

NIPOMO COMMUNITY SERVICES DISTRICT

THURSDAY, JANUARY 31, 2013

3:00 P.M.

SPECIAL MEETING NOTICE & AGENDA FINANCE AND AUDIT COMMITTEE

COMMITTEE MEMBERS

LARRY VIERHEILIG, MEMBER
CRAIG ARMSTRONG, MEMBER

PRINCIPAL STAFF

MICHAEL S. LEBRUN, GENERAL MANAGER
LISA BOGNUDA, ASST GM/FINANCE DIRECTOR
JON SEITZ, GENERAL COUNSEL

**MEETING LOCATION - District Board Room
148 S. Wilson Street, Nipomo, California**

- 1. CALL TO ORDER, FLAG SALUTE AND ROLL CALL**
- 2. REVIEW PROPOSED REFINANCING OF 2003 CERTIFICATES OF PARTICIPATION**
ACTION RECOMMENDED: Review and make a recommendation to the Board of Directors.
- 3. REVIEW PROPOSED FINANCING OF PHASED SUPPLEMENTAL WATER PROJECT**
ACTION RECOMMENDED: Review and make a recommendation to the Board of Directors.
- 4. AUDIT PROPOSAL REVIEW**
ACTION RECOMMENDED: Review and make a recommendation to the Board of Directors.
- 5. SET DATE FOR NEXT FINANCE AND AUDIT COMMITTEE MEETING**
- 6. ADJOURN**

TO: FINANCE AND AUDIT
COMMITTEE

FROM: LISA BOGNUDA *LSB*
FINANCE DIRECTOR

DATE: JANUARY 29, 2013

AGENDA ITEM

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JANUARY 31, 2013

REVIEW PROPOSED REFINANCING OF 2003 CERTIFICATES OF PARTICIPATION

ITEM

Review proposed refinancing of 2003 Certificates of Participation (COP)

BACKGROUND

In 2003, the District issued Certificates of Participation in the amount of \$4,000,000 to fund various water-related projects. The remaining Interest Cost on the unpaid principal is 4.74%. Average annual unpaid debt service is \$247,969. In addition to water system Net Revenues, the District pledged approximately one-half of its annual property tax revenue stream for repayment of the debt. The current principal outstanding is \$3,235,000 and will mature on September 1, 2033. The term of the original issuance was 30 years.

Interest rates have steadily declined to very low levels and it is fiscally prudent to consider refinancing the outstanding principal. C.M. de Crinis & Co, Inc., the District's independent financial advisors to the supplemental water and Southland Financing Projects from last year, has provided the District with a refinancing analysis of the 2003 COP's. Based on current market conditions and assuming a bond rating of A+ (the current rating of the 2003 COPs), the True Interest Cost in today's market for a Refunding Issue is estimated to be in the low 3% range. The attached analysis assumes 3.13%. Paul McDonnell of the C.M. de Crinis & Co, Inc. will be present to answer questions from your Committee.

The projected savings, net of all cost of issuance and underwriting costs, is currently estimated to be \$455,765 or about \$22,788 per year for the remaining 20 year term. Present savings in today's dollars is \$347,252. Present value saving is in excess of 10% of the \$3,235,000 being refinanced. This is a high savings rate. Many issuers and financial policies have a minimum 3% savings benchmark.

In 2012, the District adopted a Debt Management Policy. The proposed refinancing would adhere to the District's objectives of ensuring ratepayer security, maintaining high credit ratings, and preserving financial flexibility. It is proposed that the refunding COPs would be sold by competitive bid as required under the Policy.

FISCAL IMPACTS

The estimated Net Present Value savings over the remaining twenty year life of the COP is \$347,000. The average annual reduction in debt service payments would be approximately \$22,000 per year. The cost of the refinance, including legal, rating, advisory, trustee, printing and underwriting is approximately \$178,500 and will be paid for out of the proceeds of the refinance. Savings are Net of these costs.

RECOMMENDATION

Review proposed refinancing of the 2003 Certificates of Participation and make a recommendation to the Board of Directors.

ATTACHMENT

- A. Financial Analysis

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JANUARY 31, 2013

ITEM 2

ATTACHMENT A

SOURCES AND USES OF FUNDS

Nipomo Community Services District
Water Revenue Refunding bonds

Sources:

Bond Proceeds:	
Par Amount	3,345,000.00
Net Premium	<u>72,247.65</u>
	3,417,247.65
Other Sources of Funds:	
Bond Reserve Fund	249,025.00
	<u>3,666,272.65</u>

Uses:

Refunding Escrow Deposits:	
Cash Deposit	3,256,901.85
Other Fund Deposits:	
Debt Service Reserve Fund	229,700.00
Delivery Date Expenses:	
Cost of Issuance	145,000.00
Underwriter's Discount	<u>33,450.00</u>
	178,450.00
Other Uses of Funds:	
Additional Proceeds	1,220.80
	<u>3,666,272.65</u>

SAVINGS

Nipomo Community Services District
Water Revenue Refunding bonds

Date	Prior Debt Service	Refunding Debt Service	Savings	Annual Savings	Present Value to 04/24/2013 @ 3.0239633%
09/01/2013	174,383.63	81,461.11	92,922.52	92,922.52	91,943.84
03/01/2014	72,533.63	54,275.00	18,258.63		17,797.24
09/01/2014	172,533.63	174,275.00	-1,741.37	16,517.26	-1,672.08
03/01/2015	70,608.63	52,475.00	18,133.63		17,152.78
09/01/2015	175,608.63	172,475.00	3,133.63	21,267.26	2,919.98
03/01/2016	68,561.13	50,675.00	17,886.13		16,418.43
09/01/2016	178,561.13	175,675.00	2,886.13	20,772.26	2,609.84
03/01/2017	66,306.13	48,800.00	17,506.13		15,594.47
09/01/2017	181,306.13	178,800.00	2,506.13	20,012.26	2,199.21
03/01/2018	63,891.13	46,850.00	17,041.13		14,731.41
09/01/2018	183,891.13	181,850.00	2,041.13	19,082.26	1,738.20
03/01/2019	61,311.13	44,150.00	17,161.13		14,396.51
09/01/2019	186,311.13	184,150.00	2,161.13	19,322.26	1,785.97
03/01/2020	58,561.13	41,350.00	17,211.13		14,011.55
09/01/2020	188,561.13	186,350.00	2,211.13	19,422.26	1,773.27
03/01/2021	55,636.13	38,450.00	17,186.13		13,577.51
09/01/2021	190,636.13	188,450.00	2,186.13	19,372.26	1,701.38
03/01/2022	52,531.13	35,450.00	17,081.13		13,095.56
09/01/2022	192,531.13	190,450.00	2,081.13	19,162.26	1,571.77
03/01/2023	49,276.13	32,350.00	16,926.13		12,593.04
09/01/2023	199,276.13	197,350.00	1,926.13	18,852.26	1,411.70
03/01/2024	45,751.13	29,875.00	15,876.13		11,462.59
09/01/2024	200,751.13	194,875.00	5,876.13	21,752.26	4,179.38
03/01/2025	42,069.88	27,400.00	14,669.88		10,278.51
09/01/2025	202,069.88	197,400.00	4,669.88	19,339.76	3,223.24
03/01/2026	38,229.88	24,850.00	13,379.88		9,097.48
09/01/2026	208,229.88	204,850.00	3,379.88	16,759.76	2,263.88
03/01/2027	34,149.88	22,150.00	11,999.88		7,917.92
09/01/2027	214,149.88	207,150.00	6,999.88	18,999.76	4,549.96
03/01/2028	29,829.88	19,375.00	10,454.88		6,694.51
09/01/2028	214,829.88	209,375.00	5,454.88	15,909.76	3,440.87
03/01/2029	25,389.88	16,525.00	8,864.88		5,508.56
09/01/2029	220,389.88	211,525.00	8,864.88	17,729.76	5,426.51
03/01/2030	20,709.88	13,600.00	7,109.88		4,287.39
09/01/2030	225,709.88	213,600.00	12,109.88	19,219.76	7,193.71
03/01/2031	15,789.88	10,600.00	5,189.88		3,037.06
09/01/2031	230,789.88	215,600.00	15,189.88	20,379.76	8,756.55
03/01/2032	10,629.88	7,525.00	3,104.88		1,763.22
09/01/2032	235,629.88	217,525.00	18,104.88	21,209.76	10,128.37
03/01/2033	5,229.88	3,850.00	1,379.88		760.45
09/01/2033	220,229.88	223,850.00	-3,620.12	-2,240.24	-1,965.32
	5,083,376.33	4,627,611.11	455,765.22	455,765.22	365,356.41

Savings Summary

PV of savings from cash flow	365,356.41
Less: Prior funds on hand	-249,025.00
Plus: Refunding funds on hand	230,920.80
Net PV Savings	347,252.21

SUMMARY OF REFUNDING RESULTS

Nipomo Community Services District
Water Revenue Refunding bonds

Dated Date	04/24/2013
Delivery Date	04/24/2013
Arbitrage yield	3.023963%
Escrow yield	
Bond Par Amount	3,345,000.00
True Interest Cost	3.128303%
Net Interest Cost	3.146611%
Average Coupon	3.244762%
Average Life	11.817
Par amount of refunded bonds	3,235,000.00
Average coupon of refunded bonds	4.741474%
Average life of refunded bonds	11.908
PV of prior debt to 04/24/2013 @ 3.023963%	3,785,169.10
Net PV Savings	347,252.21
Percentage savings of refunded bonds	10.734226%
Percentage savings of refunding bonds	10.381232%

BOND SUMMARY STATISTICS

Nipomo Community Services District
Water Revenue Refunding bonds

Dated Date	04/24/2013
Delivery Date	04/24/2013
Last Maturity	09/01/2033
Arbitrage Yield	3.023963%
True Interest Cost (TIC)	3.128303%
Net Interest Cost (NIC)	3.146611%
All-In TIC	3.598181%
Average Coupon	3.244762%
Average Life (years)	11.817
Duration of Issue (years)	9.530
Par Amount	3,345,000.00
Bond Proceeds	3,417,247.65
Total Interest	1,282,611.11
Net Interest	1,243,813.46
Total Debt Service	4,627,611.11
Maximum Annual Debt Service	229,700.00
Average Annual Debt Service	227,370.00
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	10.000000
Total Underwriter's Discount	10.000000
Bid Price	101.159870

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bond	3,345,000.00	102.160	3.245%	11.817
	3,345,000.00			11.817

	TIC	All-In TIC	Arbitrage Yield
Par Value	3,345,000.00	3,345,000.00	
+ Accrued Interest			
+ Premium (Discount)	72,247.65	72,247.65	
- Underwriter's Discount	-33,450.00	-33,450.00	
- Cost of Issuance Expense		-145,000.00	
- Other Amounts			
Target Value	3,383,797.65	3,238,797.65	
Target Date	04/24/2013	04/24/2013	04/24/2013
Yield	3.128303%	3.598181%	3.023963%

BOND PRICING

Nipomo Community Services District
Water Revenue Refunding bonds

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bond:					
	09/01/2013	40,000	3.000%	0.500%	100.941
	09/01/2014	120,000	3.000%	0.850%	102.938
	09/01/2015	120,000	3.000%	1.000%	104.687
	09/01/2016	125,000	3.000%	1.150%	106.111
	09/01/2017	130,000	3.000%	1.250%	107.431
	09/01/2018	135,000	4.000%	1.600%	112.318
	09/01/2019	140,000	4.000%	1.800%	113.198
	09/01/2020	145,000	4.000%	2.350%	111.114
	09/01/2021	150,000	4.000%	2.550%	110.873
	09/01/2022	155,000	4.000%	2.750%	110.268
	09/01/2023	165,000	3.000%	2.850%	101.337
	09/01/2024	165,000	3.000%	2.950%	100.478
	09/01/2025	170,000	3.000%	3.050%	99.485
	09/01/2026	180,000	3.000%	3.100%	98.909
	09/01/2027	185,000	3.000%	3.150%	98.274
	09/01/2028	190,000	3.000%	3.250%	96.990
	09/01/2029	195,000	3.000%	3.300%	96.225
	09/01/2030	200,000	3.000%	3.350%	95.415
	09/01/2031	205,000	3.000%	3.400%	94.564
	09/01/2032	210,000	3.500%	3.500%	100.000
	09/01/2033	220,000	3.500%	3.550%	99.276
		3,345,000			

Dated Date	04/24/2013	
Delivery Date	04/24/2013	
First Coupon	09/01/2013	
Par Amount	3,345,000.00	
Premium	72,247.65	
Production	3,417,247.65	102.159870%
Underwriter's Discount	-33,450.00	-1.000000%
Purchase Price	3,383,797.65	101.159870%
Accrued Interest		
Net Proceeds	3,383,797.65	

ESCROW REQUIREMENTS

Nipomo Community Services District
Water Revenue Refunding bonds

Period Ending	Interest	Principal Redeemed	Total
04/24/2013	21,901.85	3,235,000.00	3,256,901.85
	21,901.85	3,235,000.00	3,256,901.85

TO: FINANCE AND AUDIT
COMMITTEE

FROM: LISA BOGNUDA *LSB*
FINANCE DIRECTOR

DATE: JANUARY 29, 2013



REVIEW PROPOSED FINANCING OF PHASED SUPPLEMENTAL WATER PROJECT

ITEM

Review proposed financing of \$14.1M phased supplemental water project.[RECOMMEND REVIEW PROPOSED FINANCING MAKE RECOMMENDATION TO BOARD].

BACKGROUND

On September 12, 2012, your Board approved a schedule and contract to finalize the design of Phase 1 Supplemental Water Project. The Project would be capable of delivering 650-1000 acre-feet of water annually from the City of Santa Maria. Your Board is scheduled to consider bidding the project on February 13, 2013 and awarding the project construction bid in April 2013.

FISCAL IMPACT

The phasing technical feasibility study provides the basis for establishing funding requirements for construction costs related to phasing the project. The engineer's construction cost opinion for the Phase 1 Project is \$11.4 million. Staff evaluated and revised other project costs including right-of-way acquisition, design, and construction management based on the proposed construction phasing plan to determine the total required funding. The total estimated remaining Phase 1 costs are as follows:

Description	Estimated Cost
Bid Package 1 - Santa Maria River Crossing	\$ 4,347,000
Bid Package 2 - Nipomo Area Pipeline Improvements	\$ -
Bid Package 3 - Blosser Road Waterline and Flow Meter	\$ 2,418,000
Bid Package 4 - Joshua Road Pump Station, Reservoir and Wellheads	\$ 3,160,000
Construction Subtotal	\$ 9,925,000
Construction Contingency (15%)	\$ 1,485,000
Estimated Construction Total	\$11,410,000
Right-of-Way (ROW) Acquisition	\$ 250,000
Design Engineering	\$ 450,000
Construction Management	\$ 1,736,000
Non-Construction Subtotal	\$ 2,436,000
Non-Construction Contingency (10%)	\$ 243,000
Estimated Total Non-Construction Costs	\$ 2,679,000
Estimated Total Cost	\$14,089,000

The remaining ROW acquisition cost includes updated title reports, updated appraisals, ROW agent services, and property purchase costs for four properties.

The design engineering cost noted above includes the contract amendment for AECOM to complete the Phase 1 design and also includes Engineering Services During Construction (ESDC) that were previously authorized by the Board.

The construction management cost has been updated based on the Phase 1 scope of work and schedule.

Potential funding availability for the project is as follows:

Description	Funds Available
DWR Proposition 84 Grant	\$ 2,200,000
New COP secured by remaining property tax revenue	\$ 5,000,000
Fund #500 Supplemental Water Fund	\$ 1,000,000
Fund #600 Property Tax Fund	\$ 2,400,000
Fund #805 Funded Replacement – Water Fund	\$ 3,489,000
Total From All Funding Sources	\$ 14,089,000

The \$2.2 million California Department of Water Resources (DWR) grant awarded to the District through San Luis Obispo County's Integrated Regional Water Management Grant application is still available for the project if the project proceeds in a timely manner.

New Certificates of Participation (COP) could be issued, in coordination with the refinancing of the 2003 COPs (previously discussed in Agenda Item #2) and raise approximately \$5,000,000 in capital. Based on the current market conditions and assuming a bond rating of A+ (the current rating of the 2003 COPs), the True Interest Cost over 30 years in today's market for this issue is estimated to be about 3.5%. If the new issue is combined with the refinancing, the District can expect to save approximately \$145,000 in issuance costs by not having to issue two series of bonds. The annual debt service for the combined issue would be on average \$485,512. The District would pledge its annual property tax revenue stream of approximately \$500,000 per year for repayment of the debt. C.M. de Crinis & Co, Inc., the District's independent financial advisors to the Intertie and Southland Financing Projects from last year, has provided the District with a financing analysis. Paul McDonnell of the C.M. de Crinis & Co, Inc. will be present to answer questions from the Finance and Audit Committee.

The majority of Fund 500, Supplemental Water Fund, is designated for the project. Approximately \$75,000 of this fund is designated for desalinization supplemental water project. The desalinization designated funds are not reflected in the estimate above and would not be used on this project.

Fund 600, Property Tax Fund, are reserves generated by annual property tax revenues (after pledge for repayment of 2003 COP debt service). Your Board would need to make a finding to use the reserves for the project and pledge/dedicate the annual property tax revenue stream for repayment of the debt.

Fund 805, Funded Replacement – Water Fund, is designated for replacing existing water infrastructure. Use of this fund would be appropriate since the proposed supplemental water project would replace/offset current water sources (wells).

STRATEGIC PLAN

Strategic Plan Goal 1.2 – Secure New Water Supplies

Strategic Plan Goal 6.1 – Operate all enterprise funds to be financially sound

Strategic Plan Goal 6.2 – Achieve targeted operating and non-operating reserves

Strategic Plan Goal 6.3 – Ensure that decisions consider short and long term fiscal impacts

Strategic Plan Goal 6.4 – Minimize commitment of discretionary resources to long term projects

RECOMMENDATION

Staff recommends that your Committee review the proposed plan, direct staff, and consider making a recommendation to your Board.

ATTACHMENT

- A. Financial Analysis

JANUARY 31, 2013

ITEM 3

ATTACHMENT A

SOURCES AND USES OF FUNDS

Nipomo Community Services District
Water Revenue Series 2013

Sources:

Bond Proceeds:	
Par Amount	9,010,000.00
Net Premium	41,257.95
	9,051,257.95
Other Sources of Funds:	
Bond Reserve Fund	249,025.00
	9,300,282.95

Uses:

Refunding Escrow Deposits:	
Escrow for: CURR - CASH	3,253,182.66
Other Fund Deposits:	
Debt Service Reserve Fund	487,975.00
Delivery Date Expenses:	
Cost of Issuance	175,000.00
Underwriter's Discount	90,100.00
	265,100.00
Other Uses of Funds:	
Additional Proceeds	5,294,025.29
	9,300,282.95

BOND DEBT SERVICE

Nipomo Community Services District
Water Revenue Series 2013

Dated Date 04/24/2013
Delivery Date 04/24/2013

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2013	290,000	3.000%	195,662.64	485,662.64	485,662.64
06/01/2014			151,487.50	151,487.50	
12/01/2014	185,000	3.000%	151,487.50	336,487.50	487,975.00
06/01/2015			148,712.50	148,712.50	
12/01/2015	190,000	3.000%	148,712.50	338,712.50	487,425.00
06/01/2016			145,862.50	145,862.50	
12/01/2016	195,000	3.000%	145,862.50	340,862.50	486,725.00
06/01/2017			142,937.50	142,937.50	
12/01/2017	200,000	3.000%	142,937.50	342,937.50	485,875.00
06/01/2018			139,937.50	139,937.50	
12/01/2018	205,000	4.000%	139,937.50	344,937.50	484,875.00
06/01/2019			135,837.50	135,837.50	
12/01/2019	215,000	4.000%	135,837.50	350,837.50	486,675.00
06/01/2020			131,537.50	131,537.50	
12/01/2020	220,000	4.000%	131,537.50	351,537.50	483,075.00
06/01/2021			127,137.50	127,137.50	
12/01/2021	230,000	4.000%	127,137.50	357,137.50	484,275.00
06/01/2022			122,537.50	122,537.50	
12/01/2022	240,000	4.000%	122,537.50	362,537.50	485,075.00
06/01/2023			117,737.50	117,737.50	
12/01/2023	250,000	3.000%	117,737.50	367,737.50	485,475.00
06/01/2024			113,987.50	113,987.50	
12/01/2024	260,000	3.000%	113,987.50	373,987.50	487,975.00
06/01/2025			110,087.50	110,087.50	
12/01/2025	265,000	3.000%	110,087.50	375,087.50	485,175.00
06/01/2026			106,112.50	106,112.50	
12/01/2026	275,000	3.000%	106,112.50	381,112.50	487,225.00
06/01/2027			101,987.50	101,987.50	
12/01/2027	280,000	3.000%	101,987.50	381,987.50	483,975.00
06/01/2028			97,787.50	97,787.50	
12/01/2028	290,000	3.000%	97,787.50	387,787.50	485,575.00
06/01/2029			93,437.50	93,437.50	
12/01/2029	300,000	3.000%	93,437.50	393,437.50	486,875.00
06/01/2030			88,937.50	88,937.50	
12/01/2030	310,000	3.000%	88,937.50	398,937.50	487,875.00
06/01/2031			84,287.50	84,287.50	
12/01/2031	315,000	3.000%	84,287.50	399,287.50	483,575.00
06/01/2032			79,562.50	79,562.50	
12/01/2032	325,000	3.500%	79,562.50	404,562.50	484,125.00
06/01/2033			73,875.00	73,875.00	
12/01/2033	340,000	3.500%	73,875.00	413,875.00	487,750.00
06/01/2034			67,925.00	67,925.00	
12/01/2034	350,000	3.500%	67,925.00	417,925.00	485,850.00
06/01/2035			61,800.00	61,800.00	
12/01/2035	360,000	3.500%	61,800.00	421,800.00	483,600.00
06/01/2036			55,500.00	55,500.00	
12/01/2036	375,000	3.500%	55,500.00	430,500.00	486,000.00
06/01/2037			48,937.50	48,937.50	
12/01/2037	385,000	3.500%	48,937.50	433,937.50	482,875.00
06/01/2038			42,200.00	42,200.00	
12/01/2038	400,000	3.500%	42,200.00	442,200.00	484,400.00

BOND DEBT SERVICE

Nipomo Community Services District
Water Revenue Series 2013

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2039			35,200.00	35,200.00	
12/01/2039	415,000	4.000%	35,200.00	450,200.00	485,400.00
06/01/2040			26,900.00	26,900.00	
12/01/2040	430,000	4.000%	26,900.00	456,900.00	483,800.00
06/01/2041			18,300.00	18,300.00	
12/01/2041	450,000	4.000%	18,300.00	468,300.00	486,600.00
06/01/2042			9,300.00	9,300.00	
12/01/2042	465,000	4.000%	9,300.00	474,300.00	483,600.00
	9,010,000		5,555,362.64	14,565,362.64	14,565,362.64

BOND SUMMARY STATISTICS

Nipomo Community Services District
Water Revenue Series 2013

Dated Date	04/24/2013
Delivery Date	04/24/2013
Last Maturity	12/01/2042
Arbitrage Yield	3.495109%
True Interest Cost (TIC)	3.576951%
Net Interest Cost (NIC)	3.588269%
All-In TIC	3.739492%
Average Coupon	3.556997%
Average Life (years)	17.334
Duration of Issue (years)	12.386
Par Amount	9,010,000.00
Bond Proceeds	9,051,257.95
Total Interest	5,555,362.64
Net Interest	5,604,204.69
Total Debt Service	14,565,362.64
Maximum Annual Debt Service	487,975.00
Average Annual Debt Service	492,026.89
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	10.000000
Total Underwriter's Discount	10.000000
Bid Price	99.457913

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bond	9,010,000.00	100.458	3.557%	17.334
	9,010,000.00			17.334

	TIC	All-In TIC	Arbitrage Yield
Par Value	9,010,000.00	9,010,000.00	
+ Accrued Interest			
+ Premium (Discount)	41,257.95	41,257.95	
- Underwriter's Discount	-90,100.00	-90,100.00	
- Cost of Issuance Expense		-175,000.00	
- Other Amounts			
Target Value	8,961,157.95	8,786,157.95	
Target Date	04/24/2013	04/24/2013	04/24/2013
Yield	3.576951%	3.739492%	3.495109%

BOND PRICING

Nipomo Community Services District
Water Revenue Series 2013

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bond:					
	12/01/2013	290,000	3.000%	0.500%	101.564
	12/01/2014	185,000	3.000%	0.850%	103.467
	12/01/2015	190,000	3.000%	1.000%	105.173
	12/01/2016	195,000	3.000%	1.150%	106.554
	12/01/2017	200,000	3.000%	1.250%	107.844
	12/01/2018	205,000	4.000%	1.600%	112.865
	12/01/2019	215,000	4.000%	1.800%	113.685
	12/01/2020	220,000	4.000%	2.350%	111.458
	12/01/2021	230,000	4.000%	2.550%	111.163
	12/01/2022	240,000	4.000%	2.750%	110.507
	12/01/2023	250,000	3.000%	2.850%	101.365
	12/01/2024	260,000	3.000%	2.950%	100.487
	12/01/2025	265,000	3.000%	3.050%	99.477
	12/01/2026	275,000	3.000%	3.100%	98.893
	12/01/2027	280,000	3.000%	3.150%	98.250
	12/01/2028	290,000	3.000%	3.250%	96.953
	12/01/2029	300,000	3.000%	3.300%	96.182
	12/01/2030	310,000	3.000%	3.350%	95.366
	12/01/2031	315,000	3.000%	3.400%	94.511
	12/01/2032	325,000	3.500%	3.500%	100.000
	12/01/2033	340,000	3.500%	3.550%	99.270
	12/01/2034	350,000	3.500%	3.600%	98.503
	12/01/2035	360,000	3.500%	3.700%	96.949
	12/01/2036	375,000	3.500%	3.800%	95.345
	12/01/2037	385,000	3.500%	3.850%	94.460
	12/01/2038	400,000	3.500%	3.900%	93.551
	12/01/2039	415,000	4.000%	4.000%	100.000
	12/01/2040	430,000	4.000%	4.000%	100.000
	12/01/2041	450,000	4.000%	4.000%	100.000
	12/01/2042	465,000	4.000%	4.000%	100.000
		9,010,000			

Dated Date	04/24/2013	
Delivery Date	04/24/2013	
First Coupon	12/01/2013	
Par Amount	9,010,000.00	
Premium	41,257.95	
Production	9,051,257.95	100.457913%
Underwriter's Discount	-90,100.00	-1.000000%
Purchase Price	8,961,157.95	99.457913%
Accrued Interest		
Net Proceeds	8,961,157.95	

TO: FINANCE AND AUDIT
COMMITTEE

FROM: LISA BOGNUDA *LSB*
FINANCE DIRECTOR

DATE: JANUARY 29, 2013



AUDIT PROPOSAL REVIEW

ITEM

Audit proposal review.

BACKGROUND

Pursuant to Special District Law, the Board of Directors shall provide for regular audits of the District's accounts and records. An audit is performed on the accounts and records of Nipomo Community Services District every year by an independent Certified Public Accountant (CPA).

The District contracts for auditing services under a three year contract. With the completion of the June 30, 2012 audit, the three year contract has been fulfilled. The District sent out a Request for Proposals to seven firms and received three proposals for audit services for Fiscal Year 2013, 2014 and 2015.

The Finance and Audit Committee reviewed the three proposals at the Finance and Audit Committee meeting held on January 17, 2013. The Committee requested Crosby Company answer questions that arose during the review process.

Attached are the responses from Robert Crosby, CPA of the Crosby Company.

RECOMMENDATION

Review responses to questions from Crosby Company and recommend to the Board of Directors to retain the Crosby Company to perform the District's audit for Fiscal Years 2013-2015.

ATTACHMENT

- A. Response to questions from Crosby Company

JANUARY 31, 2013

ITEM 4

ATTACHMENT A

CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT

1457 MARSH STREET, SUITE 100 - SAN LUIS OBISPO, CA 93401
PHONE: (805)543-6100 FAX: (805)858-9505

January 23, 2013

Board of Directors
Nipomo Community Services District
148 S. Wilson Street
P.O. Box 326
Nipomo, CA 93444

Re: Shinault, Baker & Company Audit Proposal

I am surprised at the comments made by Shinault, Baker & Company (Shinault) in their recent financial statement audit proposal. I have never seen this tactic used by another professional CPA firm in their bid proposal. I assure you that each one of these comments is frivolous and unfounded. To provide you with additional assurance, I have addressed each one of these comments in a separate attachment.

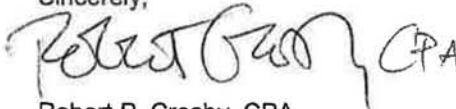
Every three years I pay another CPA to audit, and critique my firm's audit, review and compilation engagements through a Peer Review. I have had my firm "peer reviewed" for the past twelve years. I take great pride in always getting an unqualified opinion from my reviewer, my last peer review receive the highest honor with no deficiencies, as well as and no comments.

Unfortunately, it would appear that Shinault's latest peer review attached to their proposal was borderline embarrassing. I have serious reservations about their motive.

My goal is to provide each and every one of my clients with a professional financial statement audit at a minimum cost, without sacrificing the highest quality control standards set forth by the American Institute of Certified Public Accountants (AICPA). Over the years, I think that I have continually achieved this goal.

If you have any questions or need any additional assurance, please call.

Sincerely,



Robert P. Crosby, CPA

CROSBY COMPANY
Certified Public Accountant

Attachment #1

Nipomo Community Services District

January 23, 2013

Confirmations

Unlike many financial statement auditors, I confirm every number on the statement of net assets. This is completed utilizing any third party documentation that has been made available to me or by using alternative auditing procedures, such as; subsequent receipt/expense testing. I have been chastised by my peer reviewer for doing too much audit work in confirming these numbers.

I generally do not send out written confirmations to third parties for various reasons; (1) This process is time consuming, costly, and inaccurate, (2) Standard Bank Confirmation are not widely used anymore because of computerized online banking, (3) The process insinuates to the receiver and my peer reviewer that I have detected a problem with the account and that I am raising my level of audit risk.

Generally written confirmations are utilized by CPA Firms that use inexperienced field auditors so that the audit manager does not need to rely on the expertise of the field auditor's judgment. This procedure is ineffective and escalates the cost of the audit.

Attorney Representation Letter

Attorney representation letters use to be required in all audit engagements. Through professional literature and seminars, it is now standard practice to send an attorney representation letter only when the auditor has assessed that it would be required to obtain additional financial statement information directly from the District's attorney. During the audit I utilize the following audit procedures before I assess that an attorney representation letter is required:

1. Make appropriate inquiries of management and obtain written representations.
2. Review Board minutes.
3. Examine detail legal expense accounts and invoices.
4. Engage in verbal discussions with the legal counsel.

These procedures were established because many audit clients were complaining about the added costs involved with having an attorney prepare this letter, when it was already determined that it would not be necessary. After performing the above procedures, it was determined that the Nipomo CSD did not have any legal issues that would result in a material change in the financial statements or would require further information from the District's attorney.

Independent Auditor's Report

The independent auditor's report would normally disclose that the audit was conducted in accordance to Generally Accepted Government Auditing Standards (GAGAS) if I were conducting a "Yellow Book" single audit, involving Federal Grants received over the \$500,000 threshold. It would also require a separate auditor's report on internal controls.

Due to the lack of Federal Grant monies received by Nipomo CSD, I did not and was not required to perform a single audit, so the standard verbiage currently included in the independent auditor's report is required.

If used, the suggested verbiage by Shinault would be misleading and would erroneously indicate that I performed a single audit.

Attachment #1

Nipomo Community Services District
January 23, 2013

GAGAS Extended Requirements

Typically, extended procedures per GAGAS and the Yellow Book are required when performing a single audit. Again, Nipomo CSD has not been required to perform these extra audit procedures because the District has not received enough Federal grant monies to require this type of audit. I have indicated in my proposal that "Additional fees may be required, if the District receives significant funding from Federal sources; the District will be required to perform a single/grant-specific audit. Additional fees will depend on the funding amounts and the complexities of the disbursements."

The Independent Auditor's Report date indicates the last day of field work and indicates the date through which subsequent events had been evaluated. This is reiterated in the signed representation letter sent from your office at the conclusion of the audit. A separate disclosure would be made to the financial statements if this date were to differ.

Property Taxes

Property taxes are adequately disclosed in Footnote #2. Since the District has no control over when the taxes are due, levied, etc., this information is not required to be included in the disclosure. If management determines that they think that this information is important and should be included in the footnote, we can include it in subsequent financial statements.

Compensated Absences

The required footnote discussing compensated absences has been included in Footnote #2. If management determines that they think that additional information is important and should be included in a separate footnote, we can include it in subsequent financial statements.

Concentrations

In the audited financial statements, as part of the footnotes, the auditor is required to consider any concentration risk that could materially influence the financial statements. Concentration risk is typically a banking term denoting the overall spread of investments and if there are any risk issues that should be noted. I have taken this concentration risk issue into consideration and have disclosed the risk in Note 3.

This concept could be expanded to include any other risk that would denote any other heavily lopsided exposure that could influence the financial statements. In consideration of this concentration risk issue, Shinault is inferring that a separate footnote should be included in the footnotes that would indicate that District customers represent a concentration. This customer concentration may be affected by future economic fluctuations that may inhibit the District's ability to collect amounts due from this concentrated group of District customers.

Typically, this type of footnote would normally be used for a District that is located in a remote area or dependent on a single industry. I have included this type of note in the Cambria CSD footnotes.

If the Board determines that this is important and poses a potential risk that could materially affect the District's financial well being, we can include a similar footnote in the Nipomo CSD financial statements.