \$131,650 in payments to the trust and the estimated implied subsidy of \$34,413 resulting in total OPEB contributions of \$267,471. The District's contributions to the OPEB plan are not based on a measure of pay.

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB), (continued)

Net OPEB liability

The District's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2022, based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Actuarial Assumptions:	
Actuarial Cost Method	Entry age normal cost, level % of pay
Asset Valuation Method	Market value of assets
Discount Rate	6.20%
Inflation	2.50%
Salary Increases	3.00% - Per annum
Mortality Rate	MacLeod Watts Scale 2022 applied generationally.
Healthcare Trend Rate	5.6% in 2024 decreasing to 3.9% by 2076

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
TIPS	5%	-1.80%
Fixed Income	23%	-1.50%
Global Equities	49%	4.40%
REIT's	20%	3.00%
Commodities	3%	0.80%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.2% percent. The long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Nipomo Community Services District

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2023**

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB), (continued)

Changes in the OPEB Liability

The changes in the net OPEB liability for the HC Plan are as follows:

	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (c)= (a) - (b)</u>
Balance at June 30, 2022 (Measurement Date June 30, 2021)	\$ 3,734,966	\$ 2,621,196	\$ 1,113,770
Changes recognized for the measurement period:			
Service Cost	147,881	-	147,881
Interest	248,258	-	248,258
Net investment income	-	174,516	(174,516)
Changes of assumptions	(124,723)	-	(124,723)
Plan experience differences	(434,227)	-	(434,227)
Contributions - employer	-	254,995	(254,995)
Investment experience	-	(540,317)	540,317
Benefit payments	(126,995)	(126,995)	-
Administrative expenses	-	(676)	676
Net Changes	<u>(289,806)</u>	<u>(238,477)</u>	<u>(51,329)</u>
Balance at June 30, 2023 (Measurement Date June 30, 2022)	<u>\$ 3,445,160</u>	<u>\$ 2,382,719</u>	<u>\$ 1,062,441</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

	1% Decrease 5.20%	Current Discount Rate 6.20%	1% Increase 7.20%
Net OPEB Liability	\$ 1,051,817	\$ 1,062,441	\$ 1,073,065

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB), (continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the Authority if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 578,346	\$ 1,062,441	\$ 1,674,951

OPEB Plan Fiduciary Net Position

CalPERS issues a publicly available CERBT financial report that may be obtained from the CalPERS' website at www.calpers.ca.gov.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years straight-line
All other amounts	Expected average remaining service lifetime (EARSL) (8.30 years at June 30, 2022)

Nipomo Community Services District

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2023**

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB), (continued)

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

For the fiscal year ended June 30, 2023, the District recognized OPEB expense of \$267,471. For the fiscal year ended June 30, 2022, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 267,471	\$ -
Changes of assumptions	340,008	109,696
Differences between expected and actual experience	90,683	381,910
Net difference between projected and actual earnings on OPEB plan investments	201,469	-
Total	<u>\$ 899,631</u>	<u>\$ 491,606</u>

The \$267,471 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the net OPEB liability during the subsequent year. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2024	\$ 92,893
2025	92,279
2026	57,420
2027	85,892
2028	(33,045)
Thereafter	(154,885)

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 9: NET POSITION

At June 30, 2023, the components of net position consisted of the following:

<u>Net investment in capital assets:</u>		
Capital assets, not being depreciated		\$ 4,854,054
Depreciable capital assets, net		64,907,961
Current portion of long-term debt		(565,000)
Long-term debt, less current portion		<u>(20,079,608)</u>
		<u>\$ 49,117,407</u>
<u>Restricted Funding Source</u>	<u>Use</u>	
Water capacity charges and supplemental water	For the expansion of the water system	\$ 12,809,622
Town Sewer capacity charges	For the expansion of the sewer system	551,923
Town Sewer cash with fiscal agent	Cash held with fiscal agent for expansion	<u>3,050,528</u>
	Restricted for system expansion	<u>16,412,073</u>
Nipomo Supplemental Water Project	For the replacement/repair of the supplemental water project	1,734,385
	Total Restricted Net Position	<u>\$ 18,146,458</u>
<u>Unrestricted Funding Source</u>	<u>Use</u>	
Designated reserve	District operating expenses	<u>\$ 12,423,400</u>
	Total Unrestricted Net Position	<u>\$ 12,423,400</u>

NOTE 10: JOINT POWERS AUTHORITY

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

At June 30, 2023, the District participated in the liability and property programs of the SDRMA as follows:

General Liability: Special District Risk Management Authority, coverage number LCA SDRMA 202223. This covers \$10,000,000 per occurrence.

Public Officials and Employees Errors: Special District Risk Management Authority, coverage number LCA SDRMA 202223. This covers \$10,000,000 per occurrence/general aggregate.

Personal Liability Coverage for Board Members: Special District Risk Management Authority, coverage number LCA SDRMA 202223. This covers \$500,000 per occurrence/general aggregate.

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 10: JOINT POWERS AUTHORITY, (continued)

Employment Practices Liability: Special District Risk Management Authority, coverage number LCA SDRMA 202223. This covers \$10,000,000 per wrongful employment practice/aggregate limits per member.

Employment Benefits Liability: Special District Risk Management Authority, coverage number LCA SDRMA 202223. This covers \$10,000,000 per occurrence/general aggregate.

Employee Dishonesty Coverage: Special District Risk Management Authority, coverage number EDC SDRMA 202223. This policy includes a \$1,000,000 Public Employees Dishonesty Blanket Coverage.

Auto Liability: Special District Risk Management Authority, coverage number LCA SDRMA 202223. This policy covers \$10,000,000 per occurrence with personal injury and property damage.

Automobile Physical Damage: Special District Risk Management Authority, coverage number LCA SDRMA 202223. The coverage is on file with SDRMA.

Uninsured/Under Insured Motorist: Special District Risk Management Authority, coverage number UMI SDRMA 202223. The coverage is on file with SDRMA.

Trailer Coverage: District Risk Management Authority, coverage number LCA SDRMA 202223. The coverage is on file with SDRMA.

Property Coverage: Special District Risk Management Authority, coverage number PPC SDRMA 202223. This policy covers the replacement cost for scheduled property, \$1,000,000,000 per occurrence. Deductible is on file with SDRMA.

Boiler and Machinery: Special District Risk Management Authority, coverage number PPC SDRMA 202223. This covers the replacement cost for scheduled property, \$100,000,000 per occurrence. Deductible is on file with SDRMA.

Workers Compensation Coverage and Employer's Liability: Special District Risk Management Authority, coverage number WCP SDRMA 202223. This coverage is statutory per occurrence, respectively for workers' compensation and \$5,000,000 for employers' liability coverage.

Settled claims have not exceeded any of the coverages in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2023. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2023.

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 11: CONTINGENCIES

Santa Maria Valley Water Conservation District v. City of Santa Maria, et al., Santa Clara County Superior Court, Case No. CV 770214.

This case relates to the District's right to produce water from the Santa Maria groundwater basin. The District is a defendant and cross-defendant in the case and has filed its own cross-complaint.

Issues brought forth in the case include claimed priority to the right to produce water from the subject water basin, rights to store and produce native and imported water in and from the basin, and a call for a court-ordered management plan (physical solution) to manage storage in and water production from the basin while preserving the basin as a resource.

There are more than 1,500 involved parties in the action. The litigation does not involve claims for current or past liability, but it may result in a rise in the cost of water production and distribution to District customers or a decline in the amount of water available in areas serviced by the District. A number of parties, including the District, have stipulated to a settlement in the case. Final judgement has now been entered, and two published decisions have been issued by the Court of Appeal related to the final judgment and its interpretation: (1) *City of Santa Maria v. Adam* (2012) 211 Cal.App.4th 266; and (2) *City of Santa Maria v. Adam* (2016) 218 Cal.App.4th 504. The trial court continues to have jurisdiction over this matter and continues to schedule Case Management Conferences every 3 or 4 months. The next Case Management Conference is likely to be scheduled to take place sometime in the fourth quarter of 2023.

On April 15 & 16, 2019, certain landowners filed the following complaints: 1) Koch California Ltd., et al. v. City of Santa Maria, et al. (Case No. 19-CV-0227), pending in San Luis Obispo County Superior Court; 2) JC & Elsie Teixeira Family Limited Partnership v. City of Santa Maria, et al. (Case No. 19-CV-0230), in San Luis Obispo County Superior Court; 3) JC & Elsie Teixeira Family Limited Partnership v. City of Santa Maria, et al. (Case No. 19-CV-02086), pending in Santa Barbara County Superior Court; and Adam L. Kieran, et al., v. City of Santa Maria, et al. (Case No. 19CV02091), in Santa Barbara County Superior Court. The District, and all other public purveyors in the Santa Maria Groundwater Adjudication, were named defendants. The public purveyor defendants filed a petition to request that the Judicial Council determine that these four complaints be coordinated with the Santa Maria Groundwater Litigation in Santa Clara County Superior Court. That petition was granted, and these four actions have now been stayed pending transfer to the Santa Clara County Superior Court. COVID-19 significantly delayed transfer of these cases; we anticipate that transfer logistics will conclude in the next several months.

Robyn Flores, et al. v. R. Myers, Inc., et al. San Luis Obispo County Superior Court, Case No. 22CV-0250.

The District was erroneously named and served in this case seeking damages for a fatal vehicle accident that occurred in the jurisdictional boundaries of the District. The accident occurred at or near an off-ramp from the 101 Freeway. The District has no control over, or liability for, roads within the District's boundaries. We are informed that the plaintiffs have dismissed the District with prejudice.

Nipomo Community Services District

Notes to the Basic Financial Statements For the Year Ended June 30, 2023

NOTE 11: CONTINGENCIES (continued)

Possible Class Action Lawsuit Related to CalPERS Benefit Calculations

In August of 2023, the District received a purported government tort claim from the attorneys for Cari McCormick, a retiree from another public agency, giving notice of a potential class action lawsuit on behalf of certain CalPERS retirees relating to the calculation of benefits. The notice, a copy of a complaint filed with the Department of Fair Employment and Housing, purports to be a government tort claim for as-yet unidentified plaintiffs in a class. Many public agency CalPERS members in California received the same notice. The document does not name any current or former NCSD employees who could be members of the class, or identify any damages NCSD caused. As such, and on the advice of the District's insurer, the District timely returned the claim as insufficient. The attorney responded and contested the finding of insufficiency without providing any of the information the District requested. The District's staff will now recommend that the Board deny the claim. Liability and potential damages, if any, are purely speculative at this point.

REQUIRED SUPPLEMENTARY INFORMATION

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Nipomo Community Services District

**Required Supplementary Information
 Schedule of District's Proportionate Share of the Plan's Net Pension Liability
 and Related Ratios as of the Measurement Date
 Last Ten Years***

Measurement Date	Employer's Proportion of the Collective Net Pension Liability ¹	Employer's Proportionate Share of the Collective Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Covered Payroll	Pension's Plans Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.01728%	\$ 1,075,480	\$ 850,732	126.42%	80.12%
6/30/2015	0.01711%	1,174,145	990,477	118.54%	79.61%
6/30/2016	0.01712%	1,480,964	1,110,264	133.39%	75.85%
6/30/2017	0.01701%	1,686,681	1,153,706	146.20%	75.19%
6/30/2018	0.01669%	1,607,847	1,120,809	143.45%	77.49%
6/30/2019	0.01686%	1,727,302	1,149,787	150.23%	77.53%
6/30/2020	0.01741%	1,894,757	1,329,670	142.50%	77.08%
6/30/2021	0.05030%	955,076	1,428,771	66.85%	89.23%
6/30/2022	0.04889%	2,287,351	1,537,208	148.80%	76.81%

¹ Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk pools excluding the 1959 Survivors Risk Pool.

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Nipomo Community Services District

Required Supplementary Information Schedule of Pension Plan Contributions Last Ten Years*

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	\$ 190,106	\$ (190,106)	\$ -	\$ 990,447	19.19%
6/30/2016	214,785	(214,785)	-	1,110,264	19.35%
6/30/2017	233,979	(233,979)	-	1,153,706	20.28%
6/30/2018	245,052	(245,052)	-	1,120,809	21.86%
6/30/2019	231,550	(231,550)	-	1,149,787	20.14%
6/30/2020	275,007	(275,007)	-	1,329,670	20.68%
6/30/2021	320,704	(320,704)	-	1,428,771	22.45%
6/30/2022	356,716	(356,716)	-	1,537,208	23.21%
6/30/2023	385,177	(385,177)	-	1,674,080	23.01%

Notes to Schedule:

Change in Benefit Terms: Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Nipomo Community Services District

Required Supplementary Information Schedule of Changes in the Net OPEB Liability and Related Ratios Last Ten Years*

Measurement Date	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
Total OPEB Liability						
Service Cost	\$ 66,148	\$ 68,132	\$ 124,610	\$ 144,932	\$ 143,574	\$ 147,881
Interest	125,817	133,867	180,785	198,010	232,050	248,258
Plan experience differences	-	42,839	-	122,387	-	(434,227)
Changes in assumptions	-	552,064	64,913	187,866	-	(124,723)
Changes in benefit terms	-	-	-	-	-	-
Benefit payments	(136,301)	(134,076)	(129,067)	(122,132)	(134,179)	(126,995)
Net change in Total OPEB Liability	55,664	662,826	241,241	531,063	241,445	(289,806)
Total OPEB Liability - beginning	2,002,727	2,058,391	2,721,217	2,962,458	3,493,521	3,734,966
Total OPEB Liability - ending (a)	2,058,391	2,721,217	2,962,458	3,493,521	3,734,966	3,445,160
Plan Fiduciary Net Position						
Contribution - employer	223,671	221,446	216,437	223,132	235,179	254,995
Net investment income	131,036	114,132	104,331	120,277	131,333	174,516
Benefit payments	(136,301)	(134,076)	(129,067)	(122,132)	(134,179)	(126,995)
Administrative expense	(1,092)	(770)	(353)	(900)	(760)	(676)
Other Expense (one-time)	-	(1,867)	-	-	-	-
Investment experience	-	-	-	(50,361)	419,241	(540,317)
Net change in Plan Fiduciary Net Position	217,314	198,865	191,348	170,016	650,814	(238,477)
Plan Fiduciary Net Position - beginning	1,192,839	1,410,153	1,609,018	1,800,366	1,970,382	2,621,196
Plan Fiduciary Net Position - ending (b)	1,410,153	1,609,018	1,800,366	1,970,382	2,621,196	2,382,719
Net OPEB Liability - ending (a) - (b)	\$ 648,238	\$ 1,112,199	\$ 1,162,092	\$ 1,523,139	\$ 1,113,770	\$ 1,062,441
Plan fiduciary net position as a percentage of the total OPEB liability	68.51%	59.13%	60.77%	56.40%	70.18%	69.16%
Covered-employee payroll	\$ 1,288,325	\$ 1,213,514	\$ 1,176,634	\$ 1,419,376	\$ 1,515,349	\$ 1,582,861
Net OPEB liability as a percentage of covered-employee payroll	50.32%	91.65%	98.76%	107.31%	73.50%	67.12%

Notes to schedule:

* Historical information is required only for measurement period for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Fiscal Year 2017-18 was the first year of implementation.

Contributions are not based on a measure of pay, therefore covered-employee payroll is used in the schedule.

Nipomo Community Services District

Required Supplementary Information Schedule of OPEB Contributions Last Ten Years*

SCHEDULE OF CONTRIBUTIONS						
Fiscal Year Ended June 30	2018	2019	2020	2021	2022	2023
Actuarially determined contributions (ADC)	\$ 110,926	\$ 215,870	\$ 222,139	\$ 228,054	\$ 281,853	\$ 290,309
Contributions in relation to the ADC	(201,556)	(191,562)	(223,132)	(235,179)	(254,995)	(267,471)
Contribution deficiency/(excess)	\$ (90,630)	\$ 24,308	\$ (993)	\$ (7,125)	\$ 26,858	\$ 22,838
Covered-employee payroll	\$ 1,213,514	\$ 1,176,634	\$ 1,419,376	\$ 1,515,349	\$ 1,582,861	\$ 1,730,697
Contribution as a percentage of covered-employee payroll	16.61%	16.28%	15.72%	15.52%	16.11%	16.11%

Notes to schedule

Valuation Date	6/30/2017	6/30/2018	6/30/2018	6/30/2020	6/30/2020	6/30/2022
<u>Methods and assumptions used to determine contributions</u>						
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method		2.5% escalation	2.5% escalation	2.5% escalation	2.5% escalation	2.5% escalation
Amortization period	30 years	20 years	19 years	18 years	18 years	16 years
Asset valuation method	Market	Market	Market	Market Value	Market Value	Market Value
Inflation	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%
Healthcare cost trend rates	6% to 5% step 1%	7% to 5% step 0.5%	7% to 5% step 0.5%	5.8% in 2021 scaling down to 4% by 2076	5.8% in 2021 scaling down to 4% by 2076	5.6% in 2024, decreasing to 3.9% by 2076
Salary increases	3.00%	3.25%	3.25%	3.00%	3.00%	3.00%
Investment rate of return	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Retirement Rates	Varies by age	CalPERS 2017 Experience Assumptions;	CalPERS 2017 Experience Assumptions;	Mortality projection using MacLeod Watts Scale	Mortality projection using MacLeod Watts Scale	Mortality projection using MacLeod Watts Scale
Mortality rates	Pre-Retirement: RP-2014 Employee Mortality; Post-Retirement: RP-2014 Healthy Annuitant; no mortality improvement assumed	Mortality projection using MacLeod Watts Scale 2018 generationally	Mortality projection using MacLeod Watts Scale 2018 generationally	2020 generationally	2020 generationally	2022 generationally

Changes in Assumptions or methods since the prior Measurement Date:

Trust rate of return and discount rate	Decreased from 6.5% to 6.2%, reflecting updated long-term rates of return provided by CalPERS in March 2022
Demographic Assumptions	Updated demographic assumptions from those in the 2017 CalPERS experience study to those recommended in the CalPERS 2021 Experience Study report issued November 2021
Healthcare Trend	The mortality improvement scale was updated from MacLeod Watts Scale 2020 to MacLeod Watts Scale 2022, reflecting continued updates in available information
Pool Subsidy for Medicare retirees	Updated the base healthcare trend scale from Getzen Model 2021_b to Getzen Model 2022_b, as published by the Society of Actuaries
	We applied age-based premiums and developed a liability for the projected pool subsidy for retirees enrolled in Medicare plans, under guidance provided by a new actuarial practice note.

* Historical information is required only for measurement period for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Contributions are fixed and not based on a measure of pay, therefore covered-employee payroll is used in the schedule.

Fiscal Year 2017-18 was the first year of implementation.

OTHER SUPPLEMENTAL INFORMATION

Nipomo Community Services District

Combining Schedule of Net Position Proprietary Funds June 30, 2023

	Business Type Activities - Enterprise Funds				
	Administration	Water	Town Sewer	Blacklake Sewer	Blacklake Lighting
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 10,653,557	\$ 2,682,657	\$ 993,259	\$ 21,439
Investments	-	3,895,585	981,203	363,144	7,852
Accounts receivable	-	81,517	35,403	6,460	-
Unbilled utilities receivable	-	624,000	206,000	80,000	-
Accrued interest receivable	-	215,380	28,376	9,485	202
Accrued franchise fees	-	-	-	-	-
Due from County	-	-	-	-	435
Due from other funds	-	131,050	-	-	-
Contract receivable, current portion	-	154,946	-	-	-
Total current assets	-	15,756,035	3,933,639	1,452,348	29,928
Noncurrent assets:					
Interfund loan receivable	-	-	-	27,133	-
Restricted cash and cash equivalents	64,397	-	-	-	-
Restricted cash - funded replacement	-	-	-	-	-
Cash with fiscal agent	-	46	3,050,528	-	-
Deposits and other assets	2,231	40,773	-	-	-
Contract receivable, less current portion	-	6,752,818	-	-	-
Capital assets:					
Capital assets, not being depreciated	8,780	1,808,221	730,902	2,235,586	-
Depreciable capital assets, net	48,264	37,741,406	24,689,949	1,167,205	-
Total noncurrent assets	123,672	46,343,264	28,471,379	3,429,924	-
Total assets	123,672	62,099,299	32,405,018	4,882,272	29,928
DEFERRED OUTFLOWS OF RESOURCES					
OPEB related	67,473	594,656	186,223	51,279	-
Pension related	86,918	766,036	239,893	66,057	-
Total deferred outflows of resources	154,391	1,360,692	426,116	117,336	-
LIABILITIES					
Current liabilities:					
Accounts payable	64,052	259,462	90,271	18,248	3,302
Due to other funds	77,459	532,184	-	-	-
Deposits and retentions	236,338	18,663	-	-	-
Accrued liabilities	17,734	204,516	46,180	4,975	-
Current portion of long-term liabilities	18,783	216,347	275,965	2,817	-
Total current liabilities	414,366	1,231,172	412,416	26,040	3,302
Noncurrent liabilities:					
Interfund loan payable	-	-	-	-	27,133
Net OPEB liability	79,683	702,273	219,925	60,560	-
Net pension liability	171,551	1,511,939	473,482	130,379	-
Long-term liabilities, less current portion	9,224	8,055,331	10,292,956	1,384	-
Total noncurrent liabilities	260,458	10,269,543	10,986,363	192,323	27,133
Total liabilities	674,824	11,500,715	11,398,779	218,363	30,435
DEFERRED INFLOWS OF RESOURCES					
OPEB related	36,870	324,952	101,762	28,022	-
Pension related	4,443	39,165	12,265	3,378	-
Total deferred inflows of resources	41,313	364,117	114,027	31,400	-
NET POSITION					
Net investment in capital assets	57,044	31,361,971	14,875,736	3,402,791	-
Restricted for system expansion	-	12,809,622	3,602,451	-	-
Restricted for system replacement	-	-	-	-	-
Unrestricted (deficit)	(495,118)	7,423,566	2,840,141	1,347,054	(507)
Total net position	\$ (438,074)	\$ 51,595,159	\$ 21,318,328	\$ 4,749,845	\$ (507)

Business Type Activities - Enterprise Funds						
Solid Waste	Drainage	Landscape Maintenance	Property Taxes	Supplemental Water	Eliminations	Total
\$ 385,313	\$ 24,651	\$ 12,084	\$ 516,633	\$ -	\$ -	\$ 15,289,593
140,899	9,098	4,423	188,805	-	-	5,591,009
-	-	-	-	261,621	-	385,001
-	-	-	-	-	-	910,000
3,705	393	117	3,993	-	-	261,651
34,150	-	-	-	-	-	34,150
1,501	451	251	16,796	-	-	19,434
-	-	-	-	532,184	(663,234)	-
-	-	-	-	-	-	154,946
<u>565,568</u>	<u>34,593</u>	<u>16,875</u>	<u>726,227</u>	<u>793,805</u>	<u>(663,234)</u>	<u>22,645,784</u>
-	-	-	-	-	(27,133)	-
-	-	-	-	-	-	64,397
-	-	-	-	1,682,669	-	1,682,669
-	-	-	-	-	-	3,050,574
-	-	-	6,726	-	-	49,730
-	-	-	-	-	-	6,752,818
-	-	-	70,565	-	-	4,854,054
-	-	-	1,261,137	-	-	64,907,961
-	-	-	<u>1,338,428</u>	<u>1,682,669</u>	<u>(27,133)</u>	<u>81,362,203</u>
<u>565,568</u>	<u>34,593</u>	<u>16,875</u>	<u>2,064,655</u>	<u>2,476,474</u>	<u>(690,367)</u>	<u>104,007,987</u>
-	-	-	-	-	-	899,631
-	-	-	-	-	-	1,158,904
-	-	-	-	-	-	2,058,535
12,714	-	592	160	688,497	-	1,137,298
-	-	-	-	53,591	(663,234)	-
-	-	-	-	-	-	255,001
1,493	-	-	26,767	-	-	301,665
-	-	-	145,000	-	-	658,912
<u>14,207</u>	<u>-</u>	<u>592</u>	<u>171,927</u>	<u>742,088</u>	<u>(663,234)</u>	<u>2,352,876</u>
-	-	-	-	-	(27,133)	-
-	-	-	-	-	-	1,062,441
-	-	-	-	-	-	2,287,351
-	-	-	1,766,837	-	-	20,125,732
-	-	-	<u>1,766,837</u>	-	<u>(27,133)</u>	<u>23,475,524</u>
<u>14,207</u>	<u>-</u>	<u>592</u>	<u>1,938,764</u>	<u>742,088</u>	<u>(690,367)</u>	<u>25,828,400</u>
-	-	-	-	-	-	491,606
-	-	-	-	-	-	59,251
-	-	-	-	-	-	550,857
-	-	-	(580,135)	-	-	49,117,407
-	-	-	-	-	-	16,412,073
-	-	-	-	1,734,385	-	1,734,385
<u>551,361</u>	<u>34,593</u>	<u>16,283</u>	<u>706,026</u>	<u>1.00</u>	-	<u>12,423,400</u>
<u>\$ 551,361</u>	<u>\$ 34,593</u>	<u>\$ 16,283</u>	<u>\$ 125,891</u>	<u>\$ 1,734,386</u>	<u>\$ -</u>	<u>\$ 79,687,265</u>

Nipomo Community Services District

Combining Schedule of Revenues, Expenses and Changes in Net Position Proprietary Funds For the Year Ended June 30, 2023

	Business Type Activities - Enterprise Funds				
	Administration	Water	Town Sewer	Blacklake Sewer	Blacklake Lighting
Operating revenues					
Charges for services	\$ -	\$ 6,447,413	\$ 2,467,579	\$ 890,555	\$ 47,345
Charges for services-purveyor	-	-	-	-	-
Charges for services-purveyor reimbursements	-	-	-	-	-
Other operating revenue	22,643	1,009,821	9,070	-	-
Total operating revenues	<u>22,643</u>	<u>7,457,234</u>	<u>2,476,649</u>	<u>890,555</u>	<u>47,345</u>
Operating expenses					
Purchased water	-	1,727,795	-	-	-
Purchased water related expenses	-	322,631	-	-	-
Purchased water-purveyors	-	-	-	-	-
Personnel	291,860	1,797,684	763,490	195,578	-
Contractual services	82,446	179,924	25,436	5,501	1,202
Utilities	22,922	362,517	231,003	63,142	30,353
Repairs and maintenance	15,614	141,614	108,849	14,022	652
Other supplies and expenses	102,934	966,277	370,737	120,925	355
Insurance	52,574	158,733	45,025	8,070	110
Depreciation	20,641	1,260,099	847,947	105,915	-
Total operating expenses	<u>588,991</u>	<u>6,917,274</u>	<u>2,392,487</u>	<u>513,153</u>	<u>32,672</u>
Operating income (loss)	<u>(566,348)</u>	<u>539,960</u>	<u>84,162</u>	<u>377,402</u>	<u>14,673</u>
Non-operating revenues (expenses)					
Interest income	7	594,995	101,610	12,020	72
Property taxes	-	-	-	-	-
Cell site rental income	3,613	20,475	-	-	-
Gain on disposal of capital assets	-	3,620	1,225	480	-
Other revenue-purveyors	-	147,528	-	-	-
Interest expense	-	(382,023)	(314,312)	-	(302)
Total non-operating revenues (expenses)	<u>3,620</u>	<u>384,595</u>	<u>(211,477)</u>	<u>12,500</u>	<u>(230)</u>
Income (loss) before contributions and transfers	<u>(562,728)</u>	<u>924,555</u>	<u>(127,315)</u>	<u>389,902</u>	<u>14,443</u>
Capital contributions received	-	637,750	194,449	1,446,461	-
Transfers in	543,704	533,101	-	-	-
Transfer out	-	(390,341)	(110,597)	(19,517)	(1,500)
Total contributions and transfers	<u>543,704</u>	<u>780,510</u>	<u>83,852</u>	<u>1,426,944</u>	<u>(1,500)</u>
Change in net position	<u>(19,024)</u>	<u>1,705,065</u>	<u>(43,463)</u>	<u>1,816,846</u>	<u>12,943</u>
Total net position (deficit) - beginning	<u>(419,050)</u>	<u>49,890,094</u>	<u>21,361,791</u>	<u>2,932,999</u>	<u>(13,450)</u>
Total net position (deficit) - ending	<u>\$ (438,074)</u>	<u>\$ 51,595,159</u>	<u>\$ 21,318,328</u>	<u>\$ 4,749,845</u>	<u>\$ (507)</u>

Business Type Activities - Enterprise Funds						
Solid Waste	Drainage	Landscape Maintenance	Property Taxes	Supplemental Water	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,852,892
-	-	-	-	2,591,174	(1,727,795)	863,379
-	-	-	-	466,599	(409,172)	57,427
242,183	-	14,000	-	-	-	1,297,717
<u>242,183</u>	<u>-</u>	<u>14,000</u>	<u>-</u>	<u>3,057,773</u>	<u>(2,136,967)</u>	<u>12,071,415</u>
-	-	-	-	-	-	1,727,795
-	-	-	-	-	(149,440)	173,191
-	-	-	-	2,591,174	(1,727,795)	863,379
-	-	-	-	-	-	3,048,612
3,421	-	-	-	-	-	297,930
-	-	4,965	-	104,036	(104,036)	714,902
-	-	-	-	4,996	(4,996)	280,751
207,177	-	4,714	2,550	130,155	(130,155)	1,775,669
2,000	-	-	-	20,545	(20,545)	266,512
-	-	-	30,885	-	-	2,265,487
<u>212,598</u>	<u>-</u>	<u>9,679</u>	<u>33,435</u>	<u>2,850,906</u>	<u>(2,136,967)</u>	<u>11,414,228</u>
29,585	-	4,321	(33,435)	206,867	-	657,187
5,466	755	119	1,813	33,616	-	750,473
-	23,598	-	845,177	-	-	868,775
-	-	-	-	-	-	24,088
-	-	-	-	-	-	5,325
-	-	-	-	-	-	147,528
-	-	-	(70,302)	-	-	(766,939)
<u>5,466</u>	<u>24,353</u>	<u>119</u>	<u>776,688</u>	<u>33,616</u>	<u>-</u>	<u>1,029,250</u>
35,051	24,353	4,440	743,253	240,483	-	1,686,437
-	-	-	-	-	-	2,278,660
-	-	-	-	-	(1,076,805)	-
<u>(20,250)</u>	<u>(47,675)</u>	<u>(1,500)</u>	<u>(485,425)</u>	<u>-</u>	<u>1,076,805</u>	<u>-</u>
<u>(20,250)</u>	<u>(47,675)</u>	<u>(1,500)</u>	<u>(485,425)</u>	<u>-</u>	<u>-</u>	<u>2,278,660</u>
14,801	(23,322)	2,940	257,828	240,483	-	3,965,097
536,560	57,915	13,343	(131,937)	1,493,903	-	75,722,168
<u>\$ 551,361</u>	<u>\$ 34,593</u>	<u>\$ 16,283</u>	<u>\$ 125,891</u>	<u>\$ 1,734,386</u>	<u>\$ -</u>	<u>\$79,687,265</u>

Nipomo Community Services District

**Combining Schedule of Other Supplies and Expenses
Proprietary Funds
For the Year Ended June 30, 2023**

	Business Type Activities - Enterprise Funds				
	Administration	Water	Town Sewer	Blacklake Sewer	Blacklake Lighting
Other supplies and expenses					
Bank charges and fees	\$ 7,924	\$ -	\$ -	\$ -	\$ -
Bond administration	-	4,440	4,610	-	-
Chemicals	-	34,531	49,827	27,121	-
Computer expenses	23,704	122,588	28,700	6,121	-
Conservation program	-	25,648	-	-	-
Credit card fees	-	160	-	-	-
Dues and subscriptions	4,084	44,049	4,038	970	-
Education and training	7,562	9,167	6,131	949	-
Elections	141	422	120	21	-
Fuel	-	48,961	16,320	8,902	-
Lab testing	-	48,193	35,681	40,019	-
LAFCO funding	28,478	-	-	-	-
Landscape and janitorial	4,274	12,822	3,633	641	-
Landscape maintenance	-	-	-	-	-
Meters	-	214,178	-	-	-
Miscellaneous	6,290	-	10	-	-
NCSD labor charges	-	-	-	-	-
NCSD overhead charges	-	-	-	-	-
Newsletters and mailers	299	1,172	254	225	-
Office supplies	3,263	7,114	1,764	311	-
Operating supplies	-	219,472	41,833	5,437	-
Outside services	1,166	119,279	143,543	10,303	-
Paging service	-	1,058	-	-	-
Permits and operating fees	-	3,413	18,252	11,895	-
Postage	3,596	20,874	7,132	3,602	-
Property taxes	-	2,185	-	-	-
Public notices	2,799	-	427	-	355
Safety program	-	4,622	1,541	840	-
Solid waste program	-	-	-	-	-
Telephone	2,616	7,848	2,224	1,185	-
Travel and mileage	6,738	872	-	-	-
Uniforms	-	13,209	4,697	2,382	-
	<u>\$ 102,934</u>	<u>\$ 966,277</u>	<u>\$ 370,737</u>	<u>\$ 120,924</u>	<u>\$ 355</u>
Total other supplies and expenses	<u>\$ 102,934</u>	<u>\$ 966,277</u>	<u>\$ 370,737</u>	<u>\$ 120,924</u>	<u>\$ 355</u>

Business Type Activities - Enterprise Funds					
Solid Waste	Landscape Maintenance	Property Taxes	Supplemental Water	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,924
-	-	2,550	-	-	11,600
-	-	-	9,144	(9,144)	111,479
-	-	-	-	-	181,113
-	-	-	-	-	25,648
-	-	-	-	-	160
-	-	-	-	-	53,141
-	-	-	-	-	23,809
-	-	-	-	-	704
-	-	-	-	-	74,183
-	-	-	36	(36)	123,893
-	-	-	-	-	28,478
-	-	-	-	-	21,370
-	4,345	-	-	-	4,345
-	-	-	-	-	214,178
-	-	-	-	-	6,300
-	-	-	85,838	(85,838)	-
-	-	-	33,878	(33,878)	-
-	-	-	-	-	1,950
-	-	-	-	-	12,452
-	-	-	-	-	266,742
-	-	-	-	-	274,291
-	-	-	-	-	1,058
-	-	-	1,259	(1,259)	33,560
-	-	-	-	-	35,204
-	-	-	-	-	2,185
151	369	-	-	-	4,101
-	-	-	-	-	7,003
207,026	-	-	-	-	207,026
-	-	-	-	-	13,873
-	-	-	-	-	7,610
-	-	-	-	-	20,288
\$ 207,177	\$ 4,714	\$ 2,550	\$ 130,155	\$ (130,155)	\$ 1,775,668

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STATISTICAL SECTION

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STATISTICAL SECTION

This part of the Nipomo Community Services District's (the District) annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the District's overall financial health.

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Financial Trends <i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	61-62
Revenue Capacity <i>These schedules contain information to help the reader assess the District's two most significant revenue sources, water and sewer sales.</i>	64-73
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</i>	74-78
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</i>	79-82
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.</i>	83-85

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Nipomo Community Services District

Net Position by Component Last Ten Fiscal Years

	Fiscal year ended June 30,				
	2014	2015	2016	2017	2018
Net Position					
Net investment in capital assets	\$ 36,796,349	\$ 41,378,553	\$ 42,717,685	\$ 44,744,193	\$ 44,662,685
Restricted	11,474,442	9,817,048	11,619,723	10,241,070	12,079,117
Unrestricted	13,802,081	6,721,899	10,865,858	11,615,313	11,601,352
Total Net Position	<u>\$ 62,072,872</u>	<u>\$ 57,917,500</u>	<u>\$ 65,203,266</u>	<u>\$ 66,600,576</u>	<u>\$ 68,343,154</u>

	Fiscal year ended June 30,				
	2019	2020	2021	2022	2023
Net Position					
Net investment in capital assets	\$ 44,743,341	\$ 47,607,041	\$ 49,321,146	\$ 47,205,935	\$ 49,117,407
Restricted	13,534,450	11,180,805	13,127,214	16,171,832	18,146,458
Unrestricted	12,659,645	15,049,757	11,511,190	12,344,401	12,423,400
Total Net Position	<u>\$ 70,937,436</u>	<u>\$ 73,837,603</u>	<u>\$ 73,959,550</u>	<u>\$ 75,722,168</u>	<u>\$ 79,687,265</u>

Source: Nipomo Community Services District

Nipomo Community Services District

Changes in Net Position Last Ten Fiscal Years

	Fiscal Year Ended June 30,			
	2014	2015	2016	2017
OPERATING REVENUES:				
Water	\$ 3,720,667	\$ 3,361,276	\$ 4,054,172	\$ 4,554,380
Wastewater	2,242,497	2,311,400	2,337,597	2,436,782
Other	699,308	650,810	767,547	682,798
Total Operating Revenues	<u>6,662,472</u>	<u>6,323,486</u>	<u>7,159,316</u>	<u>7,673,960</u>
Non-Operating Revenues				
Interest income	82,277	64,580	447,364	494,905
Property taxes	515,399	549,693	586,899	621,662
Other	50,253	51,344	5,780,723	478,014
Total Non-Operating Revenues	<u>647,929</u>	<u>665,617</u>	<u>6,814,986</u>	<u>1,594,581</u>
Total Revenues	<u>7,310,401</u>	<u>6,989,103</u>	<u>13,974,302</u>	<u>9,268,541</u>
OPERATING EXPENSES:				
Purchased water	-	-	872,439	1,001,222
Purchased water related expenses	-	-	-	-
Purchased water - purveyors	-	-	129,321	500,313
Personnel	1,532,776	1,774,347	1,764,935	1,891,517
Contractual services	354,297	272,964	350,413	372,178
Utilities	670,413	604,890	573,298	561,855
Repairs & maintenance	194,435	188,512	370,546	227,987
Other supplies & expenses	1,161,271	1,294,354	1,052,134	1,041,058
Insurance	69,609	76,012	79,814	73,897
Depreciation & amortization	1,250,300	1,410,550	1,813,745	1,846,696
Total Operating Expenses	<u>5,233,101</u>	<u>5,621,629</u>	<u>7,006,645</u>	<u>7,516,723</u>
Total Non-Operating Expenses	<u>610,231</u>	<u>4,186,961</u>	<u>883,201</u>	<u>885,071</u>
Total Expenses	<u>5,843,332</u>	<u>9,808,590</u>	<u>7,889,846</u>	<u>8,401,794</u>
Income (Loss) Before Contributions	1,467,069	(2,819,487)	6,084,456	866,747
Capital Contributions received	2,725,125	53,464	668,838	530,563
Capital Contributions paid	-	-	-	-
Change in Net Position	<u>\$ 4,192,194</u>	<u>\$ (2,766,023)</u>	<u>\$ 6,753,294</u>	<u>\$ 1,397,310</u>

Source: Nipomo Community Services District

Fiscal Year Ended June 30,					
2018	2019	2020	2021	2022	2023
\$ 5,166,145	\$ 5,189,177	\$ 5,940,876	\$ 6,531,278	\$ 6,756,275	\$ 7,457,234
2,549,548	2,622,885	2,780,302	2,910,620	3,142,840	3,367,204
701,370	744,123	888,134	1,080,546	1,118,324	1,246,977
<u>8,417,063</u>	<u>8,556,185</u>	<u>9,609,312</u>	<u>10,522,444</u>	<u>11,017,439</u>	<u>12,071,415</u>
659,215	895,090	838,831	536,130	498,800	750,473
660,920	702,329	737,834	784,833	803,154	868,775
1,428,942	95,162	135,410	795,882	(16,475)	176,941
<u>2,749,077</u>	<u>1,692,581</u>	<u>1,712,075</u>	<u>2,116,845</u>	<u>1,285,479</u>	<u>1,796,189</u>
<u>11,166,140</u>	<u>10,248,766</u>	<u>11,321,387</u>	<u>12,639,289</u>	<u>12,302,918</u>	<u>13,867,604</u>
1,039,190	1,077,827	1,206,101	1,517,735	1,597,857	1,727,795
101,263	101,847	116,544	128,876	151,981	173,191
519,284	538,591	602,690	758,413	798,448	863,379
2,316,183	2,126,678	2,718,989	2,928,488	2,782,757	3,048,612
397,665	322,078	276,448	318,891	297,322	297,930
555,494	559,784	606,967	613,831	621,612	714,902
223,680	169,552	259,684	304,784	290,748	280,751
1,065,409	1,182,592	1,310,249	1,531,425	1,653,969	1,775,669
84,487	99,549	112,448	161,330	215,182	266,512
1,937,364	1,923,642	1,981,829	2,064,445	2,169,646	2,265,487
<u>8,240,019</u>	<u>8,102,140</u>	<u>9,191,949</u>	<u>10,328,218</u>	<u>10,579,522</u>	<u>11,414,228</u>
<u>858,416</u>	<u>843,014</u>	<u>826,085</u>	<u>808,685</u>	<u>818,398</u>	<u>766,939</u>
<u>9,098,435</u>	<u>8,945,154</u>	<u>10,018,034</u>	<u>11,136,903</u>	<u>11,397,920</u>	<u>12,181,167</u>
2,067,705	1,303,612	1,303,353	1,502,386	904,998	1,686,437
450,351	1,290,670	1,596,814	507,028	857,620	2,278,660
-	-	-	(1,000,000)	-	-
<u>\$ 2,518,056</u>	<u>\$ 2,594,282</u>	<u>\$ 2,900,167</u>	<u>\$ 1,009,414</u>	<u>\$ 1,762,618</u>	<u>\$ 3,965,097</u>

Nipomo Community Services District

Active Water Customers By Type Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Single Family	3,580	3,592	3,603	3,669	3,685	3,703	3,726	3,809	3,819	3,819
%	84%	84%	84%	85%	85%	85%	85%	85%	85%	85%
Multi-Family	500	497	497	441	439	444	462	463	470	471
%	12%	12%	12%	10%	10%	10%	11%	11%	11%	11%
Commercial	97	99	102	101	103	101	103	108	106	109
%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Irrigation	90	96	97	97	103	94	99	104	105	109
%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Agriculture	1	1	1	1	1	1	1	1	1	1
%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	4,268	4,285	4,300	4,309	4,331	4,343	4,391	4,485	4,501	4,509
Total %	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Nipomo Community Services District

Nipomo Community Services District

Water Availability Charges Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022**	2023
Meter Size										
1 inch and Less	\$ 38.51	\$ 41.57	\$ 44.92	\$ 44.92	\$ 42.51	\$ 46.52	\$ 51.59	\$ 53.70	\$ 30.36	\$ 33.86
1 1/2 Inch	105.75	114.43	123.94	123.94	51.49	55.55	60.87	75.76	42.42	47.03
2 Inch	164.67	178.42	193.48	193.48	67.40	72.08	78.43	106.42	59.32	65.60
3 Inch	297.27	322.86	350.88	350.88	152.51	163.70	178.85	223.04	124.64	138.20
4 Inch	483.29	525.78	572.31	572.31	197.75	210.55	228.44	312.99	174.18	192.58
6 Inch	951.36	1,036.08	1,128.85	1,128.85	335.12	349.88	372.90	631.28	348.53	383.17
8 Inch	1,493.43	1,628.84	1,777.11	1,777.11	492.11	509.09	538.01	995.04	547.80	601.00
Supplemental water										
Meter Size										
1 inch and Less	-	-	13.20	13.20 *	-	-	-	-	-	-
1 1/2 Inch	-	-	39.60	39.60 *	-	-	-	-	-	-
2 Inch	-	-	63.36	63.36 *	-	-	-	-	-	-
3 Inch	-	-	118.80	118.80 *	-	-	-	-	-	-
4 Inch	-	-	198.00	198.00 *	-	-	-	-	-	-
6 Inch	-	-	396.00	396.00 *	-	-	-	-	-	-

Source: Nipomo Community Services District

*Combined into one fixed charged. Effective 12/1/2017

**January 2022, Nipomo Community Services District went from bi-monthly billing to monthly billing

Nipomo Community Services District

Bi-Monthly Water Rates Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018*	2019	2020	2021	2022	2023
Uniform Rate	\$-	\$-	\$-	\$-	\$4.97	\$5.45	\$5.95	\$6.21	\$6.68	\$7.21
Single Family & Multi-Family										
Tier I	1.97	2.16	2.37	2.37	-	-	-	-	-	-
Tier II	2.46	2.69	2.95	2.95	-	-	-	-	-	-
Tier III	3.45	3.78	4.14	4.14	-	-	-	-	-	-
Tier IV	5.91	6.47	7.08	7.08	-	-	-	-	-	-
Commercial & Irrigation										
Tier I	2.46	2.69	2.95	2.95	-	-	-	-	-	-
Tier II	3.45	3.78	4.14	4.14	-	-	-	-	-	-
Agriculture and all Other	2.84	3.11	3.41	3.41	-	-	-	-	-	-
Supplemental Water	-	-	0.77	1.003	-	-	-	-	-	-

*Uniform rate effective 12/1/2017

Source: Nipomo Community Services District

Nipomo Community Services District

Water Capacity Charges Last Ten Fiscal Years

Meter Size	Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1 inch and Less	\$ 3,468	\$ 2,921	\$ 2,976	\$ 3,076	\$ 3,188	\$ 3,284	\$ 3,349	\$ 3,405	\$ 3,575	\$ 3,878
Supplemental Water	15,381	7,570	7,711	7,971	8,262	8,510	8,678	8,823	9,265	10,049
1 1/2 Inch	10,402	8,764	8,928	9,228	9,566	9,853	10,047	10,215	10,727	11,634
Supplemental Water	46,141	22,710	23,134	23,913	24,787	25,531	26,034	26,470	27,796	30,147
2 Inch	16,642	14,022	14,284	14,765	15,305	15,764	16,075	16,344	17,162	18,164
Supplemental Water	73,825	36,336	37,015	38,261	39,660	40,850	41,655	42,352	44,474	48,235
3 Inch	31,204	26,291	26,782	27,684	28,696	29,557	30,140	30,644	32,179	34,901
Supplemental Water	138,422	68,130	69,403	71,740	74,362	76,594	78,103	79,411	83,389	90,441
4 Inch	52,007	43,819	44,638	46,141	47,827	49,263	50,234	51,074	53,633	58,169
Supplemental Water	230,704	113,550	115,671	119,566	123,936	127,657	130,172	132,351	138,982	150,735
6 Inch	104,014	87,638	89,275	92,281	95,654	98,526	100,467	102,149	107,266	116,338
Supplemental Water	461,408	227,100	231,342	239,132	247,872	255,314	260,344	264,703	277,963	301,471

Source: Nipomo Community Services District

Nipomo Community Services District

Sewer Customers (Town Division) Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022*	2023
<u>Single Family</u>										
Accounts	2,096	2,098	2,109	2,153	2,174	2,183	2,187	2,217	2,257	2,254
DUE's	2,096	2,098	2,109	2,298	2,322	2,340	2,344	2,378	2,295	2,374
<u>Single Family County</u>										
Accounts	463	468	469	470	473	473	476	477	482	484
DUE's	463	468	469	470	473	473	476	477	482	484
<u>Multi-Family</u>										
Accounts	375	374	374	375	375	392	393	393	393	398
DUE's	766	777	816	634	634	651	657	657	777	759
<u>Commercial</u>										
Accounts	80	82	110	75	76	78	77	78	84	84
DUE's	80	82	110	78	79	79	79	81	84	84
<u>Total</u>										
Accounts	3,014	3,022	3,062	3,073	3,098	3,126	3,133	3,165	3,216	3,220
DUE's	3,405	3,425	3,504	3,480	3,508	3,543	3,556	3,593	3,638	3,701

Source: Nipomo Community Services District

DUE = Dwelling Unit Equivalent

*DUE totals have been reclassified due to change in Ordinance related to the classification of Accessory Dwelling Units from Single Family to Multi-family.

Nipomo Community Services District

Sewer Customers (Blacklake Division) Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Single Family</u>										
Accounts	487	487	487	487	487	487	487	487	487	487
DUE's	487	487	487	487	487	487	487	487	487	487
<u>Multi-Family</u>										
Accounts	68	68	68	68	68	68	68	68	68	68
DUE's	68	68	68	68	68	68	68	68	68	68
<u>Commercial</u>										
Accounts	4	4	4	4	4	4	4	4	4	4
DUE's	4	4	4	4	4	4	4	4	4	4
<u>Total</u>										
Accounts	559	559	559	559	559	559	559	559	559	559
DUE's	559	559	559	559	559	559	559	559	559	559

Source: Nipomo Community Services District
DUE = Dwelling Unit Equivalent

Nipomo Community Services District

Monthly Residential Sewer Rates Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022*	2023
<u>Town</u>										
Single Family	\$ 88.32	\$ 88.32	\$ 88.93	\$ 91.77	\$ 94.71	\$ 97.74	\$100.87	\$100.87	\$ 52.27	\$ 54.25
Multi Family	67.33	67.33	74.18	76.55	79.00	81.53	84.14	84.14	43.58	45.23
<u>Black Lake</u>										
Single Family	145.51	145.51	145.51	145.51	145.51	169.76	197.77	230.40	134.21	147.63
Multi Family	95.08	95.08	95.08	95.08	95.08	109.08	127.07	148.04	86.23	94.86

Source: Nipomo Community Services District

*January 2022, Nipomo Community Services District went from bi-monthly billing to monthly billing.

Nipomo Community Services District

Monthly Commercial Sewer Rates (Town Division) Last Ten Fiscal Years

Monthly Service Charge

	Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022*	2023
1 inch and Less	\$ 34.07	\$ 34.07	\$ 35.12	\$ 36.24	\$ 37.40	\$ 38.60	\$ 39.83	\$ 39.83	\$ 27.44	\$ 28.48
1 1/2 Inch	98.59	98.59	101.94	105.20	108.57	112.04	115.63	115.63	79.02	82.02
2 Inch	156.66	156.66	162.08	167.26	172.62	178.14	183.84	183.84	125.44	130.20
3 Inch	292.16	292.16	302.40	312.08	322.07	332.37	343.01	343.01	233.75	242.64
4 Inch	485.72	485.72	502.87	518.96	535.57	552.70	570.39	570.39	388.49	403.25
6 Inch	969.64	969.64	1,004.03	1,036.16	1,069.31	1,103.53	1,138.85	1,138.85	775.33	804.79

Monthly Usage Rate

	Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022*	2023
Low	\$ 2.89	\$ 2.89	\$ 3.43	\$ 3.54	\$ 3.66	\$ 3.77	\$ 3.89	\$ 3.89	\$ 3.87	\$ 4.02
Medium	3.20	3.20	3.81	3.93	4.06	4.19	4.32	4.32	4.27	4.43
High	4.14	4.14	4.93	5.09	5.25	5.42	5.59	5.59	5.47	5.68

Source: Nipomo Community Services District

*January 2022, Nipomo Community Services District went from bi-monthly billing to monthly billing.

Nipomo Community Services District

Commercial Sewer Rates (Blacklake Division) Last Ten Fiscal Years

Monthly Service Charge

	Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022*	2023
1 inch and Less	\$ 65.52	\$ 65.52	\$ 65.52	\$ 65.52	\$ 65.52	\$ 88.35	\$ 102.93	\$ 119.91	\$ 69.85	\$ 76.83
1 1/2 Inch	186.50	186.50	186.50	186.50	186.50	233.45	271.97	316.85	184.56	203.02
2 Inch	295.38	295.38	295.38	295.38	295.38	364.04	424.11	494.09	287.80	316.58
3 Inch	549.43	549.43	549.43	549.43	549.43	668.75	779.09	907.64	528.70	581.57
4 Inch	912.36	912.36	912.36	912.36	912.36	1,104.05	1,286.22	1,498.45	872.84	960.13
6 Inch	1,819.68	1,819.68	1,819.68	1,819.68	1,819.68	2,192.30	2,554.03	2,975.44	1,733.19	1,906.51

Monthly Usage Rate

	Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022*	2023
Low	\$ 3.56	\$ 3.56	\$ 3.56	\$ 3.56	\$ 3.56	\$ 3.97	\$ 4.63	\$ 5.39	\$ 6.28	\$ 6.91
Medium	4.80	4.80	4.80	4.80	4.80	5.28	6.15	7.16	8.34	9.17
High	7.59	7.59	7.59	7.59	7.59	8.22	9.58	11.16	13.00	14.30

Source: Nipomo Community Services District

*January 2022, Nipomo Community Services District went from bi-monthly billing to monthly billing.

Nipomo Community Services District

Sewer Capacity Charges (Town Division) Last Ten Fiscal Years

Meter Size	Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1 inch and Less	\$ 8,282	\$ 8,526	\$ 8,685	\$ 8,978	\$ 9,306	\$ 9,585	\$ 9,774	\$ 9,937	\$ 10,435	\$ 11,318
1 1/2 Inch	24,846	25,577	26,055	26,933	27,917	28,755	29,322	29,812	31,306	33,954
2 Inch	39,755	40,924	41,689	43,093	44,668	46,009	46,915	47,701	50,090	54,326
3 Inch	74,539	76,732	78,166	80,798	83,751	86,265	87,965	89,437	93,918	101,861
4 Inch	124,232	127,887	130,276	134,663	139,584	143,775	146,608	149,062	156,530	169,768
6 Inch	248,463	255,774	260,552	269,325	279,169	287,550	293,216	298,125	313,060	339,535

Source: Nipomo Community Services District

Nipomo Community Services District

Outstanding Debt by Type Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>Certificates of Participation</u>	<u>State Revolving Loan Funds</u>	<u>Total</u>	<u>Debt to Assessed Value (1)</u>	<u>Debt Per Capita (2)</u>
2023	\$ 1,911,838	\$ 18,732,770	\$ -	\$ 20,644,608	1.06%	\$ 4,713
2022	2,058,707	19,154,158	-	21,212,865	0.98%	4,250
2021	2,200,576	16,862,901	-	19,063,477	0.98%	4,250
2020	2,337,447	17,221,783	-	19,559,230	1.07%	4,454
2019	2,469,318	17,535,665	42,180	20,047,163	1.14%	4,616
2018	2,596,190	17,834,547	119,228	20,549,965	1.24%	4,745
2017	2,718,062	18,128,429	196,276	21,042,767	1.35%	4,902
2016	2,645,000	18,580,000	273,326	21,498,326	1.45%	5,005
2015	2,745,000	18,870,000	350,376	21,965,376	1.59%	5,169
2014	2,845,000	19,150,000	427,424	22,422,424	1.71%	5,307

Source:

(1) Assessed Values can be found on the Historical Assessed Valuation table.

(2) Per Capita is based on number of District water customers found in the Active Water Customers by Type Table

Nipomo Community Services District

Combined Pledged Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Operating Expenses ¹	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage Ratio
2023	\$ 12,071,415	\$ (9,148,741)	\$ 2,922,674	\$ 545,000	\$ 766,939	\$ 1,311,939	2.23x
2022	11,017,439	(8,409,876)	2,607,563	620,000	818,398	1,438,398	1.81x
2021	10,522,444	(8,263,773)	2,258,671	490,000	808,685	1,298,685	1.74x
2020	9,609,312	(7,210,120)	2,399,192	440,000	826,085	1,266,085	1.89x
2019	8,556,185	(6,178,498)	2,377,687	420,000	850,763	1,270,763	1.89x
2018	7,463,973	(5,263,424)	2,200,549	410,000	869,505	1,279,505	1.72x
2017	7,032,142	(4,724,238)	2,307,904	410,000	875,012	1,285,012	1.82x
2016	6,487,650	(4,386,403)	2,101,247	395,000	884,724	1,279,724	1.65x
2015	5,748,796	(3,332,064)	2,416,732	380,000	895,659	1,275,659	1.89x
2014	6,005,862	(3,205,780)	2,800,082	145,000	904,238	1,049,238	2.67x

Source: Nipomo Community Services District

¹Excludes depreciation.

Nipomo Community Services District

Historical Assessed Valuation Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Grossed Secured Assessed Valuation</u>	<u>Gross Unsecured Assessed Valuation</u>	<u>Homeowners' Exemption</u>	<u>Adjusted Assessed Valuation</u>
2023	\$ 2,126,314,543	\$ 19,357,194	\$ (16,563,400)	\$ 2,129,108,337
2022	1,992,461,908	19,241,866	(16,692,200)	1,995,011,574
2021	1,947,740,574	20,366,954	(16,650,200)	1,951,457,328
2020	1,828,875,688	18,518,514	(16,563,400)	1,830,830,802
2019	1,760,058,142	17,854,673	(16,560,600)	1,761,352,215
2018	1,662,029,112	15,281,841	(16,497,600)	1,660,813,353
2017	1,563,409,451	14,102,670	(16,562,000)	1,560,950,121
2016	1,487,428,335	13,828,632	(16,739,800)	1,484,517,167
2015	1,386,410,743	15,592,808	(16,675,400)	1,385,328,151
2014	1,323,642,210	14,660,628	(16,577,400)	1,321,725,438

Source: County of San Luis Obispo Assessor

Nipomo Community Services District

Property Tax Rates Typical Total Tax Rate (TRA 52-98) Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General</u>	<u>State Water Project</u>	<u>Lucia Mar Unified School District</u>	<u>San Luis Obispo Community College District</u>	<u>Total</u>
2023	1.00000	0.00400	0.03950	0.01925	1.06275
2022	1.00000	0.00400	0.05878	0.01925	1.08203
2021	1.00000	0.00400	0.05749	0.01925	1.08074
2020	1.00000	0.00400	0.07234	0.01925	1.09559
2019	1.00000	0.00400	0.08094	0.01925	1.10419
2018	1.00000	0.00400	0.08194	0.01925	1.10519
2017	1.00000	0.00400	0.03994	0.01925	1.06319
2016	1.00000	0.00374	0.04094	0.01925	1.06393
2015	1.00000	0.00400	0.04094	-	1.04494
2014	1.00000	0.00400	0.03994	-	1.04394

Source: California Municipal Statistics, Inc.

Nipomo Community Services District

Direct and Overlapping Debt Statement As of June 30, 2023

<u>2022-23 Assessed Valuation:</u>		\$2,145,671,737		
<u>Overlapping Tax and Assessment Debt</u>	Total Debt 6/30/23	% Applicable ¹	District's Share of Debt 6/30/23	
San Luis Obispo County Community College District	\$156,300,000	3.189%	\$	4,984,407
Lucia Mar Unified School District	149,359,378	11.711%		17,491,477
Nipomo Community Services District Assessment District No. 2020-1	11,215,000	100.000%		<u>11,215,000</u>
Total Overlapping Tax and Assessment Debt			\$	33,690,884
<u>Direct and Overlapping General Fund Debt</u>				
San Luis Obispo County General Fund Obligations	\$84,246,776	3.202%	\$	2,697,582
San Luis Obispo County Pension Obligation Bonds	26,295,037	3.202%		841,967
Lucia Mar Unified School District General Fund Obligations	14,985,000	11.711%		1,754,893
Nipomo Community Services District	-	100.000%		-
Total Direct and Overlapping General Fund Debt				
Revenue COP's Series 2013	8,187,655	100%		8,187,655
Revenue Bonds 2013A	1,911,838	100%		1,911,838
Revenue Bonds 2022	10,545,115	100%		<u>10,545,115</u>
Total Direct and Overlapping General Fund Debt			\$	25,939,050
Total Direct Debt			\$	20,644,608
Total Overlapping Debt			\$	38,985,326
Combined Total Debt ²			\$	59,629,934
<u>Ratios to 2022-2023 Assessed Valuation:</u>				
Total Direct Debt.....		0.00%		
Total Overlapping Tax and Assessment Debt		1.57%		
Combined Total Debt.....		1.82%		

¹ The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value.

² Excludes tax and revenue anticipation notes, enterprise notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc., and Nipomo Community Services District

Nipomo Community Services District

Population of San Luis Obispo County and Incorporated Cities (as of January 1)

Area	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Arroyo Grande	17,334	17,428	17,731	17,736	17,912	17,876	17,687	17,555	18,294	17,922
Atascadero	28,675	29,169	30,879	30,900	31,147	30,405	30,057	29,623	30,480	30,206
El Paso de Robles	30,469	30,522	31,398	31,745	31,559	31,244	31,221	31,073	31,176	30,692
Grover Beach	13,153	13,144	13,397	13,438	13,560	13,533	13,214	13,128	12,707	12,467
Morro Bay	10,276	10,284	10,722	10,762	10,503	10,439	10,188	10,121	10,466	10,275
Pismo Beach	7,705	7,711	8,181	8,247	8,233	8,239	8,139	8,108	7,981	7,865
San Luis Obispo (city)	<u>45,473</u>	<u>45,802</u>	<u>46,117</u>	<u>46,724</u>	<u>46,548</u>	<u>46,802</u>	<u>45,920</u>	<u>46,058</u>	<u>47,653</u>	<u>47,788</u>
Subtotal	153,085	154,060	158,425	159,552	159,462	158,538	156,426	155,666	158,757	157,215
Unincorporated	<u>119,272</u>	<u>120,233</u>	<u>119,552</u>	<u>120,549</u>	<u>120,639</u>	<u>121,855</u>	<u>120,833</u>	<u>115,506</u>	<u>121,964</u>	<u>121,133</u>
Total	<u>272,357</u>	<u>274,293</u>	<u>277,977</u>	<u>280,101</u>	<u>280,101</u>	<u>280,393</u>	<u>277,259</u>	<u>271,172</u>	<u>280,721</u>	<u>278,348</u>

Source: State of California, Department of Finance

Nipomo Community Services District

San Luis Obispo Civilian Labor Force, Employment and Unemployment Annual Average Last Ten Calendar Years (amounts expressed in thousands except population and per capita)

The following Table compares estimates of the labor force, civilian employment and unemployment for County Residents, State Residents and United States Residents between 2014 and 2023

<u>Year and Area</u>	<u>Labor Force</u>	<u>Civilian Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2023				
County	140,400	135,700	4,700	3.3%
State	19,444,000	18,537,000	907,000	4.7%
United States	166,951,000	160,994,000	5,957,000	3.6%
2022				
County	137,500	134,100	3,400	2.5%
State	19,350,000	18,545,000	805,000	4.2%
United States	164,023,000	158,111,000	5,912,000	3.6%
2021				
County	130,800	123,200	7,600	5.8%
State	18,899,000	17,442,000	1,457,000	7.7%
United States	161,086,000	151,602,000	9,484,000	5.9%
2020				
County	131,900	116,700	15,200	11.5%
State	18,948,000	16,117,000	2,831,000	14.9%
United States	159,932,000	142,182,000	17,750,000	11.1%
2019				
County	141,900	137,700	4,200	3.0%
State	19,421,500	18,607,800	813,700	4.2%
United States	162,981,000	157,005,000	5,976,000	3.7%
2018				
County	144,500	139,800	4,700	3.3%
State	19,341,000	18,527,000	814,000	4.2%
United States	162,140,000	155,576,000	6,564,000	4.0%
2017				
County	142,900	137,600	5,300	3.7%
State	19,138,000	18,237,000	901,000	4.7%
United States	160,145,000	153,168,000	6,977,000	4.4%
2016				
County	147,200	140,600	6,600	4.5%
State	19,102,000	18,079,000	1,023,000	5.4%
United States	158,880,000	151,097,000	7,783,000	4.9%
2015				
County	142,700	135,700	7,000	4.9%
State	18,956,000	17,794,000	1,162,000	6.1%
United States	156,984,000	151,097,000	5,887,000	3.8%
2014				
County	139,900	132,000	7,900	5.6%
State	18,811,400	17,397,100	1,414,300	7.5%
United States	156,715,000	148,800,000	7,915,000	5.1%

Data is seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.
Source: State Employment Development Department, Labor Market Information Division, and U.S. Bureau of Labor Statistics.

Nipomo Community Services District

Major Employers in County of San Luis Obispo Current and Ten Years Ago

The following Table provides a listing of major employers headquartered or located in the County and their estimated full-time equivalent (FTE) employment levels.

Employer	2022			2013		
	Estimated FTE Employment	Ranking	Percent of County Employment	Estimated FTE Employment	Ranking	Percent of County Employment
County of San Luis Obispo*	2,847	1	2.07%	2,800	1	1.88%
Atascadero State Hospital	2,300	2	1.67%	2,300	3	1.55%
California Men's Colony	2,000	3	1.45%	2,000	4	1.35%
Cal Poly State University, SLO	1,912	4	1.39%	2,573	2	1.73%
Pacific Gas and Electric Company	1,700	5	1.23%	1,700	5	1.14%
Tenet Healthcare	1,312	6	0.95%	1,200	6	0.81%
Lucia Mar Unified School District	1,070	7	0.78%	1,000	7	0.67%
Community Action Partnership of San Luis Obispo County	942	8	0.68%	-	-	-
Paso Robles Public Schools	935	9	0.68%	935	8	0.63%
Cuesta College	854	10	0.62%	-	-	-
San Luis Coastal Unified School District	-	-	-	902	10	0.61%
Cal Poly Corporation	-	-	-	906	9	0.61%
Total Top Employers	15,872			16,316		
Total City Labor Force	137,800			148,600		

Sources:

County of San Luis Obispo 2021-2022 Comprehensive Financial Report

State of California Employment Development Department
2012-13 San Luis Obispo County Annual Comprehensive Financial Report
2021-22 County Budget Report*

Nipomo Community Services District

District Employees Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Manager	1	1	1	1	1	1	1	1	1	1
Administrative Staff	3	4	4	4	3	3	3	4	4	6
Operations Staff	8	10	12	12	10	13	14	15	15	15
Total	<u>12</u>	<u>15</u>	<u>17</u>	<u>17</u>	<u>14</u>	<u>17</u>	<u>18</u>	<u>20</u>	<u>20</u>	<u>22</u>

Source: Nipomo Community Services District

Nipomo Community Services District

Operating and Capital Indicators Last Ten Fiscal Years

	Water System									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
No. of Wells	9	5	5	5	5	5	5	5	5	5
No. of Reservoirs	6	5	5	6	6	6	6	6	6	6
Max Reservoir Capacity (MG)	4.4	4.0	4.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Total Well Production (Acre Feet)	2,541	2,160	1,162	950	1,054	880	1,026	1,017	878	602
Total Water Purchased (Acre Feet) **	-	-	653	859	966	970	970	1,077	1,100	1,116
Total Deliveries (Acre Feet)	2,518	2,110	1,815	1,809	2,020	1,850	1,996	2,093	1,978	1,718
No. of Service Connections	4,268	4,285	4,300	4,309	4,331	4,343	4,391	4,485	4,501	4,509

	Sewer System-Town Division									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
No. of Treatment Plants	1	1	1	1	1	1	1	1	1	1
No. of Lift Stations	10	10	10	10	10	10	10	10	10	10
Daily Capacity of Treatment Plant (MG)	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
No. of Sewer Connections	3,014	3,022	3,062	3,073	3,098	3,126	3,133	3,165	3,216	3,220
Annual Flow Treated (MG)	236	229	201	222	201	183	179	182	180	186

	Sewer System-Blacklake Division									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
No. of Treatment Plants	1	1	1	1	1	1	1	1	1	1
No. of Lift Stations	3	3	3	3	3	3	3	3	3	3
Daily Capacity of Treatment Plant (MG)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
No. of Sewer Connections	559	559	559	559	559	559	559	559	559	559
Annual Flow Treated (MG)	19	16	16	17	16	16	16	16	16	16

Source: Nipomo Community Services District

** Nipomo Community Services District began purchasing supplemental water from the City of Santa Maria on July 2, 2015.

MG = million gallons

Nipomo Community Services District

Annual Water and Sewer Capacity Fees Report Required Disclosure Under Government Code Section 66013

	Fund #500 Supplemental Water	Fund #700 Water Capacity	Fund #710 Town Sewer Capacity
Beginning Balance of cash & investments July 1, 2022	\$ 2,302,255	\$ 2,021,099	\$ 418,734
Ending Balance of cash & investments June 30, 2023	3,719,039	2,058,815	542,255
Interest Earned	465,412	24,449	6,142
Capacity Charges	129,058	50,153	130,678

Public Improvements on which charges were expended and the amount of the expenditure for each improvement:

Capital Improvement Project	Amount of the expenditure for each Improvement	Fund #	Project completed during fiscal year
SCADA Monitoring	\$ 3,410	500	No
Water Delivery Analysis	7,068	500	No
Supplemental Water Project - Interconnect	6,640	500	No
Foothill Tank site	28,190	700	No

Source: Nipomo Community Services District

Anticipated Capital Improvement Projects for 2023-2024 fiscal Year:

Supplemental Water Project Interconnects
Pomeroy Water Line
Third connection to Blacklake Pressure Zone
Water and Sewer Master Plan

Nipomo Community Services District

Cost of Nipomo Supplemental Water Purchased From the City of Santa Maria

Fiscal Year	(a) Total Acre Feet Purchased	(b) Total Cost Per Acre Foot (g)	(a) x (b) Cost of Water Purchased
FY 22-23	509	\$ 2,488.48	\$ 1,266,636
FY 22-23	582	2,275.84	1,324,539
FY 21-22	531	2,275.84	1,208,471
FY 21-22	539	2,203.78	1,187,837
FY 20-21	498	2,203.78	1,097,482
FY 20-21	555	2,123.73	1,178,670
FY 19-20	463	2,123.73	983,287
FY 19-20	487	1,695.10	825,514
FY 18-19	950	1,701.18	1,616,121
FY 17-18	945	1,649.18	1,558,475
FY 16-17	860	1,587.77	1,365,482
FY 15-16	660	1,518.85	1,002,441

Allocation of Cost of Nipomo Supplemental Water to Partner Purveyors

Fiscal Year	66.68% NCSD	16.66% WMW	16.66% GSW	100.00% Total
FY 22-23	844,592	211,022	211,022	1,266,636
FY 22-23	\$ 883,203	\$ 220,668	\$ 220,668	\$ 1,324,539
FY 21-22	805,809	201,331	201,331	1,208,471
FY 21-22	792,048	197,893	197,893	1,187,834
FY 20-21	731,797	182,840	182,840	1,097,477
FY 20-21	785,938	196,366	196,366	1,178,670
FY 19-20	655,656	163,816	163,816	983,288
FY 19-20	550,453	137,531	137,531	825,515
FY 18-19	1,077,629	269,246	269,246	1,616,121
FY 17-18	1,039,191	259,642	259,642	1,558,475
FY 16-17	910,504	227,489	227,489	1,365,482
FY 15-16	668,428	167,007	167,007	1,002,441

City of Santa Maria Supplemental Water Rates

Effective Date of Rate Change	(c) Base Cost Per Unit (hcf)	(d) Units Per AF	(e) (c) x (d) Base Cost per AF	(f) Energy Cost Component	(e) + (f) = (g) Total Cost Per Acre Foot
1/1/2023	\$ 5.37	435.60	\$ 2,339.17	\$ 149.31	\$ 2,488.48
1/1/2022	5.16	435.60	2,247.70	28.14	2,275.84
1/1/2021	4.96	435.60	2,160.59	43.19	2,203.78
1/1/2020	4.77	435.60	2,077.81	45.92	2,123.73
7/1/2019	3.79	435.60	1,649.18	45.92	1,695.10
7/1/2018	3.79	435.60	1,649.18	52.00	1,701.18
7/1/2017	3.79	435.60	1,649.18	-	1,649.18
7/1/2016	3.61	435.60	1,570.77	17.00	1,587.77
1/7/2015	3.43	435.60	1,495.85	23.00	1,518.85

NCSD = Nipomo Community Services District
 WMW = Woodlands Mutual Water Company
 GSW = Golden State Water Company

FY 2015-2016 is the first year available.

Source: Nipomo Community Services District

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Trust Agreement and the Installment Purchase Agreement are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Certificates are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

DEFINITIONS

“**Ad Valorem Taxes**” means, for any period, the ad valorem property taxes received by the District during such period pursuant to Article XIII A of the California Constitution and Section 95 et seq. of the California Revenue and Taxation Code, excluding any such taxes levied to pay any voter approved general obligation indebtedness of the District.

“**Additional Payments**” has the meaning ascribed thereto in the Installment Purchase Agreement.

“**Annual Debt Service**” means, for any Fiscal Year, the sum of (1) the interest component of the Installment Payments and the interest payable on all Parity Obligations during such Fiscal Year, assuming that all such Installment Payments are paid as scheduled and all such Parity Obligations are retired as scheduled, plus (2) the principal component of the Installment Payments and the principal amount allocable to all Parity Obligations in such Fiscal Year, provided that the following adjustments shall be made to the foregoing amounts in the calculation of Annual Debt Service:

(a) with respect to any Parity Obligations bearing or comprising interest at other than a fixed interest rate, the rate of interest used to calculate Annual Debt Service shall be (i) with respect to such Parity Obligations then outstanding, 110% of the greater of (A) the daily average interest rate on such Parity Obligations during the 12 calendar months next preceding the date of such calculation (or the portion of such 12 calendar months that such Parity Obligations have borne interest), or (B) the most recent effective interest rate on such Parity Obligations prior to the date of such calculation, or (ii) with respect to Parity Obligations then proposed to be issued, the then current The Bond Buyer Revenue Bond Index for a maturity comparable to the maturity of the applicable Parity Obligations (or if such index is no longer published, such other published similar index as shall be selected by the District);

(b) with respect to any issue or series of Parity Obligations having 25% or more of the aggregate principal amount thereof due in any one Fiscal Year, Annual Debt Service shall be calculated as if the interest on and principal of the Parity Obligations of such issue or series were being paid in substantially equal annual amounts over the term of such Parity Obligations; provided, however that the full amount of scheduled payments of interest and principal of such Parity Obligations shall be included in Annual Debt Service if the date of calculation is within 24 months of the date on which such 25% or more of aggregate principal amount becomes due;

(c) with respect to any Parity Obligations or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Obligations or portions thereof, such accreted discount shall be treated as due when scheduled to be paid;

(d) Annual Debt Service shall not include interest on any Parity Obligations which is to be paid from amounts constituting capitalized interest;

(e) if an interest rate swap agreement is in effect with respect to, and is payable on a parity with, any Parity Obligations, no amounts payable under such interest rate swap agreement in addition to debt service payable with respect to such Parity Obligations shall be included in the calculation of Annual Debt Service unless, in the applicable Fiscal Year, the sum of (i) the interest payable on such Parity Obligations, plus (ii) the amounts payable by the District under such interest rate swap agreement, less (iii) the amounts receivable by the District under such interest rate swap agreement, is greater than the interest payable on such Parity Obligations, in which case the net amount of payments to be made by the District under such interest rate swap agreement that exceed the interest to be paid on such Parity Obligations shall be included in such calculation, and for this purpose, the variable amount under any such interest rate swap agreement shall be determined in accordance with the procedure set forth in subparagraph (a) of this definition; and

(f) Repayment Obligations payable on a parity with the Installment Payments or any Parity Obligations shall be deemed to be payable at the scheduled amount due under such Repayment Obligation, and, for this purpose, the variable interest amount included in any such Repayment Obligation shall be determined in accordance with the procedure set forth in subparagraph (a) of this definition.

“Authorized Corporation Representative” means the President, the Executive Director, the Chief Financial Officer and the Secretary of the Corporation, and any other Person authorized by the Executive Director of the Corporation to act on behalf of the Corporation under or with respect to the Trust Agreement.

“Authorized Denominations” means \$5,000 and integral multiples thereof.

“Authorized District Representative” means the President of the Board, General Manager of the District, Finance Director of the District, the Treasurer of the District and any other Person authorized by the General Manager of the District to act on behalf of the District under or with respect to the Trust Agreement.

“Beneficial Owners” means those individuals, partnerships, corporations or other entities for which the Participants have caused the Depository to hold Book-Entry Certificates.

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

“Book-Entry Certificates” means the Certificates registered in the name of the nominee of DTC, or any successor securities depository for the Certificates, as the Owner thereof pursuant to the terms and provisions of the Trust Agreement.

“Business Day” means a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city in which the Principal Office is located are authorized or required by law to be closed, and (c) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Certificates.

“Certificate of an Independent Consultant” means an instrument in writing signed by an Independent Consultant.

“Certificate Year” means each twelve-month period beginning on September 2 in each year and extending to the next succeeding September 1, both dates inclusive.

“Certificates” means the Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024, executed and delivered by the Trustee pursuant to the Trust Agreement, which are

certificates of participation, evidencing direct, undivided fractional interests in the Installment Purchase Agreement and the related Installment Payments, and the interest thereon.

“**Closing Date**” means October ____, 2024.

“**Code**” means the Internal Revenue Code of 1986.

“**Construction Costs**” means the costs of the acquisition, construction, rehabilitation, equipping, improvement or financing of improvements to, or part of, the Enterprise constituting the 2024 Project.

“**Construction Fund**” means the fund by that name established in accordance with the Trust Agreement and held by the Trustee.

“**Continuing Disclosure Certificate**” means the Continuing Disclosure Certificate, dated as of the Closing Date, by the District, as originally executed and as it may from time to time be amended in accordance with the terms thereof.

“**Corporation**” means the Nipomo Community Services District Public Facilities Corporation, a nonprofit public benefit corporation organized and existing under the laws of the State, and any successor thereto.

“**Costs of Issuance**” means all the costs of executing and delivering the Certificates, including, but not limited to, all printing and document preparation expenses in connection with the Trust Agreement, the Installment Purchase Agreement, the Certificates and any preliminary official statement and final official statement pertaining to the Certificates, fees of a municipal advisor, rating agency fees, market study fees, legal fees and expenses of counsel with respect to the execution and delivery of the Certificates, the initial fees and expenses of the Trustee and its counsel and other fees and expenses incurred in connection with the execution and delivery of the Certificates, to the extent such fees and expenses are approved by the District.

“**Costs of Issuance Fund**” means the fund by that name established in accordance with the Trust Agreement.

“**Depository**” means the securities depository acting as Depository pursuant to the Trust Agreement.

“**District**” means the Nipomo Community Services District, a special district organized and existing under the laws of the State, and any successor thereto.

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

“**Enterprise**” means all facilities for obtaining, storing and delivering water and related facilities for the disposition of drainage water now owned or operated by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Enterprise, whether located within or without the District, together with all improvements to such facilities, properties, structures or works or any part thereof hereafter acquired or constructed.

“**Escrow Agent**” means The Bank of New York Mellon Trust Company, N.A. and its successor or assign.

“**Escrow Agreements**” mean the 2013A Bonds Escrow Agreement and the 2013 COPs Escrow Agreement.

“**Escrow Fund**” means the escrow fund established under the Escrow Agreement and held by the Escrow Agent.

“**Event of Default**” shall have the meaning set forth in the Installment Purchase Agreement.

“**Fiscal Year**” means the period beginning on July 1 of each year and ending on June 30 of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the District.

“**Fitch**” means Fitch Ratings, its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“**Generally Accepted Accounting Principles**” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“**Government Obligations**” means any of the following which are noncallable by the issuer thereof except to the extent not permitted by the laws of the State as an investment for the moneys to be invested therein at the time of investment:

(i) (a) direct general obligations of the United States of America, (b) obligations the payment of the principal of and interest on which are unconditionally guaranteed as to the full and timely payment by the United States of America, or (c) any fund or other pooling arrangement whose assets consist exclusively of the obligations listed in clause (a) or (b) of this clause (i) and which is rated at least “P-1” by Moody’s; provided that, such obligations shall not include unit investment trusts or mutual fund obligations;

(ii) advance refunded tax-exempt obligations that (a) are rated by Moody’s and S&P, (b) are secured by obligations specified in clause (i), (c) are tax-exempt because they are secured by obligations specified in clause (i), and (d) have the same ratings as the obligations specified in clause (i);

(iii) bonds, debentures or notes issued by any of the following federal agencies: Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation or Fannie Mae; provided, that such bonds, debentures or notes shall be the senior obligations of such agencies (including participation certificates) and have the same ratings by Moody’s and S&P as the obligations specified in clause (i); and

(iv) bonds, debentures or notes issued by any Federal agency hereafter created by an act of Congress, the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America as to the full and timely payment; provided, that, such obligations shall not include unit investment trusts or mutual fund obligations.

“**Gross Revenues**” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Enterprise, including, without limiting the generality of the foregoing: (1) the Ad Valorem Tax Revenues, (2) all income, rents, rates, fees, charges or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Enterprise, and certain administrative and maintenance costs related thereto, (3) the proceeds of any stand-by or water availability charges, development fees and connection charges, including capacity charges, collected by the District, (4) all moneys received by the District from other public or private entities whose inhabitants are served pursuant to contracts with the District, (5) moneys deposited in the Installment Payment Fund, the Water Fund or other fund to secure the Certificates or Parity Obligations or to provide for the payment of the principal of or interest with respect to the Certificates or Parity Obligations, (6) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Enterprise as permitted under the Installment Purchase Agreement, and (7) the earnings on and income derived from the investment of amounts described in clauses (1) through (6) above and from funds held by the District or the Trustee under this Agreement and receipts from the Rate Stabilization Fund, but excluding (w) grant, loan or bond proceeds restricted in use to specific capital improvements not consisting of the 2024 Project,

(x) that portion of the annexation fees collected as deposits on behalf of and payable to other governmental agencies as required by law, (y) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and (z) any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds or other obligations theretofore or thereafter issued.

“Independent Certified Public Accountant” means any firm of certified public accountants appointed by the District, which is independent of the District and the Corporation pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Independent Consultant” means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to water systems, or any other financial consultant or firm of financial consultants (including an Independent Certified Public Accountant) generally recognized to be well qualified in matter relating to water systems, appointed and paid by the District, and who or each of whom –

- (a) is in fact independent and not under the domination of the District;
- (b) does not have a substantial financial interest, direct or indirect, in the operations of the District; and
- (c) is not connected with the District as a director, officer or employee of the District, but may be regularly retained to make reports to the District.

“Installment Payment Date” means five (5) days prior to each Interest Payment Date, or if such day is not a Business Day, then the preceding Business Day.

“Installment Payment Fund” means the fund by that name established in accordance with the Trust Agreement.

“Installment Payments” means the Installment Payments required to be made by the District pursuant to the Installment Purchase Agreement.

“Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of the date hereof, by and between the District and the Corporation, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Interest Account” means the account by that name within the Installment Payment Fund established in accordance with the Trust Agreement.

“Interest Payment Date” means March 1 and September 1 of each year, commencing March 1, 2025.

“Letter of Representations” means the letter of the District delivered to and accepted by the Depository on or prior to the delivery of the Certificates as Book-Entry Certificates setting forth the basis on which the Depository serves as depository for such Book-Entry Certificates, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Depository.

“Maximum Annual Debt Service” means, as of any date of calculation, the largest Annual Debt Service becoming due and payable in the Fiscal Year in which the calculation is made or in any subsequent Fiscal Year.

“**Moody’s**” means Moody’s Investors Service, its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

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

“**Net Revenues**” means, for any period, an amount equal to all of the Gross Revenues received for such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“**Nominee**” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Trust Agreement.

“**Obligations**” mean the Installment Payments, Parity Obligations and Subordinate Obligations.

“**Operation and Maintenance Costs**” means the costs and expenses reasonable and necessary to operate and maintain the Enterprise, including but not limited to all costs of water purchased or otherwise acquired for the Enterprise, the costs and expenses to preserve the Enterprise in good repair and working order, including reasonable expenditures for repair and replacement incident to or arising from the Enterprise, the reasonable administrative and management costs and expenses of the District that are charged directly or apportioned to the operation and maintenance of the Enterprise, such as salaries and wages of employees, payments to the Public Employees Retirement System, overhead, taxes (if any) and insurance premiums, together with all other necessary and reasonable costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms hereof or any Parity Obligation, such as compensation, reimbursement and indemnification of the trustee for such Parity Obligation and fees and expenses of Independent Accountants and Independent Engineers, and transfers made to other funds of the District for the purpose of paying or reimbursing the payment of Operation and Maintenance Costs, as determined by Generally Accepted Accounting Principles, but excluding (1) any transfers out to the Administration Fund of the District, (2) noncash items of depreciation, replacement and obsolescence charges or reserves therefore, (3) amortization of intangibles, premiums and discounts, (4) interest expense, (5) amounts paid from other than Gross Revenues of the Enterprise (including but not limited to amounts paid from the proceeds of excluded property taxes and assessments), (6) non-cash expenses attributable to pension plans, other retirement accounts and other post-employment benefits.

“**Opinion of Counsel**” means a written opinion of Norton Rose Fulbright US LLP or any other counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

“**Outstanding**,” when used as of any particular time with reference to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates except (a) Certificates previously canceled by the Trustee or delivered to the Trustee for cancellation, (b) Certificates paid or deemed to have been paid within the meaning of the Trust Agreement, and (c) Certificates in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

“**Owner**” means any Person who shall be the registered owner of any Outstanding Certificate as indicated in the registration books of the Trustee required to be maintained pursuant to the Trust Agreement.

“**Parity Obligation Payments**” means the payments scheduled to be paid by the District under and pursuant to Parity Obligations, which payments are secured by a pledge of Net Revenues on a parity with the Installment Payments as provided in the Installment Purchase Agreement.

“Parity Obligations” means all revenue bonds, certificates of participation or notes (including bond anticipation notes and commercial paper) of the District authorized, executed, issued and delivered under and pursuant to applicable law, and all other contracts (including financial contracts) or leases of the District authorized and executed by the District under and pursuant to applicable law, the installment, lease or other payments which are, in accordance with the provisions of the Installment Purchase Agreement, payable from Net Revenues on a parity with the Installment Payments under the Installment Purchase Agreement pursuant to and in accordance with the provisions of the Installment Purchase Agreement.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Certificates as securities depository.

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

“Permitted Investments” means any of the following, except to the extent not permitted by the laws of the State as an investment for the moneys to be invested therein at the time of investment:

- (1) Government Obligations;
- (2) Bonds, debentures, notes, participation certificates or other evidences of indebtedness issued, or the principal of and interest on which are unconditionally guaranteed, by the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Government National Mortgage Association or any other agency or instrumentality of or corporation wholly owned by the United States of America when such obligations are backed by the full faith and credit of the United States for the full and timely payment of principal and interest;
- (3) Obligations of any state of the United States or any political subdivision thereof, which at the time of investment are rated “Aa3” or higher by Moody’s or “AA-” or higher by S&P or Fitch; or which are rated “VMIG 1” or better by Moody’s, “A-1” or better by S&P, or “F1” or better by Fitch with respect to commercial paper, or “VMIG 1,” “SP-1,” or “F1,” respectively, with respect to municipal notes;
- (4) Unsecured certificates of deposit, demand deposits, including interest bearing money market accounts, time deposits trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, other deposit products, certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the District, or bankers acceptances of depository institutions, including the Trustee or any of its affiliate, and bankers' acceptance (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated on the date of purchase “A-1+” or better by S&P, “F1” or better by Fitch and “P-1” by Moody’s and/or certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral that may be used by a national bank for purposes of satisfying its obligations to collateralize pursuant to federal law which are issued by commercial banks, savings and loan associations or mutual savings bank whose short-term obligations are rated on the date of purchase “A-1” or better by S&P, “F1” or better by Fitch or “P-1” by Moody’s and investment in any interest bearing deposits/interest bearing money market deposit account, time deposit account, including such accounts with the Trustee;
- (5) Repurchase agreements with any bank, trust company or national banking association insured by the Federal Deposit Insurance Corporation (including the Trustee), with subsidiaries (of a parent company), provided the obligations of the subsidiary under the agreement are unconditionally guaranteed by the parent, or with any government bond dealer recognized as a primary dealer by the Federal Reserve Bank of New York, which agreements are fully and continuously secured by a valid and perfected first priority security interest in obligations described in paragraph (1) or (2) of this definition, provided that either such bank, trust company or national banking association which (or senior debt or claims paying

ability of the financial entity's guarantor) is rated, at the time of investment, at least "A1" or "A+" by any two Rating Agencies;

(6) Repurchase agreements with maturities of not more than one year entered into with financial institutions such as banks or trust companies organized under state law or national banks or banking associations (including the Trustee), insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of the Securities Investor Protection Corporation or with a dealer or parent holding company that is rated, at the time of investment, or whose long-term debt obligations (or senior debt or claims paying ability of the financial entity's guarantor) are rated, at the time of investment, at least "A1" or "A+" by any two Rating Agencies; provided, that such repurchase agreements are in writing, secured by obligations described in paragraphs (1) and (2) of this definition having a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements and in which the Trustee has a perfected first lien in, and retains possession of, such obligations free from all third party claims;

(7) Investment agreements, forward purchase agreements and reserve fund put agreements with any corporation, including banking or financial institutions, or agreements entered into with subsidiaries (of a parent company), provided the obligations of the subsidiary under the agreement are unconditionally guaranteed by the parent, the corporate debt of which (or senior debt or claims paying ability of the financial entity's guarantor) is rated, at the time of investment, at least "A1" or "A+" by any two Rating Agencies;

(8) Guaranteed investment contracts or similar funding agreements issued by insurance companies, provided that either the long term corporate debt of such insurance company, at the time of investment, is rated, at the time of investment, at least "A1" or "A+" by any two Rating Agencies or which agreements are fully and continuously secured by a valid and perfected first priority security interest in obligations described in paragraph (1) or (2) of this definition, or that the following conditions are met: (a) the market value of the collateral is maintained at levels acceptable to Moody's and S&P or Fitch, (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral, (c) the Trustee has a perfected first priority security interest in the collateral, (d) the collateral is free and clear of third-party liens, and (e) failure to maintain the requisite collateral level will require the Trustee to liquidate collateral;

(9) Corporate commercial paper which are rated at the time of purchase at least "P-1," "A-1" or "F1" by any two Rating Agencies at the time of investment;

(10) Taxable government money market portfolios which are rated at least "AAm" or "AAm-G" or "Aaa-mf" or "AAmmf" by any two Rating Agencies (including funds for which the Trustee or an affiliate receives and retains a fee for services provided to the fund whether as a custodian, transfer agent, investment advisor or otherwise);

(11) Deposits with the Local Agency Investment Fund of the State, as may otherwise be permitted by law; and

(12) Investment in money market mutual funds having a rating in the highest investment category granted thereby from S&P or Moody's, including those for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

Ratings of Permitted Investments referred to herein shall be determined at the time of purchase of such Permitted Investments and without regard to rating subcategories. The Trustee shall have no responsibility to

monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments, or the responsibility to validate Permitted Investments the ratings of Permitted Investments prior to the initial purchase.

“**Person**” means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“**Prepayment Account**” means the account by that name within the Installment Payment Fund established in accordance with the Trust Agreement.

“**Prepayment Price**” means, with respect to any Certificate (or portion thereof), the principal amount with respect to such Certificate (or portion thereof) plus the applicable premium, if any, payable upon prepayment thereof pursuant to the provisions of such Certificate and the Trust Agreement.

“**Principal Account**” means the account by that name within the Installment Payment Fund established in accordance with the Trust Agreement.

“**Principal Office**” means the Trustee’s principal corporate trust office in Los Angeles, California, except that with respect to presentation of Certificates for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“**Principal Payment Date**” means a date on which an Installment Payment evidenced by the Certificates becomes due and payable.

“**Prior Obligations**” means the 2013A Bonds and the 2013 COPs.

“**Prior Project**” described in the Installment Purchase Agreement.

“**Project**” means, collectively, the Prior Project and the 2024 Project.

“**Purchase Price**” means the principal components of the Installment Payments plus interest on the unpaid portion of such principal components owed by the District to the Corporation under the terms of the Installment Purchase Agreement as provided in the Installment Purchase Agreement.

“**Rate Stabilization Fund**” means the fund by that name referred to in the Installment Purchase Agreement.

“**Rating Agency**” means Fitch, Moody’s or S&P.

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

“**Repayment Obligation**” means the reimbursement obligation or any other payment obligation of the District under a written agreement between the District and a credit or liquidity provider to reimburse the credit or liquidity provider for amounts paid pursuant to a credit or liquidity facility for the payment of the principal amount or purchase price of and/or interest on any Parity Obligation.

“**S&P**” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, its successors and assigns, except that if such entity shall no longer perform the functions of a securities rating agency for any reason, the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“**State**” means the State of California.

“**Subordinate Obligations**” means the obligations of the District that are secured by a pledge of and payable from Net Revenues on a basis that is junior and subordinate to the payment of the Installment Payments and Parity Obligations.

“**Tax Certificate**” means the tax certificate described in the Trust Agreement.

“**Treasury Regulations**” means those regulations issued by the United States Department of the Treasury under the Code.

“**Trust Agreement**” means the Trust Agreement, dated as of October 1, 2024, by and among the Trustee, the Corporation and the District, as originally executed and delivered and as it may from time to time be amended or supplemented in accordance with the provisions hereof.

“**Trustee**” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, or any other bank or trust company which may at any time be substituted in its place as provided in the Trust Agreement.

“**2013 COPs**” means the \$9,660,000 Nipomo Community Services District Revenue Certificates of Participation (Supplemental Water Project) Series 2013, currently outstanding in the aggregate principal amount of \$8,035,000.

“**2013 COPs Escrow Agreement**” means the 2013 COPs Escrow Agreement, dated as of October 1, 2024, between the Escrow Agent and the District, related to the 2013 COPs.

“**2013 COPs Escrow Fund**” means the escrow fund established under the 2013 COPs Escrow Agreement and held by the Escrow Agent.

“**2013A Bonds**” means \$2,845,000 Nipomo Community Services District Water Revenue Refunding Bonds, Series 2013A, currently outstanding in the aggregate principal amount of \$1,505,000.

“**2013A Bonds Escrow Agreement**” means the 2013A Bonds Escrow Agreement, dated as of October 1, 2024, between the Escrow Agent and the District, related to the 2013A Bonds.

“**2013A Bonds Escrow Fund**” means the escrow fund established under the 2013A Bonds Escrow Agreement and held by the Escrow Agent.

“**2024 Project**” has the meaning ascribed thereto in the recitals hereto and furthered described in the Installment Purchase Agreement.

“**Water Fund**” means the fund by that name referred to in Section 5.2 of the Installment Purchase Agreement.

“**Written Certificate**” and “**Written Request**” mean (a) with respect to the Corporation, a written certificate or written request, respectively, signed in the name of the Corporation by an Authorized Corporation Representative, and (b) with respect to the District, a written certificate or written request, respectively, signed in the name of the District by an Authorized District Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

THE TRUST AGREEMENT

Terms and Conditions of Certificates

Preparation and Delivery of Certificates. The Trustee is pursuant to the Trust Agreement authorized and directed to prepare the Certificates and, upon the Written Request of the District, to execute and deliver the Certificates in the aggregate principal amount of set forth in this Official Statement, evidencing the aggregate principal amount of the Installment Payments and each evidencing a direct, fractional undivided interest in the Installment Payments, and the interest thereon. The Installment Payments evidenced by each Certificate shall constitute the principal evidenced thereby and the interest on such Installment Payments shall constitute the interest evidenced thereby. The Certificates shall be numbered, with or without prefixes, as directed by the Trustee.

Denomination, Medium and Dating of Certificates. The Certificates shall be designated “Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024” and shall be prepared in the form of fully registered Certificates, without coupons, in Authorized Denominations and shall be payable in lawful money of the United States of America.

The Certificates shall be dated as of the Closing Date. Each Certificate shall evidence interest from the Interest Payment Date next preceding its date of execution to which interest has been paid in full, unless such date of execution shall be after a Record Date and on or prior to the following Interest Payment Date, in which case such Certificate shall evidence interest from such Interest Payment Date, or unless such date of execution shall be on or prior to February 15, 2025, in which case such Certificate shall represent interest from the Closing Date. Notwithstanding, the foregoing, if, as shown by the records of the Trustee, interest evidenced by the Certificates shall be in default, each Certificate shall evidence interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for.

Payment Dates of Certificates; Interest Computation. The principal evidenced by the Certificates shall become due and payable, subject to prior prepayment, on June 1 of the years, in the amounts, and shall evidence interest accruing at the rates per annum set forth in the Trust Agreement.

Except as otherwise provided in the Letter of Representations, payments of interest evidenced by the Certificates shall be made to the Owners thereof (as determined at the close of business on the Record Date next preceding the related Interest Payment Date) by check or draft of the Trustee mailed to the address of each such Owner as it appears on the registration books maintained by the Trustee pursuant to the Trust Agreement, or to such other address as may be furnished in writing to the Trustee by each such Owner. Except as otherwise provided in the Letter of Representations, payment of principal and prepayment premium, if any, evidenced by the Certificates, on their stated Principal Payment Dates or on prepayment in whole or in part prior thereto, shall be made only upon presentation and surrender of the Certificates at the Principal Office.

The interest evidenced by the Certificates shall be payable on each Interest Payment Date to and including their respective Principal Payment Dates or prepayment prior thereto, and shall represent the sum of the interest component of the Installment Payments coming due on the Interest Payment Dates in each year. The principal evidenced by the Certificates shall be payable on their respective Principal Payment Dates in each year and shall represent the principal component of the Installment Payments coming due on the Principal Payment Dates in each year. Interest evidenced by the Certificates shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Transfer and Payment; Exchange or Cancellation of Certificates. Each Certificate is transferable by the Owner thereof, in person or by his attorney duly authorized in writing, at the Principal Office, on the registration books maintained by the Trustee pursuant to the provisions of the Trust Agreement, upon surrender of such

Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. The Trustee may treat the Owner of any Certificate as the absolute owner of such Certificate for all purposes, whether or not the principal or interest evidenced by such Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal evidenced by such Certificate shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability evidenced by such Certificate to the extent of the sum or sums so paid.

Whenever any Certificate shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates evidencing principal in the same aggregate amount and having the same stated Principal Payment Date. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Each Certificate may be exchanged at the Principal Office for Certificates evidencing principal in a like aggregate principal amount having the same stated Principal Payment Date in such Authorized Denominations as the Owner thereof may request. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Whenever in the Trust Agreement provision is made for the cancellation by the Trustee of any Bonds, the Trustee shall destroy such Bonds and deliver a certificate of such destruction to the District.

Certificate Registration Books. The Trustee shall keep at its Principal Office sufficient books for the registration and transfer of the Certificates, which books shall be available for inspection and copying by the District at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Certificates on such books as provided in the Trust Agreement.

Temporary Certificates. The Certificates may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery, which temporary Certificates shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions of the Trust Agreement as may be appropriate. Every temporary Certificate shall be executed and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Certificates. If the Trustee executes and delivers temporary Certificates, it shall prepare and execute definitive Certificates without delay, and thereupon the temporary Certificates may be surrendered at the Principal Office in exchange for such definitive Certificates, and until so exchanged such temporary Certificates shall be entitled to the same benefits under the Trust Agreement as definitive Certificates executed and delivered under the Trust Agreement.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate evidencing a like principal amount and having the same stated Principal Payment Date and number in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate evidencing a like principal amount and having the same stated Principal Payment Date, numbered as the Trustee shall determine, in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate executed and delivered by it under the Trust Agreement and of the expenses which may be incurred by it under the Trust Agreement. Any Certificate executed and delivered under the provisions of the Trust Agreement in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Trust Agreement with all other Certificates executed and delivered under the Trust

Agreement, and the Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the amount of Certificates which may be executed and delivered under the Trust Agreement or for the purpose of determining any percentage of Certificates Outstanding under the Trust Agreement, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of the Trust Agreement, in lieu of executing and delivering a new Certificate for a Certificate which has been lost, destroyed or stolen and which evidences principal that is then payable, the Trustee may make payment of such Certificate to the Owner thereof if so instructed by the District.

Book-Entry System. (a) The Certificates shall be initially executed and delivered as Book-Entry Certificates, and the Certificate for each stated Principal Payment Date shall be in the form of a separate single fully registered Certificate (which may be typewritten). Upon initial execution and delivery, the ownership of each Certificate shall be registered in the registration books maintained by the Trustee in the name of the Nominee, as nominee of the Depository.

Payment of principal or interest evidenced by any Book-Entry Certificate registered in the name of the Nominee shall be made on the applicable Interest Payment Date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of the Nominee. Such payments shall be made to the Nominee at the address which is, on the Record Date, shown for the Nominee in the registration books maintained by the Trustee.

(a) With respect to Book-Entry Certificates, the District, the Corporation and the Trustee shall have no responsibility or obligation to any Participant or to any Person on behalf of which such a Participant holds an interest in such Book-Entry Certificates. Without limiting the immediately preceding sentence, the District, the Corporation and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any ownership interest in Book-Entry Certificates, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the registration books maintained by the Trustee, of any notice with respect to Book-Entry Certificates, including any notice of prepayment (except such notice as is required to be given by the District to the Trustee or the Depository), (iii) the selection by the Depository and its Participants of the beneficial interests in Book-Entry Certificates to be prepaid in the event Certificates are prepaid in part, (iv) the payment to any Participant or any other Person, other than an Owner as shown in the registration books maintained by the Trustee, of any amount with respect to principal, premium, if any, prepayment price or interest evidenced by Book-Entry Certificates, or (v) any consent given or other action taken by the Depository as Owner.

(b) The District, the Corporation and the Trustee may treat and consider the Person in whose name each Book-Entry Certificate is registered in the registration books maintained by the Trustee as the absolute Owner of such Book-Entry Certificate for the purpose of payment of principal, prepayment premium, if any, and interest evidenced by such Certificate, for the purpose of selecting any Certificate, or portions thereof, to be prepaid, for the purpose of giving notices of prepayment and other matters with respect to such Certificates (except such notice as is required to be given by the District to the Trustee or the Depository), for the purpose of registering transfers with respect to such Certificate, for the purpose of obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and the District, the Corporation and the Trustee shall not be affected by any notice to the contrary.

(c) The Trustee shall pay all principal, premium, if any, and interest evidenced by the Certificates to the respective Owner, as shown in the registration books maintained by the Trustee, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal, premium, if any, and interest evidenced by the Certificates to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the registration books maintained by the Trustee, shall receive a Certificate evidencing principal, premium, if any, and interest evidenced by the Certificates. Upon delivery by the Depository to the Owners, the Trustee and the District of written notice to the effect that the

Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Trust Agreement with respect to Record Dates, the word Nominee in the Trust Agreement shall refer to such nominee of the Depository. The requirement for physical delivery and surrender of the Certificates in connection with a demand for purchase under the Trust Agreement will be deemed satisfied when the ownership rights in the Certificates are transferred by Participants on the records of the Depository to the participant account of the Trustee.

(d) To qualify the Book-Entry Certificates for the Depository's book-entry system, the District shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Corporation, the District or the Trustee any obligation whatsoever with respect to Persons having interests in such Book-Entry Certificates other than the Owners, as shown on the registration books maintained by the Trustee. Such Letter of Representations may provide the time, form, content and manner of transmission, of notices to the Depository. In addition to the execution and delivery of a Letter of Representations by the District, the District, the Corporation and the Trustee shall take such other actions, not inconsistent with the Trust Agreement, as are reasonably necessary to qualify Book-Entry Certificates for the Depository's book-entry program.

(e) If the District determines that it is in the best interests of the Beneficial Owners that they be able to obtain certificated Certificates and that such Certificates should therefore be made available and notifies the Depository and the Trustee of such determination, the Depository will notify the Participants of the availability through the Depository of certificated Certificates. In such event, the Trustee shall transfer and exchange certificated Certificates as requested by the Depository and any other Owners in appropriate amounts. In the event (i) the Depository determines not to continue to act as securities depository for Book-Entry Certificates, or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the District shall discontinue the Book-Entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered Certificate for each stated Principal Payment Date of such Book-Entry Certificates, registered in the name of such successor or substitute qualified securities depository or its nominee. If the District fails to identify another qualified securities depository to replace the Depository, then the Certificates shall no longer be restricted to being registered in the registration books maintained by the Trustee in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Certificates shall designate, in accordance with the Trust Agreement as described herein under the caption "THE TRUST AGREEMENT — *Terms and Conditions of Certificates — Transfer and Payment of Certificates; Exchange of Certificates*" and "*— Certificates Mutilated, Lost, Destroyed or Stolen.*" Whenever the Depository requests the District to do so, the District will cooperate with the Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Book-Entry Certificates to any Participant having Book-Entry Certificates credited to its account with the Depository, and (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Book-Entry Certificates.

(f) Notwithstanding any other provision of the Trust Agreement to the contrary, if DTC is the sole Owner of the Certificates, so long as any Book-Entry Certificate is registered in the name of the Nominee, all payments of principal, premium, if any, and interest evidenced by such Certificate and all notices with respect to such Certificate shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository.

(g) In connection with any notice or other communication to be provided to Owners pursuant to the Trust Agreement by the District, the Corporation or the Trustee, with respect to any consent or other action to be taken by Owners, the Trustee shall establish a record date for such consent or other action and give the Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to the Depository shall be given only when DTC is the sole Owner of the Certificates.

Equal Security. In consideration of the acceptance of the Certificates by the Owners, the Trust Agreement shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest and principal evidenced by the Certificates which may be executed and delivered under the Trust Agreement, subject to each of the agreements, conditions, covenants and terms contained in the Trust Agreement; and all agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to security or otherwise of any Certificates over any other Certificates by reason of the number or date thereof or the time of execution or delivery thereof or for any cause whatsoever, except as expressly provided in the Trust Agreement or therein.

Assignment and Pledge; Funds and Accounts

Assignment and Pledge. The Corporation pursuant to the Trust Agreement transfers, conveys and assigns to the Trustee, for the benefit of the Owners, all of the Corporation's rights, title and interest in and to the Installment Purchase Agreement (excepting its rights to indemnification thereunder), including the right to receive Installment Payments, and the interest thereon, from the District and the right to exercise any remedies provided therein in the event of a default by the District thereunder. The Trustee pursuant to the Trust Agreement accepts said transfer, conveyance and assignment, solely in its capacity as Trustee, for the benefit of the Owners, subject to the provisions of the Trust Agreement. All Installment Payments, and the interest thereon, shall be paid directly by the District to the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee immediately upon the receipt thereof.

To secure the respective rights of the Owners to the payments required to be made thereto as provided in the Trust Agreement, the Corporation and the District pursuant to the Trust Agreement irrevocably pledge to the Trustee, for the benefit of the Owners, all of their right, title and interest, if any, in and to all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement. This pledge shall constitute a first lien on the amounts on deposit in such funds and accounts.

Installment Payment Fund. (a) The Trustee shall establish and maintain the Installment Payment Fund until all required Installment Payments, and the interest thereon, are paid in full pursuant to the Installment Purchase Agreement and until the first date upon which the Certificates are no longer Outstanding. The Trustee shall deposit in the Installment Payment Fund all Installment Payments, and the interest thereon, paid by the District and received by the Trustee. The moneys in the Installment Payment Fund shall be held in trust by the Trustee for the benefit of the Owners and shall be used and disbursed only for the purposes and uses authorized in the Trust Agreement.

(b) The Trustee shall transfer the amounts on deposit in the Installment Payment Fund, at the times and in the manner provided below, to the following respective accounts within the Installment Payment Fund, each of which the Trustee pursuant to the Trust Agreement agrees to establish and maintain (provided the Prepayment Account need not be established in the records of the Trustee until deposit is required to be made to the Prepayment Account) until all required Installment Payments, and the interest thereon, are paid in full pursuant to the Installment Purchase Agreement and until the first date upon which the Certificates are no longer Outstanding. The moneys in each of such accounts shall be held in trust by the Trustee for the benefit of the Owners and shall be used and disbursed only for the purposes and uses authorized in the Trust Agreement.

(i) *Interest Account.* The Trustee, on each Interest Payment Date, shall deposit in the Interest Account that amount of moneys representing the interest on the Installment Payments coming due on such Interest Payment Date. Moneys in the Interest Account shall be used by the Trustee for the purpose of paying the interest evidenced by the Certificates when due and payable.

(ii) *Principal Account.* The Trustee, on each Principal Payment Date, shall deposit in the Principal Account that amount of moneys representing the Installment Payments coming due on such

Principal Payment Date. Moneys in the Principal Account shall be used by the Trustee for the purpose of paying the principal evidenced by the Certificates when due and payable, including mandatory sinking payments.

(iii) *Prepayment Account.* The Trustee, on the prepayment date specified in the Written Request of the District filed with the Trustee at the time that any prepaid Installment Payment is paid to the Trustee pursuant to the Installment Purchase Agreement, shall deposit in the Prepayment Account that amount of moneys representing such prepaid Installment Payment, the accrued interest thereon to the prepayment date and any premium payable with respect thereto. The Trustee shall deposit in the Prepayment Account any other amounts made available by the District that the District, pursuant to a Written Request of the District, instructs the Trustee to apply to the prepayment of Certificates pursuant to the “Optional Prepayment” or “Prepayments from Net Proceeds of Insurance and Condemnation” provisions under the Trust Agreement. Moneys in the Prepayment Account shall be used by the Trustee for the purpose of paying the interest, premium, if any, and principal evidenced by the Certificates to be prepaid pursuant to the “Optional Prepayment” or “Prepayments from Net Proceeds of Insurance and Condemnation” provisions under the Trust Agreement.

Costs of Issuance Fund. The Trustee will establish and maintain a separate special fund to be held by the Trustee known as the Costs of Issuance Fund. There will be deposited in the Costs of Issuance Fund on the Closing Date the amount required to be deposited therein pursuant to the Trust Agreement. The Trustee will disburse moneys from the Costs of Issuance Fund on such dates and in such amounts as are necessary to pay Costs of Issuance, in each case upon the Written Request of the District stating the Person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the Costs of Issuance Fund. On the date that is six months after the Closing Date, the Trustee will transfer any amounts then remaining in the Costs of Issuance Fund to the Installment Payment Fund. Upon such transfer, the Costs of Issuance Fund will shall be closed.

Construction Fund. The Trustee will establish and maintain and hold in trust separate and apart from other funds held by it, a special fund known as the Construction Fund. The moneys in the Construction Fund will be used and withdrawn by the Trustee to pay costs of the acquisition, construction, rehabilitation, equipping, improvement or financing of improvements to, or part of, the 2024 Project. Amounts in the Construction Fund shall be disbursed for Construction Costs. Any unexpended moneys in the Construction Fund subsequent to the payment of all Construction Costs which are not used to pay the cost of other improvements of the District shall be transferred by the Trustee and deposited in the Installment Payment Fund upon receipt by the Trustee of a Written Request of the District accompanied by a Written Certificate of the District stating that all Construction Costs have been paid or provision made for their payment.

Investment of Moneys. Except as otherwise provided in the Trust Agreement, all moneys in any of the funds or accounts established pursuant to the Trust Agreement shall be invested or reinvested by the Trustee solely in Permitted Investments, as directed by the District pursuant to a Written Request of the District at least two (2) Business Days prior to the making of such investment. Moneys in all funds and accounts held by the Trustee shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Trust Agreement. Absent timely written direction from the District, the Trustee shall hold such moneys uninvested. Permitted Investments that are registerable securities shall be registered in the name of the Trustee. All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Trust Agreement shall be retained therein.

Permitted Investments acquired as an investment of moneys in any fund or account established under the Trust Agreement shall be credited to such fund or account. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued by the Trustee at the market value thereof, such valuation to be performed not less frequently than semiannually on or before each May 15 and November 15.

The Trustee or an affiliate may act as principal or agent in the making or disposing of any investment. The Trustee shall sell or present for redemption any Permitted Investment whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Trust Agreement. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Trust Agreement. The Trustee is pursuant to the Trust Agreement authorized, in making or disposing of any investment permitted by the Trust Agreement, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether or not such affiliate is acting as an agent of the Trustee or for any third Person or dealing as principal for its own account.

Covenants

Compliance with Trust Agreement. The Trustee will not execute or deliver any Certificates in any manner other than in accordance with the provisions of the Trust Agreement, and the Corporation and the District will not suffer or permit any default by them to occur under the Trust Agreement, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Trust Agreement required to be complied with, kept, observed and performed by them.

Compliance with Installment Purchase Agreement. The Corporation and the District will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Installment Purchase Agreement against the other party thereto in accordance with its terms.

Observance of Laws and Regulations. The Corporation and the District will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens. None of the Trustee, the Corporation or the District shall create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created under the Trust Agreement, other than the pledge and lien of the Trust Agreement.

Prosecution and Defense of Suits. The District will defend against every action, suit or other proceeding at any time brought against the Trustee or any Owner upon any claim arising out of the receipt, deposit or disbursement of any of the Installment Payments, or the interest thereon, or involving the rights of the Trustee or any Owner under the Trust Agreement; provided, however, that the Trustee or any Owner at its or his election may appear in and defend any such action, suit or other proceeding.

Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions made by the Trustee relating to the receipt, deposit and disbursement of the Installment Payments, and the interest thereon, and such accounting records shall be available for inspection by the Corporation and the District at reasonable hours and under reasonable conditions. The Trustee shall not be obligated to provide an accounting for any fund or account that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date. The Trustee will, upon written request, make copies of the foregoing available to any Owner (at the expense of such Owner).

Tax Covenants. The District will comply with the tax covenants described in the Trust Agreement and the Installment Purchase Agreement.

Continuing Disclosure. The District will comply with and carry out all of the provisions of the Continuing Disclosure Certificate applicable to it. Notwithstanding any other provision of the Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; provided, however, the Trustee at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Certificates and upon being indemnified to its reasonable satisfaction, shall, or any Owner or Beneficial Owner of Certificates may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Further Assurances. The District will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to carry out the purposes and intentions of the Trust Agreement and for preserving and protecting the rights and interests of the Owners.

Default and Limitations of Liability

Action upon Event of Default. An Event of Default under the Installment Purchase Agreement shall constitute an Event of Default under the Trust Agreement. The Trustee may give notice, as assignee of the Corporation, of an Event of Default under the Installment Purchase Agreement to the District, and shall do so if directed to do so by the Owners of not less than 5% of the aggregate principal evidenced by Certificates then Outstanding. In each and every case during the continuance of an Event of Default, the Trustee may and, at the direction of the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding, shall, upon notice in writing to the District and the Corporation (a) exercise any of the remedies granted to the Corporation under the Installment Purchase Agreement, and (b) take whatever action at law or in equity may appear necessary or desirable to enforce its rights pursuant to the Trust Agreement, the Installment Purchase Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Trust Agreement, the Certificates, or the Installment Purchase Agreement, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Trust Agreement as described herein in under the caption “THE TRUST AGREEMENT – Amendment of or Supplement to Trust Agreement – *Disqualified Certificates.*”

Other Remedies of the Trustee. Subject to the provisions of the Trust Agreement as described herein under the caption “THE TRUST AGREEMENT – Default and Limitations of Liability – *Action upon Event of Default,*” the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Corporation or the District or any member, director, officer or employee thereof, and to compel the Corporation or the District or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Trust Agreement;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee;
or

(c) by suit in equity upon the happening of any Event of Default under the Trust Agreement to require the Corporation and the District to account as the trustee of an express trust.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee or the Owners by law or by the Trust Agreement may be enforced and exercised from time to time and as often as the Trustee shall deem expedient.

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

Remedies Not Exclusive. Subject to the provisions of the Trust Agreement as described herein under the caption “THE TRUST AGREEMENT – Default and Limitations of Liability – *Action upon Event of Default*,” no remedy conferred upon or reserved to the Trustee under the Trust Agreement is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Trust Agreement, or otherwise, shall not prevent the concurrent or subsequent assertion or employment of any other appropriate right or remedy.

Application of Amounts After Default. All damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee shall be deposited into the Installment Payment Fund and as soon as practicable and thereafter applied:

- (a) to the payment of all amounts due the Trustee under the Trust Agreement;
- (b) unless the unpaid Installment Payments, and the interest thereon, shall have become, and shall remain, immediately due and payable pursuant to the Installment Purchase Agreement:
 - (i) to the payment of all amounts then due for interest evidenced by the Certificates, in respect of which, or for the benefit of which, money has been collected (other than Certificates which have become payable prior to such Event of Default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of interest evidenced by such Certificates due and payable; and
 - (ii) to the payment of all amounts then due for principal evidenced by the Certificates, in respect of which, or for the benefit of which, money has been collected (other than Certificates which have become payable prior to such Event of Default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal evidenced by such Certificates due and payable.
- (c) if the unpaid Installment Payments, and the interest thereon, shall have become, and shall remain, immediately due and payable pursuant to the Installment Purchase Agreement, to the payment of all amounts then due for principal and interest evidenced by the Certificates and, if the amount available therefor shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Certificate over any other Certificate, to the persons entitled thereto without any discrimination or preference.

Trustee May Enforce Claims Without Possession of Certificates. All rights of action and claims under the Trust Agreement or the Certificates may be prosecuted and enforced by the Trustee without the possession of any of the Certificates or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Certificates in respect of which such judgment has been recovered.

Limitation on Suits. No Owner shall have any right to institute any proceeding, judicial or otherwise, with respect to the Trust Agreement, or for the appointment of a receiver or trustee, or for any other remedy under the Trust Agreement, unless (a) such Owner shall have previously given written notice to the Trustee of a continuing Event of Default under the Trust Agreement, (b) the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Trust Agreement, (c) such Owner or Owners shall have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceedings, and (e) no direction inconsistent with such written request shall have been given to the Trustee during such 60-day period by the Owners of a majority of the aggregate principal evidenced by Certificates then Outstanding; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Trust Agreement to affect, disturb or prejudice the rights of any other Owner of Certificates, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under the Trust Agreement, except in the manner provided in the Trust Agreement and for the equal and ratable benefit of all the Owners of Certificates.

No Liability by the Corporation to the Owner. Except as expressly provided in the Trust Agreement, the Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments, and the interest thereon, by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Installment Purchase Agreement or in the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

No Liability by the District to the Owners. Except for the payment when due of the Installment Payments, and the interest thereon, and the performance of the other agreements and covenants required to be performed by it contained in the Installment Purchase Agreement or in the Trust Agreement, the District shall not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the Certificates or the disbursement of the Installment Payments, and the interest thereon, by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

No Liability of the Trustee to the Owners. Except as expressly provided in the Trust Agreement, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments, and the interest thereon, by the District, or with respect to the performance by the Corporation or the District of the other agreements and covenants required to be performed by them, respectively contained in the Installment Purchase Agreement or in the Trust Agreement.

Amendment of or Supplement to Trust Agreement

Amendment or Supplement. (a) The Trust Agreement and the rights and obligations of the Corporation, the District, the Owners and the Trustee under the Trust Agreement may be amended or supplemented at any time by an amendment of the Trust Agreement or supplement to the Trust Agreement which shall become binding when

the prior written consents of the Owners of a majority of the aggregate principal evidenced by the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement as described herein under the caption “THE TRUST AGREEMENT — Amendment of or Supplement to Trust Agreement — *Disqualified Certificates*,” are filed with the Trustee. No such amendment or supplement shall (i) extend the stated Principal Payment Date of any Certificate or reduce the rate of interest evidenced thereby or extend the time of payment of such interest or reduce the amount of principal evidenced thereby or change the prepayment terms and provisions or the provisions regarding delivery of notice of prepayment without the prior written consent of the Owner of each Certificate so affected, (ii) reduce the percentage of Owners whose consent is required for the execution of any amendment of or supplement to the Trust Agreement without the prior written consent of the Owners of all Certificates then Outstanding, (iii) modify any of the rights or obligations of the Trustee without the prior written consent of the Trustee, or (iv) amend the amendment provisions of the Trust Agreement without the prior written consent of the Owners of all Certificates then Outstanding.

(b) The Trust Agreement and the rights and obligations of the Corporation, the District, the Owners and the Trustee under the Trust Agreement may also be amended or supplemented at any time by an amendment of or supplement to the Trust Agreement which shall become binding upon execution, without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Corporation or the District to be observed or performed in the Trust Agreement other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the District, or to surrender any right or power reserved in the Trust Agreement to or conferred in the Trust Agreement on the Corporation or the District;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Corporation or the District may deem desirable or necessary and not inconsistent with the Trust Agreement;

(iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest evidenced by the Certificates; or

(iv) for any other reason, provided such amendment or supplement does not adversely affect the rights or interests of the Owners.

Disqualified Certificates. Certificates owned or held by or for the account of the District (but excluding Certificates held in any pension or retirement fund of the District) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates provided in the Trust Agreement, and shall not be entitled to consent to or take any other action provided in the Trust Agreement, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for in the Trust Agreement shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in the Trust Agreement.

Endorsement or Replacement of Certificates After Amendment or Supplement. After the effective date of any action taken as provided in the Trust Agreement, the District may determine that the Certificates may bear a notation by endorsement in form approved by the District as to such action, and in that case upon demand of the Owner of any Outstanding Certificate and presentation of such Certificate for such purpose at the Principal Office a suitable notation as to such action shall be made on such Certificate. If the Trustee shall receive an Opinion of Counsel advising that new Certificates modified to conform to such action are necessary, modified Certificates shall be prepared, and in that case upon demand of the Owner of any Outstanding Certificates such new Certificates shall

be exchanged at the Principal Office without cost to each Owner for Certificates then Outstanding upon surrender of such Outstanding Certificates.

Amendment by Mutual Consent. The provisions of the Trust Agreement shall not prevent any Owner from accepting any amendment as to the particular Certificates owned by such Owner, provided that due notation thereof is made on such Certificates.

Defeasance

Discharge of Certificates and Trust Agreement. (a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid (i) to the Owners of all Outstanding Certificates the interest and principal evidenced thereby at the times and in the manner stipulated in the Trust Agreement and therein, and (ii) all other amounts due under the Trust Agreement and under the Installment Purchase Agreement, then such Owners shall cease to be entitled to the pledge of and lien on the amounts on deposit in the funds and accounts established under the Trust Agreement, as provided in the Trust Agreement, and all agreements and covenants of the Corporation, the District, and the Trustee to such Owners under the Trust Agreement shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Certificate shall be deemed to have been paid within the meaning and with the effect expressed in the Trust Agreement when the whole amount of the principal, premium, if any, and interest evidenced by such Certificate shall have been paid or when (i) in case said Certificate or portion thereof has been selected for prepayment in accordance with the Trust Agreement prior to its stated Principal Payment Date, the District shall have given to the Trustee irrevocable instructions to give, in accordance with the provisions of the Trust Agreement, notice of prepayment of such Certificate, or portion thereof, (ii) there shall be on deposit with the Trustee, moneys, or Government Obligations, or any combination thereof, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the principal, premium, if any, and interest evidenced by such Certificate and due and to become due on or prior to the prepayment date or its stated Principal Payment Date, as the case may be, and (iii) in the event the stated Principal Payment Date of such Certificate will not occur, and said Certificate is not to be prepaid, within the next succeeding 90 days, the District shall have given the Trustee irrevocable instructions to give notice, as soon as practicable in the same manner as a notice of prepayment given pursuant to the Trust Agreement, to the Owner of such Certificate, or portion thereof, stating that the deposit of moneys or Government Obligations required by clause (ii) of this subsection has been made with the Trustee and that said Certificate, or portion thereof, is deemed to have been paid in accordance with this Section and stating such Principal Payment Date or prepayment date upon which moneys are to be available for the payment of the principal, premium, if any, and interest evidenced by said Certificate, or portion thereof.

Neither the moneys nor the Government Obligations deposited with the Trustee pursuant to the Trust Agreement nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for and pledged to, the payment of the principal, premium, if any, and interest evidenced by said Certificate, or portions thereof. If payment of less than all of the Certificates is to be provided for in the manner and with the effect expressed in the Trust Agreement, the Trustee or the District, as applicable, shall select such Certificates, or portions thereof, in the manner specified in the Trust Agreement for selection for prepayment of less than all of the Certificates, in the principal amounts designated to the Trustee by the District.

(c) After the payment of all the interest, prepayment premium, if any, and principal evidenced by all Outstanding Certificates and all other amounts due under the Trust Agreement and under the Installment Purchase Agreement as provided in the Trust Agreement, the Trustee shall execute and deliver to the Corporation and the District all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Trust Agreement, the Trustee shall pay over or deliver to the District all moneys or securities held by it pursuant to the

Trust Agreement which are not required for the payment of the interest, prepayment premium, if any, and principal evidenced by such Certificates and all other amounts due under the Trust Agreement and under the Installment Purchase Agreement.

(d) Prior to any defeasance becoming effective under the Trust Agreement, the District shall cause to be delivered (i) in the event of a deposit of Government Obligations or cash to be invested, or an advance refunding, the District shall cause to be delivered a verification report or a report of an independent nationally recognized certified public accountant, addressed to the Trustee and the District, in form and in substance acceptable to the District, verifying that the Government Obligations and cash, if any, satisfy the requirements of clause (ii) of subsection (b) of this section (a "Verification"), (ii) if such moneys to be deposited with the Trustee will be invested, a copy of the escrow deposit agreement entered into in connection with such defeasance, which escrow deposit agreement shall provide that no substitution of Government Obligations shall be permitted except with other Government Obligations and upon delivery of a new Verification and no reinvestment of Government Obligations shall be permitted except as contemplated by the original Verification or upon delivery of a new Verification, and (iii) a copy of an Opinion of Counsel, dated the date of such defeasance and addressed to the Trustee and the District, in form and in substance acceptable to the District, to the effect that such Certificates have been paid within the meaning and with the effect expressed in the Trust Agreement, and all agreements and covenants of the Corporation, the District and the Trustee to the Owners of such Certificates under the Trust Agreement have ceased, terminated and become void and have been discharged and satisfied.

Unclaimed Moneys. Any moneys held by the Trustee in trust for the payment and discharge of the interest or principal evidenced by any of the Certificates which remain unclaimed for two years after the date when such interest or principal evidenced by such Certificates have become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the interest and principal evidenced by such Certificates have become payable, shall be repaid by the Trustee (without liability for interest) to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of the interest and principal evidenced by such Certificates.

Miscellaneous

Benefits of Trust Agreement. Nothing contained in the Trust Agreement, expressed or implied, is intended to give to any Person other than the Corporation, the District, the Trustee and the Owners any claim, remedy or right under or pursuant to the Trust Agreement, and any agreement, condition, covenant or term required in the Trust Agreement to be observed or performed by or on behalf of the Corporation or the District shall be for the sole and exclusive benefit of the Trustee and the Owners.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Trust Agreement to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the Person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Certificates and the amount, payment date, number and date of owning the same may be proved by the registration books maintained by the Trustee pursuant to the provisions of the Trust Agreement.

Any declaration, request or other instrument in writing of the Owner of any Certificate shall bind all future Owners of such Certificate with respect to anything done or suffered to be done by the Corporation, the District or the Trustee in good faith and in accordance therewith.

Funds and Accounts. Any fund or account required to be established and maintained in the Trust Agreement by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund, but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Certificates and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations under the Trust Agreement.

Trustee may commingle any of the moneys held by it under the Trust Agreement for investment purposes only; provided, however, that the Trustee shall account separately for the moneys in each fund or account established pursuant to the Trust Agreement.

California Law. The Trust Agreement shall be construed and governed in accordance with the laws of the State.

THE INSTALLMENT PURCHASE AGREEMENT

Purchase and Sale of Project; Payments

Purchase and Sale of Project. In consideration for the Corporation's assistance in refinancing the Prior Project and financing the 2024 Project through the execution and delivery of the Installment Purchase Agreement and the Trust Agreement, the Corporation agrees to purchase from the District, and the District agrees to sell to the Corporation, the Prior Project, and the District agrees to purchase from the Corporation, and the Corporation agrees to sell to the District, the Prior Project and the 2024 Project, in the manner and in accordance with the provisions of the Installment Purchase Agreement.

Appointment of District as Agent of the Corporation. The Corporation appoints the District as its agent to carry out all phases of the construction of the 2024 Project pursuant to and in accordance with the provisions of the Installment Purchase Agreement and the Trust Agreement. The District accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Corporation regarding the construction of the 2024 Project. The Corporation, or the District as agent of the Corporation under the Installment Purchase Agreement, shall enter into, administer and enforce all purchase orders or other contracts relating to the construction of the 2024 Project. All contracts for, and all work relating to, the 2024 Project shall be subject to all applicable provisions of law relating to the acquisition, construction, improvement, and equipping of like facilities and property by the District.

Title. All right, title and interest in each element and component of the Project shall vest in the District immediately upon execution and delivery of the Installment Purchase Agreement or, if later, upon the acquisition, construction and acceptance of such element or component.

Purchase Price. The Purchase Price to be paid by the District to the Corporation for the purchase of the Project is the sum of the principal components of the Installment Payments set forth in Exhibit B to the Installment Purchase Agreement plus the interest components of the Installment Payments which consist of the sum of the interest to accrue on the unpaid balance of each such principal component, subject to prepayment as provided in the Installment Purchase Agreement.

The interest component of the Installment Payments shall be paid by the District as and constitute interest paid on the principal components of the Installment Payments. The interest component shall be computed on the basis of a 360-day year of twelve 30 day months.

Installment Payments. The District shall, subject to any rights of prepayment provided in provided in the Installment Purchase Agreement as described herein under the caption “THE INSTALLMENT PURCHASE AGREEMENT — Prepayment of Installment Payments; Discharge,” pay the Corporation the Purchase Price in installments as follows: (i) each principal component of the Installment Payments is payable on the Installment Payment Date preceding the due date for such principal component; and (ii) the interest components of the Installment Payments are payable on the Installment Payment Date preceding each Interest Payment Date in the amount of accrued interest on the unpaid balance of the principal components of the Installment Payments to the next succeeding Interest Payment Date, at the respective interest rates per annum set forth in the Installment Purchase Agreement. Amounts required to be paid by the District to the Corporation on any Installment Payment Date shall be reduced to the extent of amounts on deposit on such date in the Interest Account of the Installment Payment Fund established under the Trust Agreement.

Each Installment Payment shall be paid to the Corporation in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under the Installment Purchase Agreement, such payment shall continue as an obligation of the District until such amount shall have been fully paid; and the District agrees to pay the same with interest accruing thereon at the highest rate of interest then applicable to the remaining unpaid principal components of the Installment Payments.

Obligation Absolute. The obligation of the District to make the Installment Payments, solely from Net Revenues, is absolute and unconditional, and, until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to the Installment purchase Agreement), the District will not discontinue or suspend any Installment Payment required to be made by it under the Installment Purchase Agreement, whether or not the Enterprise or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part. The Installment Purchase Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term of the Installment Payments and all other payments required under the Installment Purchase Agreement, and such payments shall be net payments and shall not be subject to deduction, abatement reduction or diminution, whether by offset or otherwise, and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Additional Payments. In addition to the Installment Payments, the District shall also pay such amounts (“Additional Payments”) as shall be required for the payment of all fees and administrative costs of the Corporation and the Trustee under the Trust Agreement or otherwise relating to the Certificates, including, without limitation, payments required to satisfy the Rebate Requirement, all expenses, compensation and indemnification of the Corporation and the Trustee payable by the District under the Installment Purchase Agreement and under the Trust Agreement, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Corporation or charges required to be paid by it to comply with the terms thereof, of the Certificates or of the Trust Agreement.

Security

Pledge of Net Revenues; Parity Pledge. All Net Revenues are irrevocably pledged to the payment of the Installment Payments as provided in the Installment Purchase Agreement and shall not be used for any other purpose until all Installment Payments have been fully paid or provision has been made for such payment in accordance with the Installment Agreement. This pledge, together with the pledge of Net Revenues securing all other Parity Obligations, shall, subject to application as permitted in the Installment Purchase Agreement, constitute a lien on Net Revenues. The Ad Valorem Tax Revenues are irrevocably pledged as the first source of repayment of the

Installment Payments and will not be used for any other purposes while any of the Installment Payments and Parity Obligations remain outstanding, except as provided in the Installment Purchase Agreement. In the event that the Ad Valorem Tax Revenues are not sufficient in amount to pay the Installment Payments and the Parity Obligations when due, any unpaid Installment Payments and Parity Obligations will be paid from other Net Revenues. This pledge constitutes a first and exclusive lien on the Ad Valorem Tax Revenues and other Net Revenues, the Water Fund and the other funds and accounts created hereunder for the payment of the Installment Payments and all other Parity Obligations in accordance with the terms of the Installment Purchase Agreement and of the Trust Agreement.

Execution or Incurrence of Parity Obligations. The District may at any time enter into or otherwise incur Parity Obligations in addition to the obligations under the Installment Purchase Agreement; provided:

- a) The District is in compliance with all agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be observed or performed by it, and a Written Certificate of the District to that effect has been filed with the Trustee.
- b) The Net Revenues (excluding capacity charges) for any 12 consecutive months within the last 18 months preceding the date of entry into or incurrence of such Parity Obligations, as shown by a Certificate of an Independent Consultant on file with the Trustee, are equal to at least 125% of the Maximum Annual Debt Service as calculated after the entry into or incurrence of such Parity Obligations; provided that, in the event that all or a portion of such Parity Obligations are to be issued for the purpose of refunding and retiring any Parity Obligations then outstanding, interest and principal payments on the Parity Obligations to be so refunded and retired from the proceeds of such Parity Obligations being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service; and provided further that, the District may at any time enter into or incur Parity Obligations without compliance with the foregoing conditions, if the aggregate Annual Debt Service, during the years which such Parity Obligations are outstanding, will not be increased by reason of the entry into or incurrence of such Parity Obligations.

The District may adjust the foregoing Net Revenues to reflect (a) an allowance for increased or decreased Net Revenues arising from any increase or decrease in the rates, fees and charges of the Enterprise which was duly adopted by the Board of the District prior to the date of the entry into or incurrence of such Parity Obligations but which, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased or decreased if such increase or decrease in rates, fees and charges had been in effect during the whole of such 12-month period; and (b) an allowance for Net Revenues that would have been derived from each new use or user of the Enterprise that, during any part of such Fiscal Year or 12-month period, was not in existence, in an amount equal to 70% of the estimated additional Net Revenues that would have been derived from each such new use or user if it had been in existence for the entire 12-month period.

Nothing contained in the Installment Purchase Agreement shall limit the issuance of any revenue bonds, certificates of participation, notes or other evidences of indebtedness or the entry into of any installment purchase agreement by the District payable from the Net Revenues and secured by a lien and charge on the Net Revenues if, upon the issuance of such revenue bonds or entry into such installment purchase agreement, all of the Installment Payments shall have been fully paid or provision has been made therefor in accordance with the Installment Purchase Agreement. Nothing contained in the Installment Purchase Agreement shall limit the issuance or incurrence of any Subordinate Obligations.

Rate Stabilization Fund. The District may, at any time, determine to deposit in a Rate Stabilization Fund, which it may establish in conjunction with the Enterprise, any Net Revenues and any other money received and available to be used for such purpose. The District may at any time withdraw any or all of the money from the Rate Stabilization Fund for inclusion in Net Revenues; provided that any such withdrawal from the Rate Stabilization

Fund shall be made not later than 180 days after the end of the Fiscal Year for which the withdrawal from the Rate Stabilization Fund will be included as Net Revenues.

Prepayment of Installment Payments; Discharge

Prepayment of Installment Payments. The District may or shall, as the case may be, prepay from the Net Proceeds, the Installment Payments as a whole or in part in the order of payment date as directed by the District (or in the event the District has not directed the order of payment date, in inverse order of maturity) at a Prepayment Price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment as provided in the Trust Agreement.

The District may, from any available funds, prepay the Installment Payments, as a whole or in part, on any date on or after September 1, 2034, on a pro rata basis, or as otherwise directed by the District; provided that any prepayment of a principal component of the Installment Payments shall be an amount sufficient to provide for the prepayment or defeasance of Certificates in accordance with the provisions of the Trust Agreement. The prepayment of the principal component of the Installment Payments shall be at a Prepayment Price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment as provided in the Trust Agreement.

The Corporation shall accept such prepayments when the same are tendered by the District. All prepayments of Installment Payments made by the District shall, upon receipt, be transferred to the Trustee for deposit in the Installment Payment Fund and subsequent deposit into the Prepayment Account of the Installment Payments Fund under the Trust Agreement, or deposited as provided under the Trust Agreement to discharge the Certificates.

With respect to prepayments of Installment Payments, the District shall determine which Installment Payments are to be prepaid, including the principal component of the Installment Payment due on each Installment Payment Date to be paid or prepaid with such prepayments, and, subject to the provisions of the Installment Purchase Agreement, the date on which each such prepayment is to be made. Before making any prepayment, the District shall give written notice to the Corporation and the Trustee specifying the date on which the prepayment will be paid, which date shall be not less than 45 days from the date such notice is given; except that, notwithstanding any such prepayment, the District shall not be relieved of its obligations under the Installment Purchase Agreement, until all Installment Payments shall have been fully paid, or provision for payment thereof shall have been made.

Discharge of Obligations. Notwithstanding any other provision of the Installment Purchase Agreement, the District may on any date secure the payment of Installment Payments in whole or in part by irrevocably depositing with the Trustee, an escrow agent or other fiduciary, an amount of cash which is either (a) sufficient to pay all such Installment Payments in accordance with the Installment Payment schedule set forth in the Installment Purchase Agreement, or (b) invested in whole or in part in non-callable Government Obligations in such amount as will, together with interest to accrue thereon and together with any cash which is so deposited, in the written opinion of an Independent Certified Public Accountant, be fully sufficient to pay all such Installment Payments when due, or when due on any optional prepayment date, as the District shall instruct at the time of the deposit. In the event of a security deposit with respect to all of the Installment Payments, all obligations of the District under the Installment Purchase Agreement, and all security provided by the Installment Purchase Agreement for such obligations, shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all of such Installment Payments from such security deposit, and the obligation of the District to pay all required Additional Payments pursuant to the Installment Purchase Agreement. The security deposit shall be deemed to be and shall constitute a special fund for the payment of Installment Payments in accordance with the provisions of the Installment Purchase Agreement.

In the event that Certificates are discharged under the Trust Agreement from amounts other than prepayments of Installment Payments, the principal component of each succeeding Installment Payment will be reduced (with the interest component of each remaining Installment Payment reduced correspondingly) by the aggregate corresponding amount which would otherwise be payable with respect to the Certificates thereby discharged pursuant to the applicable provisions of the Trust Agreement.

Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Installment Payments in full, such that the Trust Agreement shall be discharged by its terms as a result of such prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable under the Installment Purchase Agreement, all available amounts then on deposit in the funds and accounts established under the Trust Agreement shall be credited towards the amounts then required to be so prepaid or upon the Written Request of the District.

Covenants

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

Legal Existence. The District will use all means legally available to maintain its existence.

Protection of Security and Rights. The District will preserve and protect the security of and the rights of the Trustee, as assignee of the Corporation, to the Installment Payments, and interest thereon, and other payments required to be made by the District under the Installment Purchase Agreement and will warrant and defend such rights against all claims and demands of all persons.

Against Encumbrances. The District will not mortgage or otherwise encumber, pledge or place any charge or lien upon Gross Revenues except as provided in the Installment Purchase Agreement. The District will not mortgage or otherwise encumber, pledge or place any lien or charge upon any of the Net Revenues on a parity with the pledge securing the payment of the Installment Payments, except for Parity Obligations as provided in the Installment Purchase Agreement. The District may at any time issue Subordinate Obligations.

Against Sale or Other Disposition of the Enterprise. The District will not sell or otherwise dispose of the Enterprise or any part thereof essential to the proper operation of the Enterprise or to the maintenance of the Net Revenues, unless the Installment Payments have been fully paid or provision has been made therefor in accordance with the Installment Purchase Agreement. The District will not enter into any lease or agreement which impairs the operation of the Enterprise or any part thereof necessary to secure adequate Net Revenues for the payment of

the Installment Payments and all Parity Obligations, or which would otherwise impair the rights of the Owners with respect to the Net Revenues or the operation of the Enterprise.

Any real or personal property that has become nonoperative or that is not needed for the efficient and proper operation of the Enterprise, or any material or equipment that has become worn out, may be sold if such sale will not impair the ability of the District to pay the Installment Payments and if the proceeds of such sale are deposited in the Water Fund. Nothing in the Installment Purchase Agreement shall restrict the ability of the District to sell any portion of the Enterprise if such portion is immediately repurchased by the District and if such arrangement cannot by its terms result in the purchaser of such portion of the Enterprise exercising any remedy that would deprive the District of or otherwise interfere with its right to own and operate such portion of the Enterprise.

Maintenance and Operation of Enterprise. The District will maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner.

Insurance. To the extent such insurance is available for reasonable premiums from a reputable insurance company, the District will procure and maintain at all times insurance on the Enterprise against such risks (including accident to or destruction of the Enterprise) and in such amounts as are usually insured in connection with operations in California similar to the Enterprise; provided, that such insurance coverage may be satisfied under a self-insurance program. The District shall procure and maintain or cause to be procured and maintained public liability insurance covering claims against the District (including its city council, officers and employees) for bodily injury or death, or damage to property occasioned by reason of the District's operations, including any use of the Enterprise, and such insurance shall afford protection in such amounts as are usually covered in connection with operations in California similar to the Enterprise. Such insurance coverage may also be satisfied under a self-insurance program.

If all or any part of the Enterprise shall be damaged or destroyed, the Net Proceeds realized by the District as a result thereof shall be deposited by the District with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the District to the cost of acquiring and constructing repairs, replacements, or improvements to the Enterprise if (i) the District first secures and files with the Trustee a Written Certificate of the District showing (A) the loss in annual Gross Revenues, if any, suffered, or to be suffered by the District by reason of such damage or destruction, (B) a general description of the repairs, replacements, or improvements to the Enterprise then proposed to be acquired and constructed by the District from such proceeds, and (C) an estimate of the Gross Revenues to be derived after the completions of such repairs, replacements, or improvements; and (ii) the Trustee has been furnished a Written Certificate of the District, certifying that the Gross Revenues after such repair, replacement, or improvement of the Enterprise will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such damage or destruction so that the ability of the District to pay all Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Written Certificate of the District shall be final and conclusive, and any balance of such proceeds not required by the District for such purpose shall be deposited in the Water Fund and applied as provided in the Installment Purchase Agreement; provided that, if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments as they become due ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of insurance payments shall be subject to any similar provisions for Parity Obligations on a pro rata basis.

If such damage or destruction has had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payment and all Parity Obligations, and a Written Certificate of the District to such effect has been filed with the Trustee, then the District shall deposit such proceeds in the Water Fund, to be applied as provided in the Installment Purchase Agreement.

Eminent Domain Proceeds. If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Net Proceeds realized by the District therefrom shall be deposited by the District with the Trustee

in a special fund which the Trustee shall establish as needed in trust and applied by the District to the cost of acquiring and constructing improvements to the Enterprise if (a) the District first secures and files with the Trustee a Written Certificate of the District showing (i) the loss in annual Gross Revenues, if any, suffered, or to be suffered, by the District by reason of such eminent domain proceedings, (ii) a general description of the improvements to the Enterprise then proposed to be acquired and constructed by the District from such proceeds, and (iii) an estimate of the additional Gross Revenues to be derived from such improvements; and (b) the Trustee has been furnished a Written Certificate of the District, certifying that such additional Gross Revenues will sufficiently offset on a timely basis the loss of Gross Revenues resulting from such eminent domain proceedings so that the ability of the District to pay the Installment Payments and all Parity Obligations when due will not be substantially impaired, and such Written Certificate of the District shall be final and conclusive, and any balance of such proceeds not required by the District for such purpose shall be deposited in the Water Fund and applied as provided in the Installment Purchase Agreement, provided that, if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments, as they become due, ratably without any discrimination or preference; and provided further that the foregoing procedures for the application of Net Proceeds consisting of awards under eminent domain proceedings shall be subject to any similar provisions for Parity Obligations on a pro rata basis.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the Gross Revenues and the security of the Installment Payments and all Parity Obligations, and a Written Certificate of the District to such effect has been filed with the Trustee, then the District shall deposit such proceeds in the Water Fund, to be applied as provided in the Installment Purchase Agreement.

Amounts of Rates, Fees and Charges. The District will, at all times until all Installment Payments have been fully paid or provision has been made therefor, fix, prescribe and collect rates, fees and charges for the services and facilities of the Enterprise during each Fiscal Year so as to yield Gross Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the following order of priority:

- a) All anticipated expenses for the Operation and Maintenance Costs of the Enterprise for such Fiscal Year;
- b) The Installment Payments, all other Parity Obligation Payments, and all Subordinate Obligation Payments as they become due and payable;
- c) All payments required for compliance with the terms of any Parity Obligations requiring restoration of a debt service reserve fund to the amount required to be maintained therein;
- d) All payments required for compliance with the terms of any Subordinate Obligations requiring restoration of a debt service reserve fund to the amount required to be maintained therein; and
- e) All payments to meet any other obligations of the District which are charges, liens or encumbrances upon, or payable from, the Gross Revenues.

In addition to the requirements of the foregoing subsection, the District will, at all times until all Installment Payments have been fully paid or provision has been made therefor, fix, prescribe and collect rates, fees and charges and manage the operation of the Enterprise for each Fiscal Year so as to yield during such Fiscal Year (i) Net Revenues (excluding capacity charges), equal to at least 125% of the Annual Debt Service in such Fiscal Year, and (ii) Net Revenues equal to at least 100% in such Fiscal Year of (A) Annual Debt Service plus (B) annual debt service for any other Obligations.

The District may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit

to be reduced such rates, fees and charges below those then in effect unless the Gross Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of the Installment Purchase Agreement.

Enforcement of and Performance Under Contracts. The District shall enforce all material provisions of any contracts to which it is a party, an assignee, successor in interest to a party or third-party beneficiary, in any case where such contracts provide for material payments or services to be rendered to the Enterprise. Further, the District will comply with, keep, observe and perform all material agreements, conditions, covenants and terms, express or implied, required to be performed by it, contained in all contracts affecting or involving the Enterprise, to the extent that the District is a party thereto. The District approves the Trust Agreement and shall comply with the provisions thereunder applicable to it.

Collection of Charges, Fees and Rates. The District will have in effect at all times rules and regulations requiring each user of the Enterprise to pay the applicable charges, fees and rates and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the District will enforce the collection procedures contained in such rules and regulations.

No Free Service. The District will not permit any part of the Enterprise or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State, and any city, county, public agency, political subdivision, public corporation or agency of any thereof), unless otherwise required by law or existing written agreements.

Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Enterprise or upon the Gross Revenues or any part thereof, or upon any funds held by the Trustee, or which might impair the security of the Installment Payments; except that nothing in the Installment Purchase Agreement shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims and such nonpayment will not materially adversely affect the District's ability to perform its obligations thereunder.

Books of Record and Accounts; Financial Statements. The District will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the Enterprise, the Water Fund and all other accounts or funds established pursuant to the Installment Purchase Agreement or the Trust Agreement.

The District will annually cause to be prepared by an Independent Certified Public Accountant, not later than 270 days after the close of each Fiscal Year, until all Installment Payments have been fully paid, or provision has been made therefor, audited financial statements of the District containing schedules relating to the Water Fund. The District shall maintain accurate books and records for each Fiscal Year of all accounts or funds established pursuant hereto for the preceding Fiscal Year, showing the balances in each such account or fund as of the beginning of such Fiscal Year, all deposits in and withdrawals from each such account or fund during such Fiscal Year, and the balances in each such account or fund as of the end of such Fiscal Year.

Payment of Taxes and Other Charges and Compliance with Governmental Regulations. The District will pay and discharge all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Enterprise or any properties owned by the District, or upon the Gross Revenues, when the same shall become due; provided, that nothing in the Installment Purchase Agreement shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges and such nonpayment will not materially adversely affect the District's ability to perform its obligations thereunder.

The District will duly comply with all applicable state, federal and local statutes and all valid regulations and requirements of any governmental authority relative to the operation of the Enterprise or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith and such noncompliance will not materially adversely affect the District's ability to perform its obligations under the Installment Purchase Agreement.

Tax Covenants and Matters. The District and the Corporation acknowledge that the Installment Purchase Agreement is intended to be treated for federal income tax purposes as an obligation the debt service on which comprises the mandatory rental or installment payments, respectively, that undivided interests in the form of certificates of participation were or are to be sold in respect of that obligation. The District covenants, for the benefit of the Corporation and the Owners and Beneficial Owners of the Certificates that, notwithstanding any other provisions of the Installment Purchase Agreement, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest component of the Installment Payments under Section 103 of the Code. The District shall not, directly or indirectly, use or permit the use of proceeds of the Certificates or any of the property financed or refinanced with proceeds of the Certificates, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code and applicable Treasury Regulations) in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the interest component of the Installment Payments.

Preservation of Corporation. The District covenants to take whatever action is necessary to preserve the existence of the Corporation until payment in full of the Purchase Price or defeasance of the Certificates.

Further Assurances. The District will adopt, make, execute and deliver any and all such further documents, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Installment Purchase Agreement.

Events of Default and Remedies of the Corporation

Events of Default. The following shall be Events of Default under the Installment Purchase Agreement, and Installment Purchase Agreement Event of Default shall mean any one or more of the following events:

(a) if default is made by the District in the due and punctual payment of any Installment Payment or any other Parity Obligations when and as the same shall become due and payable;

(b) if default is made by the District in the performance of any of the other agreements or covenants required herein to be performed by it, and such default has continued for a period of 30 days after the District has been given notice in writing of such default by the Corporation or the Trustee; except that such default will not constitute an Event of Default hereunder if the District commences to cure such default within such 30-day period and thereafter diligently and in good faith proceeds to cure such default within a reasonable period of time;

(c) if the District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property; or

(d) if payment of the principal of any Parity Obligations is accelerated in accordance with its terms;

then, and in each and every such case during the continuance of an Event of Default specified in clauses (c) and (d) above, the Corporation shall, and for any other Event of Default the Corporation may, by notice in writing to the District, declare all unpaid principal components of the Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. This subsection however, is subject to the condition that if, at any time after all unpaid principal components of the Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Corporation a sum sufficient to pay the unpaid principal components and interest components of the Installment Payments then due and payable (other than the principal components of the Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration), with interest on such overdue Installment Payments at the highest rate applicable to the remaining unpaid principal component of the Installment Payments, and the reasonable expenses of the Corporation and the Trustee shall have been paid or provision deemed by the Corporation or the Trustee, as applicable, to be adequate shall have been made therefor, and any and all other Events of Default shall have been made good or cured to the satisfaction of the Corporation or provision deemed by the Corporation to be adequate shall have been made therefor, then and in every such case the Corporation, by written notice to the District, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Upon the date of the declaration of acceleration as provided in Section 8.1, all Gross Revenues thereafter received shall be applied in the following order:

- a) First, to the payment, without preference or priority, and in the event of any insufficiency of such Gross Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Trustee and the trustee for any other Parity Obligations, then the Corporation, including the costs, if any, in carrying out the provisions of the Installment Purchase Agreement, including reasonable compensation to accountants and counsel and similar costs with respect to this Agreement and Parity Obligations;
- b) Second, to the payment of Operation and Maintenance Costs;
- c) Third, to the payment of all unpaid principal components of the Installment Payments and the accrued interest thereon and the unpaid principal amount of all other Parity Obligations and the accrued interest thereon, with interest on the overdue Installment Payments at the highest rate of interest applicable to the unpaid principal components of the Installment Payments and, with respect to such other Parity Obligations, as required by the terms of such other Parity Obligations; and
- d) Fourth, to amounts due to any provider of credit enhancement for other Parity Obligations.

Remedies on Default. In addition to remedies elsewhere provided in the Installment Purchase Agreement, upon the continuance of an Event of Default, the Corporation shall have the right:

- a) by mandamus or other action or proceeding or suit at law or in equity, to enforce its rights against the District or any director, officer or employee thereof, and to compel the District or any such director, officer or employee to perform and carry out its or their duties under applicable law and the agreements and covenants required to be performed by it or them contained in the Installment Purchase Agreement;
- b) by suit in equity, to enjoin any acts or things which are unlawful or violate the rights of the Corporation;

- c) by suit in equity, to require the District and its directors, officers and employees to account as the trustee of an express trust; or
- d) by mandamus or other action or proceeding or suit at law or in equity, to pursue any other remedy now or hereafter existing in law or in equity or by statute or otherwise to enforce the performance of the District's obligations under the Installment Purchase Agreement and to otherwise protect the Corporation's rights and interests in connection therewith.

Notwithstanding anything contained in the Installment Purchase Agreement, the Corporation shall have no security interest in or mortgage on the Project, the Enterprise or other facilities of the District, or any other real property of the District, and no default thereunder shall result in the loss of the Project, the Enterprise or other facilities of the District or any other real property of the District.

Non-Waiver. No provision of the Installment Purchase Agreement shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Installment Payments to the Corporation at the respective due dates from the Net Revenues, the Water Fund and the other funds pledged for such payment, or shall affect or impair the right of the Corporation, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied therein.

A waiver of any default or breach of duty or contract by the Corporation shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Corporation to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Corporation by applicable law or by the Installment Purchase Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Corporation. If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Corporation, the District and the Corporation shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

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

Amendments

The Installment Purchase Agreement may only be amended in accordance with the terms applicable to the Corporation in the Trust Agreement and any other limitations to amendment of the Installment Purchase Agreement with respect to any Parity Obligations.

Miscellaneous

Liability of District Limited to Net Revenues. Notwithstanding anything contained in the Installment Purchase Agreement, the District shall not be required to advance any moneys derived from any source of income other than Net Revenues for the payment of the Installment Payments or for the performance of any agreements or covenants required to be performed by it contained therein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to make the Installment Payments and any other payments hereunder is a special obligation of the District payable solely from the Net Revenues, and does not constitute a debt of the District or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Assignment; Third-Party Beneficiary. The District acknowledges and agrees that the Installment Payments, and certain of the Corporation's rights under the Installment Purchase Agreement will be assigned to the Trustee. The District consents to such assignment. In addition to the rights and remedies assigned by the Corporation to the Trustee, to the extent that the Trust Agreement and the Installment Purchase Agreement confer upon or gives or grants to the Trustee any right, remedy or claim under or by reason of the Trust Agreement or the Installment Purchase Agreement, the Trustee is explicitly recognized as being a third-party beneficiary thereunder and may enforce any such right, remedy or claim conferred given or granted.

California Law. The Installment Purchase Agreement shall be construed and governed in accordance with the laws of the State with respect to contracts entered into and to be performed in the State.

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APPENDIX D

FORM OF APPROVING OPINION OF SPECIAL COUNSEL

Upon the execution and delivery of the Certificates, Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel to the District, will render its final approving opinion with respect to the Certificates in substantially the following form:

[Date of Delivery]

Nipomo Community Services District
148 South Wilson Street
Nipomo, California 93444

\$ _____
Nipomo Community Services District
Water Revenue Certificates of Participation
Series 2024

Ladies and Gentlemen:

We have acted as Special Counsel in connection with the \$ _____ aggregate principal amount of Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024 (the “Certificates”), which are certificates of participation that evidence direct, fractional undivided interests of the Owners thereof in the installment payments (the “Installment Payments”), and the interest thereon, to be made by the Nipomo Community Services District (the “District”) pursuant to the Installment Purchase Agreement, dated as of October 1, 2024 (the “Installment Purchase Agreement”), by and between the District and the Nipomo Community Services District Public Facilities Corporation (the “Corporation”). Installment Payments under the Installment Purchase Agreement are payable solely from Net Revenues as provided in the Installment Purchase Agreement, primarily consisting first of *ad valorem* tax revenues and second 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 costs. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Installment Purchase Agreement.

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of October 1, 2024 (the “Trust Agreement”), by and among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Proceeds from the sale of the Certificates, together with other funds of the District, will be used to (i) refund all of the District’s Water Revenue Refunding Bonds, Series 2013A, (ii) prepay all of the District’s Revenue Certificates of Participation (Supplemental Water Project), Series 2013, (iii) fund a portion of the costs of certain capital improvements to the Enterprise, and (iv) pay the costs incurred in connection with the execution and delivery of the Certificates.

As Special Counsel, we have examined copies certified to us as being true and complete copies of the Trust Agreement and the Installment Purchase Agreement and the proceedings of the District in connection with the execution and delivery of the Certificates. We have also examined such certificates of officers of the District, the Corporation and others as we have considered necessary for the purposes of this opinion.

Based upon the foregoing, we are of the opinion that:

1. The Installment Purchase Agreement and the Trust Agreement each has been duly and validly authorized, executed and delivered by the District and the Corporation and, assuming

the Installment Purchase Agreement and the Trust Agreement each constitutes the legally valid and binding obligation of the other parties thereto, each constitutes the legally valid and binding obligation of the District, enforceable against the District in accordance with its respective terms.

2. The payment of the Installment Payments, including the interest component thereof, and other payments required to be made by the District under the Installment Purchase Agreement, is a special obligation of the District payable, in the manner provided in the Installment Purchase Agreement, solely from Net Revenues and other funds provided for in the Installment Purchase Agreement lawfully available therefor.

3. Assuming due authorization, execution and delivery of the Trust Agreement and the Certificates by the Trustee, the Certificates are entitled to the benefits of the Trust Agreement.

4. Under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the District with certain covenants in the Trust Agreement, the Tax Certificate and other documents pertaining to the Certificates and requirements of the Internal Revenue Code of 1986 regarding the use, expenditure and investment of proceeds of the Certificates and the timely payment of certain investment earnings to the United States, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is not included in the gross income of the owners of the Certificates for federal income tax purposes. Failure to comply with such covenants and requirements may cause the portion of each Installment Payment representing interest and distributed in respect of any Certificate to be included in gross income retroactive to the date of execution and delivery of the Certificates.

5. Under existing law, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. We express no opinion regarding the applicability of the federal corporate alternative minimum tax to the adjusted financial statement income of certain corporations.

6. Under existing law, the portion of each Installment Payment representing interest and distributed in respect of any Certificate is exempt from personal income taxes imposed by the State of California.

Except as stated in paragraphs 4, 5 and 6 above, we express no opinion as to any federal or state tax consequence of the ownership or disposition of the Certificates. Further, certain requirements and procedures contained or referred to in the Trust Agreement, the Installment Purchase Agreement or in other documents pertaining to the Certificates may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect of any change to any document pertaining to the Certificates or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance upon the advice of counsel other than ourselves with respect to the exclusion from gross income of the portion of each Installment Payment representing interest and distributed in respect of any Certificate for federal income tax purposes.

The rights of the owners of the Certificates and the enforceability of the Certificates, the Trust Agreement and the Installment Purchase Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases. The enforceability of the Certificates, the Trust Agreement and the Installment Purchase Agreement is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether

considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California.

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Nipomo Community Services District (the “Issuer”) in connection with the execution and delivery of Nipomo Community Services District Water Revenue Certificates of Participation, Series 2024, in the aggregate principal amount of \$_____ (the “Certificates”). The Certificates are being executed and delivered pursuant to a Resolution adopted by the Board of Directors of the Issuer on September 11, 2024, and a Trust Agreement dated as of October 1, 2024 (the “Trust Agreement”) by and among the Issuer, the Nipomo Community Services District Public Facilities Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Issuer and Dissemination Agent hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with SEC Rule 15c2-12(b)(5), as amended.

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

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Dissemination Agent” shall mean Special District Financing & Administration, 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.

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

“Participating Underwriter” shall mean Raymond James & Associates, Inc., as underwriter for the Certificates.

“Repository” shall mean the Municipal Securities Rulemaking Board (“MSRB”), which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (“EMMA”) website of the MSRB, currently located at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, by February 1 of each year, commencing February 1, 2025, provide to the Repository, in an electronic format as prescribed by the Repository, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other

information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) If the Issuer is unable to provide to the Repository or the Dissemination Agent an Annual Report by the date required in subsection (a), the Issuer shall in a timely manner send a notice to the Repository, in an electronic format as prescribed by the Repository, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) confirm the electronic filing requirements of the Repository for the Annual Report; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided to the Repository.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the Issuer prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board.

(b) To the extent not included in the financial statements, the updates to the information contained in the following tables as set forth in the Official Statement, for the Fiscal Year, unless otherwise specified:

1. Table 1 – Historical Pumped Groundwater and Purchased Supplemental Water;
2. Table 3 – Historical Water Connections;
3. Table 6 – Historical Water Sales Revenues;
4. Table 7 – Ten Largest Enterprise Customers based on Payment;
5. Table 10 – Historical Capacity Fees;
6. Table 12 – Historical Assessed Valuation and Property Tax Revenues;
7. Table 15 – Largest Secured Property Taxpayers
8. Table 16 – Cost of Supplemental Water Purchased from the City of Santa Maria
9. Table 17 - Allocation of Cost of Supplemental Water to Partner Purveyors
10. Table 19 - Historical Revenues, Expenses and Changes in Net Assets; and
11. Table 21 – Historical Debt Service Coverage.

(c) Information on then-current water rates of the District.

(d) The principal amount of the Certificates and Parity Obligations outstanding and balance in the Reserve Fund as of the most recent calendar year end.

(e) Update on any water purchase or sale agreements of the District.

Such information listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository. If the document included by reference is a final official statement, it must be available from the Repository. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Certificates in a timely manner not more than ten (10) business days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes;
9. bankruptcy, insolvency, receivership or similar proceedings; and
10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the interest component of the Installment Payments distributed through the Certificates or other material events affecting the tax status of the interest component of the Installment Payments distributed through the Certificates;
2. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
3. appointment of a successor or additional trustee or the change of the name of a trustee;
4. nonpayment related defaults;
5. modifications to the rights of Owners of the Certificates;
6. prepayment of the Certificates;
7. release, substitution or sale of property securing repayment of the Installment Payments; and
8. incurrence of a financial obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Certificateholders.

(c) Upon the occurrence of a Listed Event under Section 5(b) above, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with the Repository in a timely manner not more than ten (10) business days after the event.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the Issuer and that the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(f) For purposes of the events identified in subparagraphs (a)(10) and (b)(8), the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

Section 6. Termination of Reporting Obligation. The Issuer's and the Dissemination Agent's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Installment Payments. If such termination occurs prior to the final maturity of the Certificates, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may

discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Special District Financing & Administration.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity nature or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement, or (ii) does not, in the opinion of a nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repository in the same manner as for a Listed Event under Section 5(a).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Trust Agreement or any Supplemental Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any

failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees 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. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment with respect to the Certificates. The Dissemination Agent has no power to enforce performance on the part of the Issuer. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 13. Notices. Any notice or communication required or permitted hereunder shall be given in writing, sent by (a) personal delivery delivered by a representative of the party giving such notice, or (b) overnight delivery by recognized overnight courier, or (c) United States mail, postage prepaid, registered or certified mail, or facsimile, addressed as follows:

If to the Issuer:

Nipomo Community Services District
148 S. Wilson Street
Nipomo, California 93444

or to such other address or to the attention of such other person as hereinafter shall be designated in writing by the applicable party sent in accordance herewith. Any such notice or communication shall be deemed to have been delivered either at the time of personal delivery actually received by the addressee or a representative of the addressee at the address provided above or, if delivered on a business day in the case of delivery service or certified or registered mail, as of the earlier of the date delivered or the date 72 hours following the date deposited in the United States mail at the address provided herein, or if by telecopier, upon electronic confirmation of good receipt by the receiving telecopier.

Section 14. Future Determination of Obligated Persons. In the event that the Securities Exchange Commission amends, clarifies or supplements the Rule in such a manner that requires any landowner within the District to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the Issuer to meet the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Certificate shall be deemed to obligate the Issuer to disclose information concerning any owner of land within the District except as required as part of the information required to be disclosed by the Issuer pursuant to Section 4 and Section 5 hereof.

Dated: October ____, 2024

NIPOMO COMMUNITY SERVICES DISTRICT

By: _____
General Manager

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Nipomo Community Services District

Name of Issue: \$_____ Nipomo Community Services District Water
Revenue Certificates of Participation, Series 2024

Date of Issuance: October ____, 2024

NOTICE IS HERBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Certificates as required by the Trust Agreement dated as of October 1, 2024, by and among the Issuer, the Nipomo Community Services District Public Facilities Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____,

_____,
as Dissemination Agent on behalf of Issuer

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APPENDIX F

BOOK-ENTRY SYSTEM

Introduction

Unless otherwise noted, the information contained under the caption “—General” below has been provided by DTC. The District makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Certificates should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE DISTRICT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE CERTIFICATES UNDER THE TRUST AGREEMENT, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL PREPAYMENT OF THE CERTIFICATES; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE TO THE OWNERS OF THE CERTIFICATES; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF CERTIFICATES; OR (F) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Certificates are in the book-entry-only system, prepayment notices will be sent to DTC. If less than all of the Certificates of a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

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

Principal and interest payments with respect to the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and

customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Certificates are required to be printed and delivered.

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

The information in this Appendix F concerning DTC and DTC’s book-entry system has been obtained from sources that the District believe to be reliable, but neither the District or the Underwriter take any responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF CERTIFICATES AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

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