12-2123

NEW ISSUE **NOT RATED**
FULL BOOK ENTRY

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of installment payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$5,095,000
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
TAX AND ENTERPRISE REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2013

Dated: Date of Delivery **Due: September 1, as shown below**

The captioned certificates of participation (the "Certificates") are being issued by the Kirkwood Meadows Public Utility District (the "District") under a Trust Agreement dated as of April 1, 2013 (the "Trust Agreement") among the District, the KMPUD Public Facilities Corporation (the "Corporation") and Union Bank, N.A., San Francisco, California, as trustee (the "Trustee"). Proceeds of the Certificates will be used to (i) refinance outstanding short-term note obligations of the District; (ii) finance certain projects for certain of the District's enterprise systems; (iii) fund debt service reserve funds; and (iii) pay the costs of delivering the Certificates.

The Certificates will be delivered as fully registered certificates, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of certificates representing their ownership interest in the Certificates. Interest with respect to the Certificates is payable on March 1 and September 1 of each year, commencing September 1, 2013, by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Certificates.

The Certificates are payable solely from Installment Payments to be made by the District to the Corporation pursuant to four installment sale agreements: (i) an Installment Sale Agreement (Water Enterprise), (ii) an Installment Sale Agreement (Wastewater Enterprise), (iii) an Installment Sale Agreement (Propane Enterprise) and (iv) an Installment Sale Agreement (Electric Enterprise), each dated as of April 1, 2013, and each between the District and the Corporation. The obligation of the District to make the Installment Payments of each respective Enterprise is a special obligation of the District payable solely from (x) Tax Revenues (as defined in this Official Statement), (y) Net Revenues (as defined in this Official Statement) of each such Enterprise, other than the Electric Enterprise, and (z) and from certain funds and accounts created under the respective Installment Sale Agreement and the Trust Agreement. See "RISK FACTORS" and "SECURITY FOR THE CERTIFICATES."

THE OBLIGATION OF THE DISTRICT TO PAY THE INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT LIMITED SOLELY TO SOURCES SET FORTH IN THIS OFFICIAL STATEMENT. UNDER NO CIRCUMSTANCES IS THE DISTRICT REQUIRED TO ADVANCE MONEYS DERIVED FROM ANY SOURCE OF INCOME OTHER THAN THE SPECIFICALLY IDENTIFIED IN THIS OFFICIAL STATEMENT FOR THE PAYMENT OF THE INSTALLMENT PAYMENTS AND SUCH OTHER AMOUNTS, AND NO OTHER FUNDS OR PROPERTY OF THE DISTRICT ARE LIABLE FOR THE PAYMENT OF THE INSTALLMENT PAYMENTS.

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Certificates. Investors should review the entire Official Statement before making any investment decision.

MATURITY SCHEDULE
(See inside cover)

The Certificates are offered when, as and if issued, and accepted by the Underwriter, subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Bartkiewicz, Kronick & Shanahan, Sacramento, California, will pass upon certain legal matters for the District and Fulbright & Jaworksi L.L.P., Los Angeles, California, is serving as counsel for the Underwriter. It is anticipated that the Certificates will be available for delivery in book-entry form on or about April 3, 2013.

STIFEL

Dated: March 21, 2013

MATURITY SCHEDULE

Base CUSIP†: 497601

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Number
2014	$450,000	2.00%	1.15%	101.185%	AA2
2015	455,000	2.00	1.67	100.776	AB0
2016	460,000	3.00	2.07	103.046	AC8
2017	475,000	3.00	2.45	102.285	AD6
2018	490,000	4.00	2.75	106.242	AE4
2019	510,000	4.00	3.05	105.492	AF1
2020	530,000	4.00	3.29	104.633	AG9
2021	555,000	4.00	3.51	103.539	AH7
2022	575,000	4.00	3.73	102.123	AJ3
2023	595,000	4.00	3.87	101.102	AK0

† Copyright 2013, American Bankers Association. CUSIP data are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the District nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

BOARD OF DIRECTORS

Eric Richert, President
Robert Ende, Vice President
Standish O'Grady, Treasurer
Peter Dornbrook, Secretary
Robert Epstein, Assistant Secretary

Administration of the District

Michael Sharp, General Manager
Rena Sullivan, District Clerk
Bartkiewicz, Kronick & Shanahan, District Counsel

SPECIAL SERVICES

Trustee
Union Bank, N.A.
San Francisco, California

Financial Advisor
FirstSouthwest
New York, New York

Special Counsel
Jones Hall, A Professional Law Corporation
San Francisco, California

Disclosure Counsel
Jones Hall, A Professional Law Corporation
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

The 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.

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

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

***Stabilization of Prices*.** In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

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

Website. The District maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

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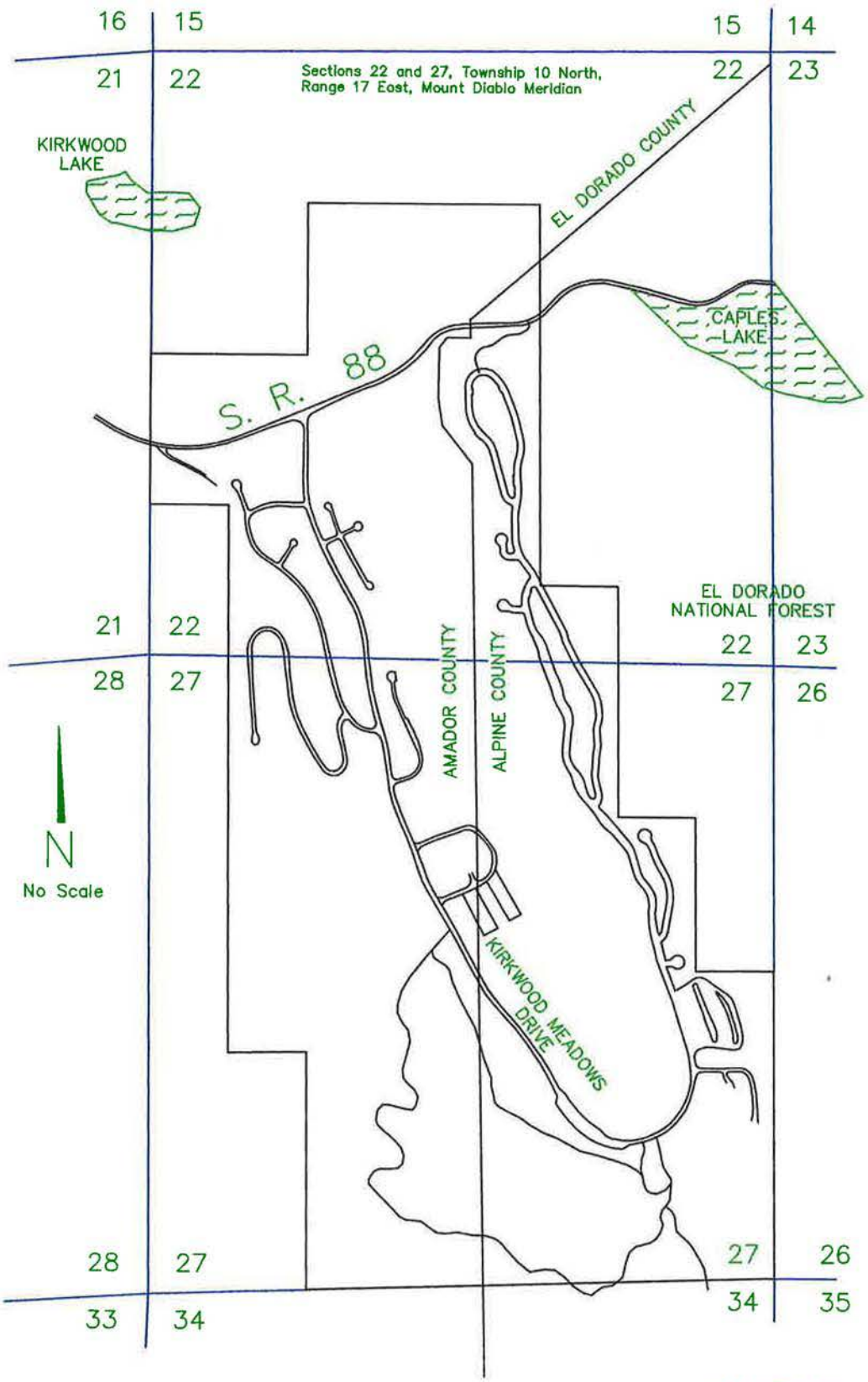

LOCATION MAP

OFFICIAL STATEMENT

$5,095,000
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
Tax and Enterprise Revenue Certificates of Participation, Series 2013

INTRODUCTION

*This Official Statement, including the cover page and appendices, is provided to furnish information in connection with the sale by the Kirkwood Meadows Public Utility District (the "**District**") of the above-referenced Certificates of Participation (the "**Certificates**"). This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in "APPENDIX B – Summary of Certain Provisions of the Legal Documents."*

The District primarily operates four utility enterprise systems: a water enterprise (the "**Water Enterprise**"), a wastewater enterprise (the "**Wastewater Enterprise**"), a propane enterprise (the "**Propane Enterprise**") and an electric enterprise (the "**Electric Enterprise**"). The Water Enterprise, the Wastewater Enterprise, the Propane Enterprise and the Electric Enterprise are referred to collectively as the "**Enterprises**" and each is an "**Enterprise**" or "**System**" of the District.

The Certificates represent the direct, undivided fractional interests of the registered owners (the "**Owners**") in installment payments (collectively, the "**Installment Payments**") payable by the District under four separate Installment Sale Agreements: (i) the Installment Sale Agreement (Water Enterprise) (the "**Water Installment Sale Agreement**"), (ii) the Installment Sale Agreement (Wastewater Enterprise) (the "**Wastewater Installment Sale Agreement**"), (iii) the Installment Sale Agreement (Propane Enterprise) (the "**Propane Installment Sale Agreement**") and (iv) the Installment Sale Agreement (Electric Enterprise) (the "**Electric Installment Sale Agreement**"), each dated as of April 1, 2013 and each between the District and the KMPUD Public Facilities Corporation, a nonprofit public benefit corporation (the "**Corporation**"). The Water Installment Sale Agreement, the Wastewater Installment Sale Agreement, the Propane Installment Sale Agreement and the Electric Installment Sale Agreement are referred to collectively in this Official Statement as the "**Installment Sale Agreements**."

The Certificates are being delivered under a resolution adopted by the District's Board of Directors of the District on March 9, 2013 and the provisions of a Trust Agreement (the "**Trust Agreement**") dated as of April 1, 2013, between the District and Union Bank, N.A., San Francisco, California, as trustee (the "**Trustee**"). Pursuant to the Trust Agreement, the Corporation has assigned to the Trustee substantially all its rights under each of the Installment Sale Agreements, including the right of the Corporation to receive and collect Installment Payments payable under the Installment Sale Agreements.

Use of Proceeds. The proceeds of the Certificates are being used to (i) prepay short-term note obligations of the District incurred in 2011 (the "**Prior Notes**") primarily relating to the Propane and Electric Enterprises (as defined below); (ii) finance or refinance improvements to certain Enterprises; (iii) fund a separate reserve fund as required by each Installment Sale Agreement; and (iii) pay the costs of delivering the Certificates. See "FINANCING PLAN."

Security for the Certificates. The Certificates are payable from Installment Payments payable by the District and amounts on deposit in certain funds and accounts established by the Trust Agreement and the Installment Sale Agreements. The Installment Payments are payable pursuant to a separate Installment Sale Agreement for each Enterprise. As to each Enterprise, the respective Installment Payments are payable from and secured by (1) Tax Revenues (as defined in this Official Statement) and, (2) to the extent not paid from Tax Revenues, from Net Revenues (as defined in this Official Statement) derived from the operation of the respective Enterprise, other than the Electric Enterprise. Under the Electric Installment Sale Agreement, Installment Payments are payable solely from Tax Revenues. The Net Revenues of the Water, Wastewater and Propane Enterprises consist of Gross Revenues remaining after payment of Operation and Maintenance Costs, as described in this Official Statement. Gross Revenues are primarily comprised of moneys received by the District from rates and charges for services attributable to the respective Enterprise. *Net Revenues from one Enterprise cannot be used to pay Installment Payments due under an Installment Sale Agreement of another Enterprise.* See "SECURITY FOR THE CERTIFICATES."

Separate Reserve Funds. Concurrently with the execution and delivery of the Certificates, the terms of each Installment Sale Agreement require that the District will cause the Trustee to establish and maintain a Reserve Fund, to be held in trust and to deposit Certificate proceeds in an amount equal to the Reserve Requirement (described in this Official Statement) set forth in each respective Installment Sale Agreement. If three Business Days prior to any Interest Payment Date the District has not transferred the full amount of the Installment Payment coming due and payable with respect to an Enterprise, the Trustee will apply the moneys available in the Reserve Fund for that Enterprise to make such payments on behalf of the District by transferring the amount necessary to the Installment Payment Fund. *Moneys from each Reserve Fund may only be used in connection with obligations due under the respective Installment Sale Agreement under which it was created; there is no "cross-collateralization" of the Reserve Funds.* See "SECURITY FOR THE CERTIFICATES – Reserve Funds."

Rate Covenant. In the Installment Sale Agreements, with respect to each Enterprise, other than the Electric Enterprise, the District has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year such that (i) the annual Tax Revenues (as defined in this Official Statement) of the District when divided by (ii) annual Debt Service (as defined in this Official Statement) of the respective Enterprise less Net Revenues (as defined in this Official Statement) of the respective Enterprise (except the Electric Enterprise) in an amount up to the Debt Service of the respective Enterprise, will at least equal 125% of the amount of annual Debt Service on all Parity Obligations (as defined in this Official Statement) calculated for such Fiscal Year, as further detailed herin. See "SECURITY FOR THE CERTIFICATES - Rate Covenant."

Parity Debt. The pledge of Tax Revenues under each Installment Sale Agreement is on parity with the pledge of Tax Revenues under each other Installment Sale Agreement. Under each Installment Sale Agreement, the District is authorized to incur additional obligations secured and payable from Tax Revenues and Net Revenues of the respective Enterprise or from Tax Revenues of such respective Enterprise only on a parity basis with the Installment Payments, subject to conditions described therein. See "SECURITY FOR THE CERTIFICATES – Parity Obligations."

No Optional Prepayment. The Certificates are not subject to optional prepayment prior to maturity.

Limited Obligation of Each Enterprise. The obligation of the District to pay the Installment Payments for each Enterprise is limited solely to (i) Tax Revenues and (ii) Net Revenues of the respective Enterprise to which it relates, other than the Electric Enterprise. The obligation of the District to pay the Installment Payments with respect to the Electric Enterprise is limited solely to the Tax Revenues. Under no circumstances is the District required to advance moneys derived from the Net Revenues of an Enterprise for payment of the Installment Payments of any other Enterprise. *Net Revenues from each Enterprise may only be used in connection with obligations due under the respective Installment Sale Agreement to which it relates; there is no "cross-collateralization" of the Net Revenues among the Enterprises.* See "SECURITY FOR THE CERTIFICATES – Net Revenues."

Risk Factors. The purchase of the Certificates involves certain risks. For a description of some of these risks, see "RISK FACTORS."

The District. The District is located high in the Sierra Nevada mountains, 35 miles southwest of South Lake Tahoe, California and 90 miles east of Sacramento, California. The District was formed in 1985 under the California Public Utilities Code, Division 7, Chapter 2, as a public municipal corporation, and was originally formed as a detachment from the El Dorado Irrigation District. The District's service area includes land in the counties of Alpine, Amador and El Dorado, California. Kirkwood Mountain Resort, a ski and summer sport resort originally established in 1972, as well as homes and developments built in connection with it, are primary users of services of the District.

The District provides water, wastewater, propane, electric, fire protection, solid waste, snow removal, cable television, mosquito abatement, and recreation service. The District began providing propane and electric services on July 22, 2011, as a result of acquiring the existing propane and electric utility systems of Mountain Utilities, LLC ("**Mountain Utilities**"), the previous local provider. The acquisition was financed by the Prior Notes.

Definitive Statement. All descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document. Certain capitalized terms used in this Official Statement and not defined in this Official Statement have the meaning given them in the Trust Agreement and Installment Sale Agreements. See "APPENDIX B – Summary of Certain Provisions of the Legal Documents."

[*End of Introduction*]

FINANCING PLAN

Prepayment of Prior Notes

In order to provide financing in connection with the District's 2011 acquisition of the propane and electric systems of Mountain Utilities and to finance or refinance other improvements (the "**Prior Projects**"), the District previously issued the following notes: (i) 2011 Tax-Exempt Revenue Bond Anticipation Notes, Series A (the "**Series A Prior Notes**") in the aggregate principal amount of $12,120,000, (ii) 2011 Tax-Exempt Revenue Bond Anticipation Notes, Series B (the "**Series B Prior Notes**") in the aggregate principal amount of $6,715,000, and (iii) 2011 Taxable Revenue Bond Anticipation Notes, Series C (the "**Series C Prior Notes**") in the aggregate principal amount of $3,310,000 (collectively, the "**Prior Notes**") under a Trust Agreement dated as of April 1, 2011, by and between the District and Union Bank, N.A. The Prior Notes mature on May 1, 2013 and are subject to prepayment on any date at a prepayment price equal to the outstanding principal amount of the Prior Notes, plus accrued interest through the prepayment date, without premium.

The District used the proceeds of the Prior Notes to finance and/or reimburse the District for the Prior Projects, including (i) costs and expenses of consultants that were retained by the District to perform feasibility, engineering, mapping and environmental studies and evaluations associated with the then-proposed acquisition and improvement of the Kirkwood area propane and electric assets and services; (ii) related costs and expenses associated with permitting and entitlements; (iii) the redemption of the District's $1,500,000 2008 Anticipation Notes and $5,500,000 2010 Anticipation Notes, the redemption of the 2006 Vehicle Maintenance and Storage Facility Loan in the principal sum of $500,000 plus accrued interest, and the redemption of the 2002 Employee Housing Building Loan in the principal sum of $148,000 plus accrued interest; (iv) the construction of a new powerhouse shell and the installation of generators along with related switchgear and equipment; (v) the construction of a new electrical distribution facilities, including underground circuits, circuit routing switches, vaults and transformers, (vi) the funding of a capitalized interest fund to pay interest on the Prior Notes through maturity; and (vii) payment of costs of issuance.

In September 2012 the District received approval of a $50,000,000 loan application from the United States Department of Agriculture Rural Utilities Service. On March 4, 2013, the District drew down the first advance on this loan (the "**RUS Bond**") to refinance a portion of the Prior Notes and, to a lesser extent, to finance additional capital improvement to the Electric Enterprise. As a result of the issuance of the RUS Bond, a portion of the Prior Notes in the principal amount of $18,980,000 was paid prior to maturity on March 4, 2013. On the date of delivery of the Certificates (the "**Closing Date**"), the District will cause to be transferred to the Trustee an amount of Certificate proceeds sufficient to prepay all of the remaining portion of the Prior Notes outstanding. All amounts so transferred will be applied to prepay the remaining outstanding amount of the Prior Notes on or about the date of execution and delivery of the Certificates.

The Projects

Approximately $850,000 of the proceeds of the Certificates are expected to be used to finance additional capital improvements of the District, including the following:

- To finance the installation of remote read meters for the Water and Wastewater Enterprises;
- To finance the installation of remote read meters for the Propane Enterprise; and
- To replace the Wastewater Enterprise treatment plant membranes and install additional membranes to increase treatment flow and provide redundancy.

Sources and Uses of Funds

The anticipated sources and uses of funds, rounded to the nearest dollar, relating to the Certificates are as follows:

Sources:	
Proceeds of the Certificates	$5,250,284
Other Amounts Available from the Electric Enterprise	209,178
Total Sources:	$5,459,462
Uses:	
Cash Deposit to 2011 Refunding Account	$3,225,531
Transfer to Project Accounts:	
Water Project Account	240,500
Wastewater Project Account	490,500
Propane Project Account	110,749
Electric Project Account	631,222
Transfer to Reserve Funds:	
Water Reserve Fund	66,000
Wastewater Reserve Fund	95,500
Propane Reserve Fund	170,000
Electric Reserve Fund	178,000
Costs of Issuance [(1)]	251,459
Total Uses:	$5,459,462

[(1)] Includes Underwriter's discount, Trustee fees, Financial Advisor fees, Special Counsel and Disclosure Counsel fees, printing costs and other related costs, as such may be rounded.

Debt Service Schedule; Installment Payment Schedules

The scheduled aggregate amount of Installment Payments is equal to the semiannual principal and interest payable with respect to the Certificates. A schedule of Installment Payments, rounded to the nearest dollar,, is presented in the following table.

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
Tax and Enterprise Revenue Certificates of Participation, Series 2013
Debt Service Schedule

Date	Principal Amount	Interest Amount	Semiannual Debt Service	Certificate Year Total Annual Debt Service	Fiscal Year Total Annual Debt Service
9/1/2013	-	$72,499	$72,499	$72,499	-
3/1/2014	-	88,175	88,175	-	$160,674
9/1/2014	$450,000	88,175	538,175	626,350	-
3/1/2015	-	83,675	83,675	-	621,850
9/1/2015	455,000	83,675	538,675	622,350	-
3/1/2016	-	79,125	79,125	-	617,800
9/1/2016	460,000	79,125	539,125	618,250	-
3/1/2017	-	72,225	72,225	-	611,350
9/1/2017	475,000	72,225	547,225	619,450	-
3/1/2018	-	65,100	65,100	-	612,325
9/1/2018	490,000	65,100	555,100	620,200	-
3/1/2019	-	55,300	55,300	-	610,400
9/1/2019	510,000	55,300	565,300	620,600	-
3/1/2020	-	45,100	45,100	-	610,400
9/1/2020	530,000	45,100	575,100	620,200	-
3/1/2021	-	34,500	34,500	-	609,600
9/1/2021	555,000	34,500	589,500	624,000	-
3/1/2022	-	23,400	23,400	-	612,900
9/1/2022	575,000	23,400	598,400	621,800	-
3/1/2023	-	11,900	11,900	-	610,300
9/1/2023	595,000	11,900	606,900	618,800	606,900
Total	$5,095,000	$1,189,499	$6,284,499	$6,284,499	$6,284,499

A schedule of Installment Payments due under the Water Installment Sale Agreement, rounded to the nearest dollar, is presented in the following table.

WATER ENTERPRISE INSTALLMENT PAYMENTS

Date	Principal Amount	Interest Amount	Semiannual Debt Service	Certificate Year Total Annual Debt Service	Fiscal Year Total Annual Debt Service
9/1/2013	-	$9,373	$9,373	$9,373	-
3/1/2014	-	11,400	11,400	-	$20,773
9/1/2014	$60,000	11,400	71,400	82,200	-
3/1/2015	-	10,800	10,800	-	82,200
9/1/2015	60,000	10,800	70,800	81,600	-
3/1/2016	-	10,200	10,200	-	81,000
9/1/2016	60,000	10,200	70,200	80,400	-
3/1/2017	-	9,300	9,300	-	79,500
9/1/2017	60,000	9,300	69,300	78,600	-
3/1/2018	-	8,400	8,400	-	77,700
9/1/2018	65,000	8,400	73,400	81,800	-
3/1/2019	-	7,100	7,100	-	80,500
9/1/2019	65,000	7,100	72,100	79,200	-
3/1/2020	-	5,800	5,800	-	77,900
9/1/2020	70,000	5,800	75,800	81,600	-
3/1/2021	-	4,400	4,400	-	80,200
9/1/2021	70,000	4,400	74,400	78,800	-
3/1/2022	-	3,000	3,000	-	77,400
9/1/2022	75,000	3,000	78,000	81,000	-
3/1/2023	-	1,500	1,500	-	79,500
9/1/2023	75,000	1,500	76,500	78,000	76,500
Total	$660,000	$153,173	$813,173	$813,173	$813,173

A schedule of Installment Payments due under the Wastewater Installment Sale Agreement, rounded to the nearest dollar, is presented in the following table.

WASTEWATER ENTERPRISE INSTALLMENT PAYMENTS

Date	Principal Amount	Interest Amount	Semiannual Debt Service	Certificate Year Total Debt Service	Fiscal Year Total Annual Debt Service
9/1/2013	-	$13,587	$13,587	$13,587	-
3/1/2014	-	16,525	16,525	-	$30,112
9/1/2014	$85,000	16,525	101,525	118,050	-
3/1/2015	-	15,675	15,675	-	117,200
9/1/2015	85,000	15,675	100,675	116,350	-
3/1/2016	-	14,825	14,825	-	115,500
9/1/2016	85,000	14,825	99,825	114,650	-
3/1/2017	-	13,550	13,550	-	113,375
9/1/2017	90,000	13,550	103,550	117,100	-
3/1/2018	-	12,200	12,200	-	115,750
9/1/2018	90,000	12,200	102,200	114,400	-
3/1/2019	-	10,400	10,400	-	112,600
9/1/2019	95,000	10,400	105,400	115,800	-
3/1/2020	-	8,500	8,500	-	113,900
9/1/2020	100,000	8,500	108,500	117,000	-
3/1/2021	-	6,500	6,500	-	115,000
9/1/2021	105,000	6,500	111,500	118,000	-
3/1/2022	-	4,400	4,400	-	115,900
9/1/2022	110,000	4,400	114,400	118,800	-
3/1/2023	-	2,200	2,200	-	116,600
9/1/2023	110,000	2,200	112,200	114,400	112,200
Total	$955,000	$223,137	$1,178,137	$1,178,137	$1,178,137

A schedule of Installment Payments due under the Propane Installment Sale Agreement, rounded to the nearest dollar, is presented in the following table.

PROPANE ENTERPRISE INSTALLMENT PAYMENTS

Date	Principal Amount	Interest Amount	Semiannual Debt Service	Certificate Year Total Debt Service	Fiscal Year Total Annual Debt Service
9/1/2013	-	$24,193	$24,193	$24,193	-
3/1/2014	-	29,425	29,425	-	$53,618
9/1/2014	$150,000	29,425	179,425	208,850	
3/1/2015	-	27,925	27,925	-	207,350
9/1/2015	150,000	27,925	177,925	205,850	
3/1/2016	-	26,425	26,425	-	204,350
9/1/2016	155,000	26,425	181,425	207,850	
3/1/2017	-	24,100	24,100	-	205,525
9/1/2017	160,000	24,100	184,100	208,200	
3/1/2018	-	21,700	21,700	-	205,800
9/1/2018	165,000	21,700	186,700	208,400	
3/1/2019	-	18,400	18,400	-	205,100
9/1/2019	170,000	18,400	188,400	206,800	
3/1/2020	-	15,000	15,000	-	203,400
9/1/2020	175,000	15,000	190,000	205,000	
3/1/2021	-	11,500	11,500	-	201,500
9/1/2021	185,000	11,500	196,500	208,000	
3/1/2022	-	7,800	7,800	-	204,300
9/1/2022	190,000	7,800	197,800	205,600	
3/1/2023	-	4,000	4,000	-	201,800
9/1/2023	200,000	4,000	204,000	208,000	204,000
Total	$1,700,000	$396,743	$2,096,743	$2,096,743	$2,096,743

A schedule of Installment Payments due under the Electric Installment Sale Agreement, rounded to the nearest dollar, is presented in the following table.

ELECTRIC ENTERPRISE INSTALLMENT PAYMENTS

Date	Principal Amount	Interest Amount	Semiannual Debt Service	Certificate Year Total Debt Service	Fiscal Year Total Annual Debt Service
9/1/2013	-	$25,345	$25,345	$25,345	-
3/1/2014	-	30,825	30,825	-	$56,170
9/1/2014	$155,000	30,825	185,825	216,650	-
3/1/2015	-	29,275	29,275	-	215,100
9/1/2015	160,000	29,275	189,275	218,550	-
3/1/2016	-	27,675	27,675	-	216,950
9/1/2016	160,000	27,675	187,675	215,350	-
3/1/2017	-	25,275	25,275	-	212,950
9/1/2017	165,000	25,275	190,275	215,550	-
3/1/2018	-	22,800	22,800	-	213,075
9/1/2018	170,000	22,800	192,800	215,600	-
3/1/2019	-	19,400	19,400	-	212,200
9/1/2019	180,000	19,400	199,400	218,800	-
3/1/2020	-	15,800	15,800	-	215,200
9/1/2020	185,000	15,800	200,800	216,600	-
3/1/2021	-	12,100	12,100	-	212,900
9/1/2021	195,000	12,100	207,100	219,200	-
3/1/2022	-	8,200	8,200	-	215,300
9/1/2022	200,000	8,200	208,200	216,400	-
3/1/2023	-	4,200	4,200	-	212,400
9/1/2023	210,000	4,200	214,200	218,400	214,200
Total	$1,780,000	$416,445	$2,196,445	$2,196,445	$2,196,445

THE CERTIFICATES

Description

The Certificates will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page of this Official Statement payable semiannually on March 1 and September 1 (each, an "**Interest Payment Date**"), commencing September 1, 2013, and will mature on the dates and in the amounts set forth on the inside cover page. The Certificates will be issued in integral multiples of $5,000, so long as no Certificate may have more than one maturity date. The Certificates will be issued only as one fully registered Certificate for each maturity, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("**DTC**"), as registered owner of all Certificates. See "APPENDIX F - Book-Entry Only System" below. Ownership may be changed only upon the registration books maintained by Union Bank, N.A. (the "**Trustee**") as provided in the Trust Agreement. See the discussion under "Transfer and Exchange" below.

Interest with respect to the Certificates is payable from the Interest Payment Date next preceding the date of authentication thereof unless: (i) a Certificate is authenticated between an Interest Payment Date and the 15th calendar day of the month immediately preceding such Interest Payment Date (each, a "**Record Date**"), in which event it will bear interest from such Interest Payment Date; (ii) a Certificate is authenticated on or before the first Record Date, in which event interest thereon will be payable from the date of original delivery of the Certificates, or; (iii) interest with respect to any Certificate is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest with respect to the Certificates (including the final interest payment upon maturity) is payable when due by check or draft of the Trustee mailed to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; provided that at the written request of the Owner of at least $1,000,000 aggregate principal amount of Certificates, which written request is on file with the Trustee as of any Record Date, interest with respect to such Certificates will be paid on the succeeding Interest Payment Date to such account in the United States as specified in such written request.

While the Certificates are held in the book-entry only system of DTC, all such payments will be made to Cede & Co., as the registered Owner of the Certificates. The principal of the Certificates is payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate trust office of the Trustee. See "APPENDIX F – Book Entry Only System."

Transfer and Exchange. *So long as the Certificates are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of Certificates will be made in accordance with DTC procedures. See "Appendix F" below.* Any Certificate may, in accordance with its terms, be transferred, upon the registration books of the Trustee, upon surrender of such Certificate to the Trustee at its Principal Corporate Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Certificate or Certificates is surrendered for registration of transfer, the District will execute and the Trustee will authenticate and deliver a new Certificate or Certificates, of like series, interest rate, maturity and principal amount of authorized denomination.

No Optional Prepayment

The Certificates are not subject to optional prepayment prior to the respective stated maturities.

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SECURITY FOR THE CERTIFICATES

This section provides summaries of certain provisions of the Trust Agreement and the Installment Sale Agreements. See APPENDIX B for a summary of additional provisions of the Trust Agreement and the Installment Sale Agreements. Capitalized terms used but not defined in this section have the meanings given in APPENDIX B.

Installment Payments

General. The Certificates evidence and represent the proportionate interests of the Owners in the Installment Payments to be made by the District under the Installment Sale Agreements. The Installment Payments represent the purchase price of the Prior Projects and the Projects.

Installment Payments Held in Trust. Under the Trust Agreement, the Trustee will hold the Installment Payments in trust for the benefit of the Owners from time to time of the Certificates, and will disburse, allocate and apply the Installment Payments solely for the uses and purposes provided in the Trust Agreement.

Unconditional Obligation. As described below, the District is obligated to make Installment Payments solely from the following sources:

(1) First, from Tax Revenues;

(2) Second, with respect to the Water, Wastewater and Propane Enterprises, for amounts due under the respective Installment Sale Agreement and to the extent Tax Revenues are not sufficient to pay all required amounts, from the respective Net Revenues; and

(3) Third, to the extent Tax Revenues and respective Net Revenues are not sufficient to pay all required amounts, from the respective Reserve Fund for each Installment Sale Agreement.

The Installment Sale Agreements provide that the District's obligations to make the Installment Payments is (subject to the provisions of the Installment Sale Agreements relating to defeasance) absolute and unconditional, and until such time as the Installment Payments are paid in full (or provision for such payment is made under the Installment Sale Agreements), the District will not discontinue or suspend any Installment Payments required to be paid by it under the Installment Sale Agreements when due, whether or not all or a part of the applicable Enterprise (including the facilities to be financed from the proceeds of the Certificates) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part. The Installment Payments are not subject to reduction whether by offset, abatement or otherwise and are not conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

Notwithstanding anything contained in the Installment Sale Agreements, the District is not required to advance any moneys derived from any source of income other than the Tax Revenues or the respective 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 in the Installment Sale Agreements.

Pledge of Tax Revenues and Net Revenues

Pledge. Under each Installment Sale Agreement, Tax Revenues and all moneys on deposit in the Reserve Fund, in amounts sufficient to pay the Installment Payments (the "**Debt Service**") and in amounts sufficient to pay any Parity Obligations, are irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments. The pledge and lien on the Tax Revenues under each Installment Sale Agreement are on parity with the pledge and lien that secure each other Installment Sale Agreement. Additionally, under each Installment Sale Agreement, other than the Electric Installment Sale Agreement, all Net Revenues of the applicable Enterprise are irrevocably pledged to the payment of all Installment Payments to be made by the District in accordance with the terms of the respective Installment Sale Agreement.

Tax Revenues. The Installment Payments are primarily secured by and payable from Tax Revenues, which are defined as follows:

"**Tax Revenues**" means all *ad valorem* taxes which are levied upon taxable property within the District by the Board of Supervisors of Alpine, Amador and El Dorado Counties, and which are allocated to the District under the provisions of Chapter 6 of Part 0.5 of Division 1 of the Revenue and Taxation Code of the State of California, including all payments, subventions and reimbursements, if any, to the District specifically attributable to taxes lost by reason of tax exemptions and tax rate limitations; but excluding any taxes levied for the sole purpose of providing for payment of principal and interest on any voter-approved indebtedness incurred by the District, which taxes would not otherwise be subject to levy but for the issuance of such indebtedness.

Under each of the Installment Sale Agreements, the District may incur additional obligations secured by and payable from Tax Revenues on parity with the Installment Payments, if certain conditions precedent are met. See "Parity Obligations" below.

Net Revenues. To the extent Tax Revenues are insufficient to make the Installment Payments under an Installment Sale Agreement, the Net Revenues of the applicable Enterprise, other than the Electric Enterprise, are pledged to the Installment Payments. The Net Revenues of each Enterprise consist of Gross Revenues, which are primarily comprised of moneys received by the District from rates and charges for services attributable to the Enterprise, remaining after payment of Operation and Maintenance Costs. *Net Revenues from one Enterprise cannot be used to pay Installment Payments due under an Installment Sale Agreement of another Enterprise.*

Set forth below are the definitions of certain terms used in each Installment Sale Agreement:

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

"**Gross Revenues**" means all gross income and revenue received by the District from the ownership and operation of the applicable Enterprise, including, without limiting the generality of the foregoing:

(a) all amounts levied by the District as a fee for connecting to the Enterprise, as such fee is established from time to time under the applicable laws of the State of California (the "**State**");

(b) all income, rents, rates, fees, charges, connection fees, and other moneys received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Enterprise or otherwise arising from the Enterprise;

(c) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or under applicable law to the Enterprise; and

(d) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Enterprise as permitted in the applicable Installment Sale Agreement.

The term "Gross Revenues" does not include (i) customers' deposits or any other deposits subject to refund until such deposits have become the property of the District, (ii) special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the District relating to an Enterprise and (iii) any direct subsidy payments received or expected to be received from the federal government with respect to any direct pay tax credit obligations of the District.

"**Operation and Maintenance Costs**" means costs paid or incurred by the District for maintaining and operating an Enterprise, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Enterprise in good repair and working order, (b) all administrative costs of the District that are charged directly or apportioned to the operation of an Enterprise, such as salaries and wages of employees, overhead, taxes (if any) and insurance, and (c) administrative costs of the Certificates which the District is required to pay under each Installment Sale Agreement.

Operating and Maintenance Costs do not include (i) payments of debt service on bonds, notes, contracts or other obligations issued by the District with respect to an Enterprise, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

Electric Enterprise Net Revenues. Net Revenues of the Electric Enterprise have been pledged to the payment of the RUS Bond described under the caption "FINANCING PLAN" above. The documents under which the RUS Bond was issued allow the District to incur additional obligations payable from Net Revenues of the Electric Enterprise on a parity or subordinate basis to the RUS Bond, however the District has elected to not do so in connection with the Certificates. Installment Payments due under the Electric Installment Sale Agreement are payable solely from Tax Revenues and certain funds and accounts held under the Electric Installment Sale Agreement and the Trust Agreement.

Assignment to Trustee

Under the Trust Agreement, the Corporation transfers, assigns and sets over to the Trustee, subject to the provisions of the Trust Agreement, all of the Corporation's rights in and to each of the Installment Sale Agreements, including without limitation all of the Corporation's rights to exercise such rights and remedies conferred on the Corporation under the Installment Sale Agreements as may be necessary or convenient (a) to enforce payment of the Installment Payments and any other amounts required to be deposited in the Installment Payment Fund, and (b) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trustee or the Certificate Owners upon the occurrence of an Event of Default.

Deposit and Transfer of Funds

Flow of Funds - Tax Revenues. Under the Installment Sale Agreements, the District will establish a Tax Revenue Fund, which it will hold and maintain for the purposes and uses set forth in the Installment Sale Agreements. The District will deposit all Tax Revenues in the Tax Revenue Fund promptly upon receipt, and will apply amounts in the Tax Revenue Fund solely for the uses and purposes set forth in each of the Installment Sale Agreements and any respective Parity Documents. The District will apply amounts in the Tax Revenue Fund to pay when due the following amounts in the following order of priority:

(i) the Installment Payments and all payments of principal of and interest on any Parity Obligations;

(ii) to the Trustee the amount of any deficiency in the Reserve Fund and in any reserve fund established for Parity Obligations, the notice of which deficiency has been to the District in accordance with the Trust Agreement and the related Parity Documents, respectively;

(iii) any other payments required to comply with the provisions of this Agreement and any Parity Documents; and

(iv) any other lawful purposes of the District.

Notwithstanding the foregoing, if amounts in the Tax Revenue Fund exceed all Debt Service payable from the Tax Revenues coming due in the next twelve months, the District may release any excess amounts from the Tax Revenue Fund for deposit in the general funds of the District.

Flow of Funds - Net Revenues. Under the Water, Wastewater and Propane Installment Sale Agreements, the District will establish a separate respective Enterprise Fund, which it will hold and maintain for the purposes and uses set forth in the Installment Sale Agreement. The District will deposit all respective Gross Revenues in the respective Enterprise Funds promptly upon receipt, and will apply amounts in the Enterprise Funds solely for the uses and purposes set forth in each of the Installment Sale Agreements and any respective Parity Documents. The District will apply amounts on deposit in each Enterprise Fund to pay when due the following amounts in the following order of priority:

(i) all Operation and Maintenance Costs;

(ii) to the extent not paid from Tax Revenues:

(x) the Installment Payments and all payments of principal of and interest on any Parity Obligations;

(y) to the Trustee the amount of any deficiency in the Reserve Fund and in any reserve fund established for Parity Obligations, the notice of which deficiency has been to the District in accordance with the Trust Agreement and the related Parity Documents, respectively;

(z) any other purposes described under "Other Uses of Enterprise Funds" below.

Other Uses of Enterprise Funds. The District will manage, conserve and apply the amounts on deposit in each of the Enterprise Funds in such a manner that all deposits required to be made as described above will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the District may use and apply moneys in each Enterprise Fund for (i) the payment of any subordinate obligations or any unsecured obligations, (ii) the acquisition and construction of improvements to the applicable Enterprise, (iii) the prepayment of any other obligations of the District relating to the applicable Enterprise, or (iv) any other lawful purposes of the District.

Reserve Funds

Reserve Requirement. In order to further secure the payment of the Installment Payments, the District is required to cause to be established and maintained a Reserve Fund under each Installment Sale Agreement in an amount equal to the "**Reserve Requirement**." Proceeds of the Certificates will be used to make a deposit to each Reserve Fund in the amount of the applicable Reserve Requirement.

"*Reserve Requirement*" is defined in each of the Installment Sale Agreements to mean, as of the date of calculation and with respect to Installment Payments due under the applicable Installment Sale Agreement, an amount equal to the lesser of (a) maximum amount Installment Payments payable by the District in the current or any future Fiscal Year, (b) 125% of average annual Installment Payments payable by the District, and (c) 10% of the aggregate outstanding principal component of the Installment Payments. As of the date of delivery of the Certificates, the aggregate Reserve Requirement is $509,500, an amount equal to 10% of the principal component of the Installment Payments.

Uses of Money in the Reserve Funds. If three Business Days prior to any Interest Payment Date the District has not transferred the full amount of the Installment Payments coming due and payable, the Trustee will determine which Installment Sale Agreement does not have fully paid Installment Payments. The Trustee will apply the moneys available in the applicable Reserve Fund to make such payments on behalf of the District by transferring the amount necessary for this purpose to the Installment Payment Fund.

No Cross-Collateralization. In no event will amounts in a Reserve Fund established under an Installment Sale Agreement be used to make Installment Payments due under any other Installment Sale Agreement.

Replenishment of the Reserve Fund. As described above, if at any time the amount on deposit in the Reserve Fund is less than the Reserve Requirement, the District is required to

pay from Net Revenues to the Trustee the amount of such deficiency as provided in the applicable Installment Sale Agreement. Any amounts on deposit in the Reserve Fund at any time in excess of the Reserve Requirement will be transferred to the applicable Enterprise Fund.

Parity Obligations. In connection with the issuance of any Parity Obligations (see "Parity Obligations" below), the District is required to establish a debt service reserve fund for the Parity Obligations in an amount equal to the lesser of (a) maximum annual debt service on the Parity Obligations in the current or any future Fiscal Year, (b) 125% of average annual debt service on the Parity Obligations, and (c) 10% of the aggregate outstanding principal component of the Parity Obligations. Amounts on deposit in debt service reserve funds for Parity Obligations will not be available for the payment of Installment Payments, and amounts in the Reserve Funds described in this Official Statement will not be available to pay debt service on Parity Obligations.

Rate Covenant

In the Installment Sale Agreements, with respect to each Enterprise, other than the Electric Enterprise, the District has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year such that (i) the annual Tax Revenues of the District when divided by (ii) annual Debt Service of the respective Enterprise less Net Revenues of the respective Enterprise (except the Electric Enterprise) in an amount up to the Debt Service of the respective Enterprise, will at least equal 125% of the amount of annual Debt Service on all Parity Obligations calculated for such Fiscal Year.

Parity Obligations

No Senior Obligations. Under each Installment Sale Agreement, the District may not issue or incur any additional bonds or other obligations during the term of the Installment Sale Agreement having any lien on the Tax Revenues that is senior to the lien that secures the Installment Payments, or having any priority in payment of principal or interest out of the Tax Revenues over the Installment Payments. In addition, under the Water Installment Sale Agreement, the Wastewater Installment Sale Agreement and the Propane Installment Sale Agreement, the District may not issue or incur any additional bonds or other obligations during the term of the applicable Installment Sale Agreement having any lien on the Gross Revenues that is senior to the lien that secures the Installment Payments, or having any priority in payment of principal or interest out of the Net Revenues over the Installment Payments.

Existing Parity Obligations. No parity obligations payable from the Tax Revenues or payable from Net Revenues of any of the Enterprises, other than the Electric Enterprise, are currently outstanding. The pledge and lien on the Tax Revenues in each Installment Sale Agreement is on parity with the pledge and lien on the Tax Revenues in each other Installment Sale Agreement. Net Revenues of the Electric Enterprise are not pledged to payment of the Electric Enterprise Installment Payments.

Future Parity Obligations. Under each Installment Sale Agreement, the District may issue any bonds, notes or other obligations ("**Parity Obligations**") to provide financing for capital improvements to each respective Enterprise payable from Tax Revenues and Net Revenues, or from Tax Revenues only of such respective Enterprise, on parity with the Installment Payments, provided that certain conditions are satisfied, including the following:

(1) The District is in compliance with all covenants set forth in the applicable Installment Sale Agreement, the Trust Agreement and the terms of previously issued Parity Obligations for the respective Enterprise.

(2) The Net Revenues of the respective Enterprise, calculated in accordance with sound accounting principles, as shown by the books of the District for the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District, in either case verified by an independent accountant or a fiscal consultant or shown in the audited financial statements of the District, meet the following criteria with respect to each Enterprise, other than the Electric Enterprise: (i) the annual Tax Revenues of the District when divided by (ii) annual Debt Service of the respective Enterprise less Net Revenues of the respective Enterprise (except the Electric Enterprise) in an amount up to the Debt Service on the respective Enterprise, will at least equal 125% of the amount of total Debt Service on all Parity Obligations calculated for such Fiscal Year or 12-month period, taking into account the Additional Obligations to be issued.

(3) The District must certify that the conditions precedent to the issuance of such Additional Obligations set forth in the Installment Sale Agreement have been satisfied.

No Preference or Priority

Payment of the Installment Payments and the principal of and interest on any Parity Obligations will be made without preference or priority. If the amount of Tax Revenues is at any time insufficient to enable the District to pay when due the Installment Payments and the principal of and interest on any Parity Obligations, such payments will be made from Tax Revenues on a pro rata basis. In addition, with respect to the Water, Wastewater and Propane Enterprises, if the amount of Net Revenues is at any time insufficient to enable the District to pay when due the Installment Payments (to the extent not paid with Tax Revenues) and the principal of and interest on any Parity Obligations, such payments will be made from Net Revenues as applicable, on a pro rata basis. *However, Net Revenues from one Enterprise cannot be used to pay Installment Payments due under an Installment Sale Agreement of another Enterprise.*

Insurance; Net Proceeds

The District will at all times maintain with responsible insurers all such insurance on each Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Enterprise. All amounts collected from insurance against accident to or destruction of any portion of an Enterprise will be used, at the option of the District, either (a) to repair or rebuild such damaged or destroyed portion of the Enterprise, or (b) to acquire or construct improvements or extensions to the Enterprise, or (c) to defease the Installment Payments and to defease or prepay any Parity Obligations on the next available optional prepayment date.

The District will also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District, the Corporation, the Trustee and the Owners of the Certificates.

THE DISTRICT

General Description; Service Area

The District was formed in June 1985 as a public municipal corporation under the California Public Utilities Code, Division 7, Chapter 2, after detachment from the El Dorado Irrigation District.

The District is located in the Sierra Nevada mountains, within Alpine, Amador and El Dorado Counties, near the point common to these three counties. The community, which includes the Ski Resort described below, is located 60 miles east of Jackson, California and 35 miles southwest of the City of South Lake Tahoe, and is approximately a three hour drive from Silicon Valley and the East San Francisco Bay area, or a one and one-half hour drive from Reno, Nevada.

Kirkwood, California is a resort-oriented community and as such attracts a transient population and has few full-time residents, many of which employees of either the Kirkwood Mountain Resort (the "**Ski Resort**") or the District. The number of full- and part-time residents is difficult to determine, as many are second-homeowners who stay in the area on weekends and holidays, particularly in winter. The Ski Resort considers itself one of the top ski mountains in North America, and reports that it consistently ranks among the top ten nationally for snow quality and on-mountain experience.

Since the Ski Resort's inception in 1972 and approval of the first Kirkwood Master Plan in 1974, the Ski Resort and its surrounding community have steadily grown in use and seasonal population, resulting in corresponding increases in utility demands. Residential and commercial real estate development is currently directed under the 2003 Kirkwood Specific Plan, which allows for 1,413 residential units within the District at build-out, covering 732 acres of privately held land. The overall development concept for Kirkwood is to build a year-round destination resort around the horseshoe-shaped valley, while protecting the natural environment and ensure that what many feel is a unique mountain community remains unspoiled. Currently there are 239 single-family units and 475 multi-family units completed (714 total), with a potential 699 units remaining to be developed. According to District data, 158 of all currently-built units are reported to be primary residences and the remaining currently-built units (approximately 77.9% of such units) are vacation homes, approximately 75% of which are owned by California residents, generally with a primary residence within the more heavily populated Central Valley and San Francisco Bay Area.

The District's service area encompasses an area of approximately 1.875 square miles (2.5 miles by 0.75 miles), and includes the key facilities of the Ski Resort. The Ski Resort operates under a Special Use Permit from the El Dorado National Forest and offers 2,300 acres of skiable terrain served by 15 lifts. The District's high altitude alpine environment ranges in elevation from a base of 7,800 feet to 9,800 feet at the top of Thimble Peak, and receives an average of 500 inches of snowfall each winter. Summertime is the dry season, with an average of 0.43 inches of precipitation in July, with warm to hot days, cool evenings and low humidity.

In March 2012, Vail Associates purchased the Ski Resort's operational assets and a portion of its developable land, while the previous owners, Mountain Springs Kirkwood, LLC, retained a substantial portion of the undeveloped Ski Resort real estate, forming Kirkwood Capital Partners, LLC.

The District anticipates that growth of both the property tax base and number of skier visits will be driven by the amount of future development in the Kirkwood Valley. The 669 allowable units remaining to be developed in the District represent a portion of the limited available ski resort development property remaining in the State. The District expects and monitors growth trends and plans its facilities accordingly.

The community size and operation of the Ski Resort create a dynamic demand on utilities, which differ dramatically from summer to winter. During late fall and winter, the seasonal increase in population from skiers and other winter recreationalists peaks, with a related increase in utility demand (the average skier visits per year over last 10 years is 343,000), followed by a notable decrease in usage and utility demand during late spring, summer and early fall. Consistent with other ski resorts in the Tahoe area, the Ski Resort and surrounding community has migrated from its winter activities focus to a goal of becoming a four-season destination, offering summer activities such as biking, lift-accessed mountain biking, hiking, fishing, horseback riding and other outdoor sports including tennis and disc golf.

Per the 2003 Kirkwood Specific Plan, the District estimates the service area is approximately 50% built-out (based on planned dwelling units under the 2003 Specific Plan) and, as a result, it anticipates the remaining corresponding increase in demand in the future.

The District receives revenue from multiple sources, primarily consisting of rate charges from four utility enterprises and other services provided by the District, and property taxes. Charges for services principally include utility charges for water, wastewater, propane and electric, with other sources of revenue contributing less than 10% of the total. The Net Revenues of the Water Enterprise, Wastewater Enterprise, and Propane Enterprise, together with the District's share of *ad valorem* property on property in the District, in aggregate, are a source of funds for the Installment Payments used to pay the Certificates. See "SECURITY FOR THE CERTIFICATES." ***As further discussed in this Official Statement, Electric Enterprise revenues are not a source of payment for the Installment Payments.***

For financial information on the District, see "DISTRICT FINANCES" below. Also see "APPENDIX A - DISTRICT AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2012."

Services Provided

The District has historically provided, and continues to provide, water, wastewater, fire protection (via the Kirkwood Volunteer Fire Department), solid waste removal, snow removal, cable television administration, mosquito abatement, and recreation services to the community surrounding the Ski Resort. Until 2011, the Ski Resort and surrounding community's electric and propane service provider was Mountain Utilities, a subsidiary of the Ski Resort's former ownership and regulated by the California Public Utilities Commission (the "**CPUC**").

In July 2011, the District purchased Mountain Utilities (using proceeds of the Prior Notes) and began providing electrical and propane services to the District community, including the Ski Resort. The District's electric and propane services are part of a publicly owned utility and not regulated by the CPUC, including the setting of rates.

Land Use. There are three major land uses in the District:

- Residential (single-family, condominium, townhome, duplex and employee housing): Residential development is the predominant land use throughout the District.

- Resorts and Recreation areas: The Ski Resort is the highest concentration of recreation use in the District. Other recreation land uses include cross country skiing and snowshoeing, recreation center/swimming pool, zipline, tennis courts, horseback riding, lift-accessed mountain biking and hiking, and a community park.

- Commercial (retail and light industrial): Commercial use is located in the Ski Resort's (i) Village, which includes a sports shop, rental shop, lodging front desk/check-in, and two restaurants/bars; (ii) the Red Cliffs Lodge, which includes the General Store, cafeteria, medical clinic and offices; (iii) Timber Creek facility, which includes ski school, children's day care facility, retail, rentals and a cafeteria; and (iv) area on the north side of Highway 88 where the historical Kirkwood Inn restaurant/bar, cross country center and service station are located. The Ski Resort currently utilizes approximately 80,000 square feet of commercial and retail space.

Board of Directors

The District is governed by a five-member Board of Directors (the "**Board**") elected by registered voters in the District to serve staggered four-year terms. Beginning with the November 2013 election, certain procedural and substantive changes occurred: District elections are governed by Public Utilities Code section 15956 (b); elections are at-large, but not by-seat; candidates for directors at-large no longer designate a numbered office or seat pursuant to Public Utilities Code section 15956(a), instead candidates who receive the greatest number of votes District-wide are elected to the Board, with the top candidates receiving votes obtaining a seat on the Board until all available seats are filled each election cycle. The following table lists the current directors, noting the initial year of election or appointment to office, and the final date of their current terms of office.

Board of Directors	First Elected/ Appointed	End of Term
Eric Richert	December 2009	December 2013
Robert Ende	December 2011	December 2015
Standish O'Grady	December 2011	December 2015
Peter Dornbrook	December 1985	December 2013
Robert Epstein	September 2012	December 2013

The Board appoints the District General Manager. The District General Manager is responsible for, among other duties, enforcement of District ordinances, regulations and master restrictions, as well as providing executive oversight and management of the District departments. The General Manager additionally administers Board policy directives, negotiates all District contracts and appoints District management personnel.

Rate Setting Authority. Electric and propane rates are not regulated and are set by the Board. The current electric and propane rates were adopted pursuant to Ordinance 12-03, which became effective on July 9, 2012 in amounts sufficient to pay District operation and maintenance expenses, including fuel costs. Current water and wastewater rates were adopted pursuant to Ordinance 09-01, which became effective on August 9, 2009. The water and wastewater rates are in compliance with Proposition 218's approval requirements. See "RISK FACTORS – Risk Factors Relating to the District's Revenues from Rates and Charges, Proposition 218," for further information about the District's compliance with rate setting requirements.

The rate ordinance and the resolutions set initial rates which are subsequently adjusted administratively in accordance with provisions of the Board of Director's prior actions, which provided for usage fees to be adjusted based on changes in the Consumer Price Index ("**CPI**").

Operations and Management

Key Management Personnel.

Michael Sharp, General Manager. Michael Sharp worked for the Ski Resort as its Director of Property Management for eight years prior to joining the District in 1996. At that time, there were a total of six employees operating primarily water and wastewater utility services. Over the past 17 years, Mr. Sharp has assisted and led the District as it has grown to include solid waste removal services, snow removal services, employee housing, and most recently, propane and electric utility services. Mr. Sharp was promoted to become the District's General Manager in September 2011, and now oversees a full-time staff of 22 (and a staff of 27 personnel, when including seasonal and temporary employees).

District Staff. District Operations, Maintenance and Customer Billing services are performed by a staff of up to 27 District personnel, each of whom has many years of experience in his or her respective field. The District's total budgeted full time equivalent positions ("**FTE**") for Fiscal Year 2012 equals 22, with the majority concentrated in the Operations Division. District employees are not represented by employee associations.

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District Facilities

The following table lists the District's major facilities:

Facility	Number/Length
Water & Wastewater:	
Groundwater Wells	4
Water Storage Tanks	2
Water Pipeline	5 miles
Water Treatment Facilities	2
Hydrants	83
Pressure Reducing & Flow Control Facilities	8
Wastewater Lift Stations	2
Wastewater Treatment Plants	1
Gravity-flow Wastewater Collection Lines	8.3 miles
Absorption Beds	14
Propane:	
20,000 gallon Propane Tank	1
30,000 gallon Propane Tank	1
Vaporizer	1
Propane Distribution Lines	5 miles
Vacuum Trailer	1
Propane Meters	various
Electric:	
Powerhouse 5.0 mW (peak load)	1
Volvo Diesel Engines (430 kW)	5
Caterpillar Diesel Generators (950 kW)	3
30,000 gallon diesel tanks	2
12,000 gallon ammonia tank	1
Transformers	170
Circuit Routing Switches	6
Aboveground Line Junction Enclosures	13
Underground Vaults	37
Underground Circuits with 12.47 kv capacity	11.47 miles

Water, Wastewater, and Propane Utility Enterprises

The District's *ad valorem* property taxes receipts are pledged for payment of the Installment Payments. Net Revenues of each of the Water Enterprise, Wastewater Enterprise and Propane Enterprise are also pledged for payment of the respective utility enterprise's Installment Payments. Net Revenues from one Enterprise cannot be used to pay Installment Payments due under the Installment Agreement of another Enterprise.

Under the Electric Installment Sale Agreement, Installment Payments are secured by a pledge of *ad valorem* property taxes allocated by the District to the Electric Enterprise. ***After payment of debt service on the RUS Bond, the District may use excess revenues of the Electric Enterprise for payment of the Installment Payments, however revenues of the Electric Enterprise are not pledged for payment of the Installment Payments.*** See "SECURITY FOR THE CERTIFICATES" above.

For information on *ad valorem* property tax receipts of the District, see "DISTRICT FINANCES" below. For financial and other information on each of the Water, Wastewater, Propane and Electric Enterprises, see the respective headings "THE WATER ENTERPRISE," "THE WASTEWATER ENTERPRISE," "THE PROPANE ENTERPRISE" and "THE ELECTRIC ENTERPRISE" below.

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DISTRICT FINANCES

Budgetary Process and Administration

The District's Board adopts a budget annually for all departments. The General Manager monitors procedures to assure that expenditures of the District do not exceed the appropriations by department and/or Enterprise of the major summary categories (salaries and benefits, operating services and supplies, capital outlay, and capital improvement projects) in conformance with the adopted policies set by the Board. Additional appropriations or interfund transfers not included in the original budget ordinance require approval by the Board. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds, except for District proprietary funds, which do not budget for depreciation and do budget capital outlays. For further information concerning the District's budgetary procedures, see the District's audited financial statements attached as "APPENDIX A - DISTRICT AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2012."

Audited Financial Statements

The District's Fiscal Year 2012 financial statements, which are attached to this Official Statement as Appendix A, were audited by AKT, LLP (the "**Auditor**"). The Auditor has not been asked to consent to the inclusion of its report in this Official Statement and has not reviewed this Official Statement.

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District Revenue Sources

Approximately 13.6% of the District's Fiscal Year 2012 General Fund revenue was derived from property tax revenues and approximately 75.9% from the Water, Wastewater, Propane and Electric Enterprises, all as shown below, along with Fiscal Year 2013 projections.

Revenue Sources
Fiscal Year Ending June 30, 2012 and
Projected Revenue Sources for Fiscal Year ending June 30, 2013

	Fiscal Year ending June 30, 2012 Actual Revenues	Percent of Actual Fiscal Year ending June 30, 2012 General Fund Revenues	Fiscal Year ending June 30, 2013 Final Budget	Percent of Budgeted Fiscal Year ending June 30, 2013 General Fund Revenues
Property Taxes [(1)]	$933,310	13.6%	$842,010	10.2%
Water Enterprise	305,150	4.5	328,244	4.0
Wastewater Enterprise	644,345	9.4	715,647	8.7
Propane Enterprise	1,261,201	18.4	1,821,128	22.0
Electric Enterprise [(2)]	2,980,571	43.6	3,821,677	46.2
Other [(3)]	716,723	10.5	734,640	8.9
TOTAL	$6,841,300	100.0%	$8,263,346	100.0%

(1) Annual allocations by the District to each respective Enterprise from the District's gross *ad valorem* tax receipts are determined annually by the District at its discretion.
(2) Under the Electric Installment Sale Agreement, Installment Payments are secured only by a pledge of *ad valorem* property taxes received by the District. After payment of debt service on the RUS Bond, the District may use excess revenues of the Electric Enterprise for payment of the Installment Payments, however net revenues of the Electric Enterprise are not pledged for payment of the Installment Payments. See "SECURITY FOR THE CERTIFICATES" above.
(3) Received by the District as the result of services provided other than for and by the Water Enterprise, Wastewater Enterprise, Propane Enterprise and Electric Enterprise. Such other revenues include, among other things, revenues of the District's Fire, Employee Housing, Cable Television, Snow Removal and Solid Waste service divisions, and are not pledged for payment of the Installment Payments.

Source: The District.

Property Taxes

The District receives property tax revenues (as defined in Section 95 of the Revenue and Taxation Code of the State of California) from parcels within the District, as apportioned, allocated and paid by the Tax Collector of each of Alpine County, Amador County and El Dorado County to the District with respect to each Fiscal Year, pursuant to Section 75.70 and Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code of the State of California, as amended from time to time.

Historical Assessed Valuation. Set forth below is a listing of the District's assessed valuations, net of homeowners' and other exemptions, shown both on a County-by-County basis and in the aggregate, for Fiscal Years 2009 through 2013. This is followed by a table showing historical property tax revenues received by the District from each County.

TABLE 1
Historical Assessed Values

	Local Secured	Utility	Unsecured	Total
	Alpine County Portion			
2008-09	$329,849,056[(1)]	-	$12,013,760	$341,862,816
2009-10	334,915,480	$2,693,924	12,429,275	350,038,679
2010-11	300,164,064	2,277,400	11,627,866	314,069,330
2011-12	288,276,765	2,277,400	11,260,342	301,814,507
2012-13	288,688,571	835,000	9,639,637	299,163,208
	Amador County Portion			
2008-09	$84,862,790	$0	$0	$84,862,790
2009-10	90,335,216	0	0	90,335,216
2010-11	88,506,693	0	0	88,506,693
2011-12	83,465,364	0	0	83,465,364
2012-13	84,539,974	0	0	84,539,974
	El Dorado County Portion			
2008-09	$546,994	$0	$0	$546,994
2009-10	556,471	0	0	556,471
2010-11	554,978	0	0	554,978
2011-12	558,294	0	0	558,294
2012-13	569,845	0	0	569,845
	Total District			
2008-09	$415,258,840[(1)]	-	$12,013,760	$427,272,600
2009-10	425,807,167	2,693,924	12,429,275	440,930,366
2010-11	389,225,735	2,277,400	11,627,866	403,131,001
2011-12	372,300,423	2,277,400	11,260,342	385,838,165
2012-13	373,798,390	835,000	9,639,637	384,273,027

(1) For Alpine County, reflects the total of Secured and Utility valuation amounts; Separate Secured valuation and Utility valuation amounts are not available.
Source: California Municipal Statistics, Inc.

TABLE 2
Historical Property Tax Revenue by County

Fiscal Year Ending	Alpine County	Amador County	El Dorado County	Total
2008	$779,235	$142,057	136	$921,428
2009	713,463	161,917	165	875,545
2010	753,537	166,623	1,804	921,964
2011	660,240	164,254	118	824,612
2012	612,471	289,122	1,149	902,742
2013 (Budgeted)	673,608	126,302	42,101	842,011

Source: The District.

Largest Taxpayers. The following table lists the ten largest secured taxpayers in the District for Fiscal Year 2013.

TABLE 3
Ten Largest Fiscal Year ending June 30, 2013 Local Secured Taxpayers

2012-13 Property Owner	Primary Land Use	Assessed Valuation	% of Total [1]
1. Kirkwood Mountain Resort LLC [2]	Ski Resort	$14,372,415	3.84%
2. Heavenly Valley, LP	Ski Resort	11,751,454	3.14
3. Individual Homeowner	Residential	3,625,000	0.97
4. Stoneleigh Home Builders, LLC	Residential	3,013,000	0.81
5. Kirkwood Expedition Partners	Residential	2,751,173	0.74
6. Rainbow Ventures LLC	Commercial Undev. Land	2,750,000	0.74
7. Individual Homeowner	Residential	2,436,000	0.65
8. Individual Homeowner	Residential	2,404,202	0.64
9. Individual Homeowner	Residential	2,375,000	0.64
10. Individual Homeowner	Residential	2,181,584	0.58
		$47,659,928	12.75%

(1) 2012-13 Local Secured Assessed Valuation: $373,798,390.
(2) Kirkwood Mountain Resort, LLC is no longer listed as a business entity in California, its assets are now associated with Kirkwood Capital Partners, LLC as a result of the March 2012 purchase of a substantial portion of the Kirkwood Mountain Resort, LLC assets by Vail Associates. Vail Associates purchased the Ski Resort's operational assets and a portion of its developable land, and is now the top property owner in the District and not reflected in the table. The previous owners of the Ski Resort, Mountain Springs Kirkwood, LLC, retained a substantial portion of the undeveloped Ski Resort real estate, forming Kirkwood Capital Partners, LLC, which owns undeveloped land totaling 11.83 acres (.65 acres in Alpine County, 3.64 acres in Amador County, and 7.54 acres in El Dorado County); its subsidiaries own undeveloped land as follows: Kirkwood Palisades LLC owns 1.71 acres in Alpine County and 12.59 acres in Amador County; Village East LLC owns 12.61 acres in Alpine County; and Martin Point LLC owns 17.04 acres in Amador County.
Source: California Municipal Statistics, Inc.

Certain counties in the State offer a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. The District does not receive its property tax share under the Teeter Plan.

Property Tax Limitations; Article XIIIA of the California Constitution. California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property 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." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the CPI or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIIIA was adopted in June 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1% limitation.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amend Article XIIIA. Proposition 58 amends Article XIIIA to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIIIA, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first $1,000,000 of other property between parents and children.

Proposition 60 amends Article XIIIA to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

Legislation enacted by the California Legislature to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIIIA of $4.00 per $100 assessed valuation (based on the traditional practice in California of using 25% of full cash value as the assessed value for tax purposes). The legislation further provided that, for Fiscal Year 1979, the tax levied by each county was to be appropriated among all taxing agencies within the county in proportion to their average share of taxes levied in certain previous years.

The apportionment of property taxes in Fiscal Years after Fiscal Year 1979 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in Fiscal Year 1979 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief. Chapter 282 does not affect the derivation of the base levy ($4.00 per $100 assessed valuation) and the bonded debt tax rate.

Effective as of Fiscal Year 1982, assessors in California no longer record property values in the tax rolls at the assessed value of 25% of market values. All taxable property is shown at full market value (subject to a 2% annual limit in growth so long as property is not sold). In conformity with this change in procedure, all taxable property value included in this Official Statement is shown at 100% of market value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for bond service and pension liability are also applied to 100% of market value.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, annual inflationary value growth of up to 2%) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization ("**Unitary Property**") which is allocated by a different method as described under "-Unitary Property" below.

Property Tax Collection Procedures.

Classifications. In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." Secured and unsecured properties are entered on separate parts of the assessment roll maintained by each County assessor.

The secured classification includes property on which any property tax levied by each of the Counties becomes a lien on that property sufficient, in the opinion of each county assessor, to secure payment of the taxes. Every tax that becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Payment and Collections. The valuation of property is determined as of January 1 each year. Property taxes on the secured roll are due in two equal installments, on November 1 and February 1 of each Fiscal Year, and become delinquent on December 10 and April 10, respectively. Taxes on unsecured property are due to the Counties on August 1 and become delinquent August 31.

The method of collecting delinquent taxes is substantially different for secured and unsecured property. Each taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts an order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent. A 10% penalty also applies to delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1 ½% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. If taxes are unpaid for a period of five years or more, the property is deeded to the State of California and may be sold at public auction.

Supplemental Assessments. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498) provides for the supplemental assessment and taxation of property as of the occurrence of

a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 provided increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the tax lien date. To the extent such supplemental assessments occur within the District, Tax Revenue may increase.

Property Tax Administration Costs***.*** In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis.

ERAF Shift and Triple Flip Legislation. Certain property taxes have been shifted from local government agencies to schools by the State Legislature for deposit in the State's the Education Revenue Augmentation Fund ("**ERAF**"), a shift that has resulted in diversion of District property taxes since Fiscal Year ending June 30, 1993. The District, as a multi-county jurisdiction, was unaffected by ERAF.

Unitary Property**.** Commencing in Fiscal Year 1989, the Revenue and Taxation Code of the State of California changed the method of allocating property tax revenues derived from State assessed utility properties. It provides for the distribution of State assessed values to tax rate areas by a county-wide mathematical formula rather than assignment of State assessed value according to the location of those values in individual tax rate areas.

Commencing with Fiscal Year 1989, each county has established one county-wide tax rate area. The assessed value of all unitary property in the county has been assigned to this tax rate area and one tax rate is levied against all such property ("**Unitary Revenues**").

The property tax revenue derived from the assessed value assigned to the county-wide tax rate area will be allocated as follows: (1) each jurisdiction will be allocated up to 2% of the increase in Unitary Revenues on a pro rata basis county-wide; and (2) any decrease in Unitary Revenues or increases less than 2%, or any increase in Unitary Revenues above 2% will be allocated among jurisdictions in the same proportion of each jurisdiction's Unitary Revenues received in the prior year to the total Unitary Revenues county-wide.

However, legislation adopted in 2006 (SB 1317, Chapter 872) and taking effect with Fiscal Year 2008 required counties to transfer certain railroad properties into a countywide tax rate area from their existing tax rate area. Taxes on these properties are now distributed in a manner similar to other unitary properties, except that redevelopment agencies no longer share in the distribution.

See "RISK FACTORS – Risk Factors Relating to the District's Property Tax Revenues" for a discussion of certain factors that could impact the availability of Tax Revenues.

Estimated Tax Revenues and Installment Payments to be Paid from Tax Revenues

The District's calculation of budgeted Fiscal Year 2013 Tax Revenues and Net Revenues for each Enterprise, and the resulting coverage over estimated Maximum Installment Payments is set forth in the table below.

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TABLE 4
Estimated Tax Revenues and Installment Payments to be Paid from Tax Revenues and Projected Coverage over Installment Payments

	Estimated Fiscal Year ending June 30, 2014
Estimated Tax Revenues [1]	$842,011
Water Enterprise	
Maximum Installment Payments [2]	82,200
Less: Budgeted Fiscal Year 2013 Net Revenues [3]	3,408
Installment Payments to be paid from Tax Revenues	78,792
Wastewater Enterprise	
Maximum Installment Payments	117,200
Less: Budgeted Fiscal Year 2013 Net Revenues [4]	9,406
Installment Payments to be paid from Tax Revenues	107,794
Propane Enterprise	
Maximum Installment Payments	207,350
Less: Budgeted Fiscal Year 2013 Net Revenues [5]	395,175
Installment Payments to be paid from Tax Revenues	-
Electric Enterprise	
Maximum Installment Payments	215,100
Less: Budgeted Fiscal Year 2013 Net Revenues [6]	N/A
Installment Payments to be paid from Tax Revenues	215,100
Total Installment Payments to be paid from Tax Revenues	$401,686
Estimated Coverage of Tax Revenues over Installment Payments after offset for Net Revenues	2.10x
Estimated Coverage of Tax Revenues over Installment Payments without offset for Net Revenues	1.35x

(1) Estimated Tax Revenues reflect the amount of property taxes anticipated to be collected in Fiscal Year ending June 30, 2013. See Table 2.
(2) Maximum Installment Payment reflects the largest payment due with respect to the Enterprise's Series 2013 Certificates amortization. The FY 2015 payment is used for the Electric Enterprise in order to be comparable to the Water, Wastewater, and Propane Maximum Installment Payment timeline.
(3) See Table 13. Excludes payments for the 2011 Notes.
(4) See Table 19. Excludes payments for the 2011 Notes.
(5) See Table 23. Excludes payments for the 2011 Notes.
(6) Net revenues of the Electric Enterprise are not pledged to the payment of the Installment Payments.

Revenues from Rates and Charges

The District provides water, wastewater, fire protection, solid waste, snow removal, cable television, mosquito abatement, recreation service, and propane/electric service and collects rates and charges from its customers for each respective service. The Net Revenues of the District for the Water, Wastewater and Propane Enterprises are the source of security for portion of the Installment Payments of the Certificates, as described above under the caption "SECURITY FOR THE CERTIFICATES." *After payment of debt service on the RUS Bond, the District may use excess revenues of the Electric Enterprise for payment of the Installment Payments, however revenues of the Electric Enterprise are not a pledged source of payment for the Installment Payments. See "SECURITY FOR THE CERTIFICATES."*

For financial and other information on each of the Water, Wastewater, Propane and Electric Enterprises, see the respective headings "THE WATER ENTERPRISE," "THE WASTEWATER ENTERPRISE," "THE PROPANE ENTERPRISE," and "THE ELECTRIC ENTERPRISE."

Population. The year-round population of the District has only varied slightly over the past ten years, fluctuating between approximately 110 and 150 residents, mostly employees of the Ski Resort and the District. During the summer, visitation during in-valley day events (concerts and other festivals) can increase the population dramatically. The 2003 Kirkwood Specific Plan has established a peak people-at-one-time ("**PAOT**") to accommodate special events at 9,800. The peak PAOT is only allowed for the duration of the special event, and then the baseline PAOT of 6,558 prevails. During the wintertime, the public and private lands in the District are allowed to accommodate up to 11,800 PAOT.

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Service Area Connections. The table below shows historical District Water, Wastewater, Propane and Electric Enterprise connections over the past ten Fiscal Years.

TABLE 5
Historical, Aggregate Residential and Commercial Service Connections, By Enterprise
Fiscal Years ending June 30, 2003 to June 30, 2012

Fiscal Year Ended	Total Water Accounts (1)	Total Wastewater Accounts	Total Electric Accounts (2)	Total Propane Accounts (2)
2003	646	543	591	295
2004	697	607	637	302
2005	717	623	655	323
2006	743	628	686	337
2007	790	666	718	377
2008	826	686	734	401
2009	841	695	765	420
2010	851	700	765	424
2011	851	700	765	420
2012	851	700	768	425

(1) Water connections include irrigation connections. Irrigation water is metered separately and does not get treated.
(2) Prior to Fiscal Year ending June 30, 2012, the Propane Enterprise and the Electric Enterprise were each owned by Mountain Utilities. The District purchased the Propane Enterprise and the Electric Enterprise and began providing those services in July 2011.
Source: The District.

Billing and Collection Procedures. The District combines water, wastewater, propane, and electric charges on one monthly bill for residential customers. Construction water is also billed on a monthly basis. Bills are due upon receipt. A delinquent message is included on the following month's bill if the previous balance is unpaid. Approximately 3% of the District customers receive the delinquent message due to unpaid balances. If bills are not paid within 15 days of the second billing, the customer will receive a mailed final notice invoicing the past due amount before electric and propane, or water and wastewater service is discontinued. Less than 1% of the District customers receive a second billing delinquent message. If service is disconnected, it will be reconnected upon payment of the delinquent bill as well as a reconnection fee of $50.

Closed accounts are given 28 days to pay in full. If a closed account remains unpaid a delinquent closing bill is mailed. Sixty days from the original closing bill date a closed account may be transferred into the collection process. The District's actual aggregate uncollectibles have amounted to less than 1% per year over the last five years.

TABLE 6
Historical Billings, Collections and Write-Offs
Fiscal Years ending June 30, 2009 through June 30, 2012

Water and Wastewater Enterprise

June 30	Billings	Payments	Write-off
2009	$ 767,935	$796,323	$0
2010	1,059,065	1,001,751	180
2011	1,115,270	1,106,572	310
2012	1,070,465	998,479	3,012

Propane Enterprise [(1)]

June 30	Billings	Payments	Write-off
2009	$1,429,928	n/a	n/a
2010	1,550,909	n/a	n/a
2011	1,753,143	n/a	n/a
2012	1,261,201	$1,149,596	$0

Electric Enterprise [(1)]

June 30	Billings	Payments	Write-off
2009	$2,199,747	n/a	n/a
2010	2,482,394	n/a	n/a
2011	3,164,657	n/a	n/a
2012	2,980,571	$2,680,950	$0

[(1)] Payment data is not available prior to Fiscal Year ending June 30, 2012; the District purchased the Propane Enterprise and the Electric Enterprise in July 2011. Electric and Propane Enterprise charges are combined on to one monthly bill for each customer of those Enterprises.
Source: The District.

Regulatory Issues

General. The District is not aware of any environmental or regulatory issues that would adversely impact its ability to deliver water, propane or electricity or to process wastewater, and the District is not aware of any recent or ongoing violations of its regulatory permits (as such are described below), which are likely to have a material adverse impact upon the financial operations of the District.

Water Enterprise. Domestic water is currently supplied by four groundwater wells. The existing system includes two storage tanks with a capacity of 950,000 gallons. The applicable drinking water standards for the District's potable water system are provided in the California Domestic Water Quality and Monitoring Regulations, Title 22 of the California Administrative Code. These regulations incorporate the requirements of the U.S. Environmental Protection Agency in conformance with the Safe Drinking Water Act (PL 93-523). The standards specify water quality sampling frequencies and location as well as maximum concentrations of chemical constituents and are continuously revised and amended.

District operates under a Water Supply Permit issued by the State, Department of Health Services.

The Ski Resort, Kirkwood Capital Partners, LLC and private developers all have short and long-range goals for future development, both residential and commercial, in the Kirkwood Valley. The demand for water will increase with new construction and the District has plans to meet those needs.

Wastewater Enterprise. The District provides sanitary wastewater collection, treatment and disposal for the community and visitors of the area it serves. The sanitary system consists of gravity-flow wastewater collection lines and two lift stations that transfer the wastewater to the Wastewater Enterprise Treatment Plant (the "**Treatment Plant"**). The Treatment Plant utilizes a Membrane Bioreactor (an "**MBR**") process to treat wastewater and then discharges the treated wastewater to effluent absorption beds. The MBR process replaced the activated sludge process for wastewater treatment in the fall of 2005. The Treatment Plant is regulated by permit under the jurisdiction of the Central Valley Regional Water Quality Control Board (the "**RWQCB**") under Waste Discharge Requirements (the "**WDRs**") Order No. R5-2007-0125. The WDRs contain monitoring and reporting requirements, which include quarterly and annual sampling of groundwater at eight locations around the Kirkwood Valley.

Regulatory requirements applicable to the Wastewater Enterprise are contained in or imposed by regulation pursuant to the Federal Water Pollution Control Act, as amended, and the State of California Porter Cologne Water Quality Control Act of 1969, as amended. Both federal and State regulations are administered through the Regional Water Board. The District is not aware of any environmental or regulatory issues that would adversely impact its ability to provide wastewater service.

Propane Enterprise. The District operates the storage and distribution of propane in accordance with CPUC safety regulations.

Electricity Enterprise. The District's electrical service is a publicly owned utility regulated by the CPUC for safety issues only and not for rate setting. It is subject to the air quality permitting authority of the Great Basin Unified Air Pollution Control District, as noted below.

Air Emissions Permits. The District's Electric Enterprise operates the electric power generation facility (the "**Powerhouse**") pursuant to a permit issued by the Great Basin Unified Air Pollution Control District.

Capital Improvement Program

The Certificates will fund a variety of projects for the Water, Wastewater and Propane, and to a lesser extent, Electric, Enterprises. These projects are expected to be completed by the end of 2013. The District does not anticipate significant additional capital costs for these Enterprise operations over the next three years.

With regards to the Electric Enterprise, tthe District's anticipated capital expenditures and the projected sources of payment are reflected in the 5-Year Reserve Plan for the Electric Enterprise. The District is undertaking its Out-Valley interconnect project with commencement of construction in the second quarter of 2013. The project consists of construction of two new overhead transmission lines (a 1.3-mile long 115 kV and a 1.8-mile long 34.5 kV line), in addition to a 24.8 mile long 34.5 kV underground transmission line, and two new substations. This will connect the District's electric utility to the grid and give it access to purchased energy at prices lower than the cost to generate using diesel at its Powerhouse. The $30 million cost of the Out-Valley project is being funded through the RUS Bond.

Capital assets are reported in the District's applicable government-wide financial statement and are reported at cost. Costs include labor, materials and related indirect costs, such as engineering, used during construction.

The 5-Year Reserve Plan calculates the replacement and refurbishment costs and expenditure schedule based on the assumption that expenditures take place during the year indicated by the end of the useful lives of the assets.

Employees; Retirement System

The District's total budgeted full time equivalent positions ("**FTE**") for Fiscal Year 2012 was 21, with the majority concentrated in Operations.

Pension. *The following information concerning the California Public Employees' Retirement System is excerpted from publicly available sources, which the District believes to be accurate. PERS should be contacted directly at CalPERS, Lincoln Plaza, 400 Q Street, Sacramento, CA 95814, Telephone: (888) 225-7377 for other information, including information relating to its financial position and investments.*

District employees are eligible to participate in pension plans offered by California Public Employees' Retirement System ("**PERS**"), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. PERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. Copies of PERS' annual financial report may be obtained from its Executive Office located at 400 P Street, Sacramento, CA 95814.

All full-time District employees are eligible to participate in the System. Benefits fully vest after five years of credited service; one year of credited service is equal to one year of full time employment. Participants with vested benefits are entitled to an annual retirement benefit, payable monthly for life, beginning at retirement age 62, in an amount equal to 2.0% of the average salary during the last year of employment. These benefit provisions and all other requirements are established by State statute.

Funding Policy. The contribution requirement of plan members and the District are established and may be amended by PERS. PERS determines contribution requirements using a modification of the Entry Age Normal Method, which is a projected benefit cost method. This method takes into account these benefits that are expected to be earned in the future as well as those already accrued. Accordingly, the normal cost for an employee is the level amount that would fund the projected benefit if it were paid annually from date of employment until retirement. PERS uses a modification of the Entry Age Cost Method in which the employer's total normal cost is expressed as a level percentage of payroll in order to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability.

District employees are required to contribute 8.0% of their annual covered salary to the District's PERS Plan. The District is required to contribute to its PERS Plan at an actuarially determined rate. The rate for the year ended June 30, 2012 was 16.220% of annual covered payroll. The District pays employees' contributions, on their behalf and for their account, as well as its own actuarially-determined contribution amount. The District's total contribution was $198,255 for the year ended June 30, 2012. The District paid 100% of the contributions required by PERS, for each of the years ended June 30, 2012, 2011 and 2010, respectively. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by PERS, for the last three Fiscal Years were as follows:

Fiscal Year Ending	Contribution Rate	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	13.289%	$68,228	100%	$0
June 30, 2011	13.371	77,823	100	0
June 30, 2012	16.220	105,667	100	0

Source: The District's Audited Financial Statements for the Year Ended June 30, 2012.

Side Fund. In 2003-04, PERS combined the retirement plans for all public agencies with less than 100 active members to reduce the volatility of employer contribution rates. Because the District has less than 100 active employee members participating in its PERS Plan as reported in one valuation since the June 30, 2003 PERS valuation and since June 30, 2004, the District is required to participate in a risk pool with other districts, cities and agencies with less than 100 members in their own plans. An actuarial valuation of this single risk pool has been performed, and, standalone information of the schedule of the funding progress for any pooled individual entity's plan, including the District's Plan is not available.

Actuarial Valuations. The District does not individually account for its PERS Plan because of its participation in the risk pool with other districts, cities and agencies.

Staff actuaries at PERS prepare annually an actuarial valuation for the District's risk pool that covers a Fiscal Year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the District in October 2011 with respect to

its risk pool, covered PERS' Fiscal Year ending June 30, 2010). The actuarial valuation expresses the required contribution rates for risk pool participants in percentages of payroll, and the District receives a contribution percentage for each Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the District's contribution rates derived from the actuarial valuation as of June 30, 2010, which was prepared in October 2011, are in effect during the District's Fiscal Year ending June 30, 2012). PERS rules require the District to implement the actuary's recommended rates. The District's most recent actuarial valuation is available upon request.

In calculating the risk pool members annual actuarially required contribution rates, the PERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that PERS will fund under the District's risk pool plans, which includes two components: the normal cost and the unfunded accrued actuarial value ("**UAAL**"). The normal cost represents the actuarial present value of benefits that PERS will fund under the District's risk pool plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the District's risk pool plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions, such as, among others, the rate of investment return, average life expectancy, average age at retirement, inflation, salary increases, and occurrences of disabilities. The average remaining period for risk plan members pay-off of side funds held in the risk pool is 19 years (as of the most recent valuation date). Payroll growth for risk plan members is assumed to be 3.25% and individual salary growth is assumed, based on a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%. In addition, the UAAL includes certain actuarial adjustments, such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL is an estimate of the unfunded actuarial present value of the benefits that PERS will fund under the District's risk pool plans to retirees and active employees upon their retirement rather than a fixed liability amount the pool participants owe to PERS under the District's risk pool plans.

In each actuarial valuation, the PERS actuary estimates the actuarial value of the assets (the "**Actuarial Value**") of the District's risk pool plans at the end of the Fiscal Year, which assumes, among other things, that the real rate of return during that Fiscal Year equaled the applicable assumed rate of return (recently revised from 7.75% to 7.50%). The PERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies.

Plans' Actuarial Values. For information on the recent history of the risk pool plans Actuarial Value (which differs from market value) of assets, accrued liability, their relationship, and the relationship of the unfunded liability to payroll for the risk pool that Districts participates in, see APPENDIX A – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012.

Actuarial Assumptions and Policies. PERS uses a market-related value method of valuing the PERS plan's assets, which method smooths the effect of short-term volatility in the market value of investments over a three-year period. The actuarial valuation assumptions include (a) 7.75% investment rate of return (net of administrative expenses, (recently revised by PERS to 7.50%); (b) projected salary increases that range from 3.55% to 14.45% (varying by age, service and type of employment); (c) an inflation component of 3.00%, and (d) 3.00% per

year cost-of-living adjustments for retirees. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

Complete updated inflation and actuarial assumptions can be obtained by contacting PERS at the address referenced above.

PERS Rate Adjustments. On March 14, 2012, the PERS Board voted to reduce its discount rate, which rate is attributable to its expected price inflation and investment rate of return (net of administrative expenses), from 7.75% to 7.5%. As a result of such discount rate decrease, among other things, (i) the amounts of PERS member state and schools employer contributions will increase by 1.2 to 1.6% for Miscellaneous plans and 2.2 to 2.4% for Safety plans beginning Fiscal Year 2013 and (ii) the amounts of PERS member public agency contributions will increase by 1 to 2% for Miscellaneous plans and 2 to 3% for Safety plans beginning Fiscal Year 2014. More information about the PERS discount rate adjustment can be accessed through PERS's web site at www.calpers.ca.gov/index.jsp?bc=/about/press/pr-2012/mar/discount-rate.xml. *The reference to this internet website is shown for reference and convenience only, the information contained within the website may not be current and has not been reviewed by the District and is not incorporated in this Official Statement by reference.*

The PERS Board adjustment has been undertaken in order to address underfunding of the PERS funds, which arose from significant losses incurred as a result of the economic crisis arising in 2008 and persists due to a slower than anticipated, subsequent economic recovery. The District is unable to predict what the amount of PERS liabilities will be in the future, or the amount of the PERS contributions that the District may be required to make. Although not quantified at this time, this is also expected to result in increased District contributions.

In addition to this expected increase, there can be no assurances that the District's annual contributions to PERS will not significantly increase in the future. The actual amount of any increases will depend on a variety of factors, including but not limited to investment returns, actuarial assumptions, experience and retirement benefit adjustments.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that will enact the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**") and that will also amend various sections of the California Education and Government Codes, including the County Employees Retirement Law of 1937. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS pension benefit payout, (iii) addresses numerous abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA will apply to all public employers *except* the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to State employees hired on that date and after; local government employee associations, will have a five-year window to negotiate compliance with AB 340 through collective bargaining. If no deal is reached by January 1, 2018, a city, public agency or school district could force employees to pay their half of the costs of PERS pension benefits, up to 8 percent of pay for civil workers and 11 percent or 12 percent for public safety workers.

PERS predicts that the impact of AB 340 on employers, including the District, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, PERS notes that changes arising from AB 340 could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

More information about AB 340 can be accessed through PERS's web site at www.calpers.ca.gov. *The reference to this internet website is shown for reference and convenience only; the information contained within the website may not be current and has not been reviewed by the District and is not incorporated in this Official Statement by reference.*

The District is unable to predict what the amount of PERS liabilities will be in the future or the amount of the PERS contributions which the District may be required to make, all as a result of the implementation of AB 340, and as a result of negotiations with its employee associations.

See "APPENDIX A – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012, Notes to the Basic Financial Statements, Note 6" for additional information to the District's retirement plans.

Other Post Employment Benefits (OPEB) There are no other post-employment benefits offered by the District.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for risks of loss, including worker's compensation, property and liability, automotive liability, director's and officer's liability and employee dishonesty coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage during either of Fiscal Years ending June 30, 2011 or June 30, 2012. See "APPENDIX A – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012, Notes to the Basic Financial Statements, Note 7."

Investment Policy and Controls

Funds of the District are invested in accordance with the California Government Code and the District's investment policy. District staff submits a monthly investment report to the Board.

Long-Term Obligations

RUS Bond. In March 2013, the District took its initial advance under an RUS loan facility, issued by the RUS in a maximum amount of $50,000,000. The RUS loan takes the form of the RUS Bond held by the Federal Financing Bank under the United States Department of Agriculture's Rural Utilities Service financing program. The initial RUS Bond draw was used to refinance a portion of the Prior Notes and additional draws up to the maximum amount are expected to finance additional capital improvement to the Electric Enterprise. The RUS Bond matures in 2048. The RUS Bond is secured by Net Revenues and not by Tax Revenues.

Capital Lease Obligation. The District entered in a capital lease with Caterpillar Financial Services, dated January 12, 2012, for the purchase of one new HS300 RPM Tech Rotary Fan Type Detachable Snow Blower. The term of the capital lease is five years with annual payments of $44,371 through such term. See "APPENDIX A – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012, Notes to the Basic Financial Statements, Note 4." The capital lease is not secured by the Tax Revenues and the Net Revenues.

Kirkwood Meadows Public Facilities Corporation

The District has created the KMPUD Public Facilities Corporation, a non-profit public benefit corporation, for the purpose of financing the acquisition and construction of various public facilities, structures, and other public buildings in the District. Although legally separate from the District, the Corporation is reported as if it were part of the primary government because it shares a common Board of Directors with the District. The Corporation had no significant transactions during the District's Fiscal Year ending June 30, 2012.

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THE WATER ENTERPRISE

Water Enterprise Assets. The District's domestic water is supplied by four groundwater wells owned and operated by the District and located throughout the Kirkwood Valley, with a combined peak production of 225 gallons per minute or 324,000 gallons per day. The Water Enterprise also includes two storage tanks with a capacity of 950,000 gallons. The District's water distribution system consists of approximately five miles of pipelines ranging from six to ten inches in diameter. The majority of the District's pipelines were installed using polyvinyl chloride plastic materials, which is more effective than traditional pipeline materials such as copper, iron or wood in pipe and profile applications.

Potable Water Source and Storage. The District receives water exclusively from its four groundwater wells, as follows:

TABLE 7
Historical Total Well Water Annual Production
Fiscal Years Ending June 30, 2008 through June 30, 2012

Year	Total Water Produced (in gallons)
2007-08	15,580,764
2008-09	13,741,654
2009-10	14,942,797
2010-11	12,513,942
2011-12	15,263,343

Source: The District.

Both the amount of water produced and the amount sold by the District varies from year to year in part due to snowfall levels. In years in which lower amounts of snow falls, groundwater levels fall and the District experiences decreased demand for water as a result of fewer visits to the Ski Resort and District area from tourists and part-time residents, leading to corresponding lower levels of water usage.

Snowfall totals for the District for its last five completed Fiscal Years, and for the current Fiscal Year (as of February 2013) are reported as follows:

TABLE 8
Snowfall Totals
Complete Totals for Fiscal Years Ending June 30, 2008 through June 30, 2012 and Partial Total for Fiscal Year Ending June 30, 2013

Year	Snowfall (in inches)
2007-08	441
2008-09	455
2009-10	372
2010-11	622
2011-12	237
2012-13	265

Source: The District.

The District has two storage tanks with a capacity of 950,000 gallons for storage of well water reserves. Both storage tanks are located on the lower slopes of the ski mountain, thereby providing sufficient water pressure to all District dwellings.

Water provided by the District's wells meets or exceeds the requirements of both the State of California Department of Health Services and the Federal Safe Drinking Water Standards. The District has never been cited by the California Water Quality Board.

Water Quality Compliance. The kind and degree of water treatment by the District is regulated, to a large extent, by the United States federal government. Clean water standards set forth in the Safe Drinking Water Act and the Environmental Protection Act provide parameters for the operations of systems such as the Water Enterprise and to mandate the District's use of certain treatment technology. In the event that the United States Department of Health and Human Services, or the United States federal government, either acting through the Environmental Protection Agency or by adoption of additional legislation, should impose stricter quality standards applicable to the Water Enterprise, its expenses would increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction State and federal regulation will take with respect to water treatment regulation in the future. See "DISTRICT FINANCES - Regulatory Issues, Water Enterprise," above for further information about State and federal regulation of the Water Enterprise.

Water Projects Financed with the Certificates

The Certificates will provide funds for (i) the Water Enterprise's share of costs to purchase and install an advanced water and wastewater metering project and (ii) water supply consulting services, described below, which together are anticipated to cost an aggregate amount of $240,500.

Future Water Supply

Presently, total water demand for the District varies from 12 to 15 million gallons per year at the current 50% (approximately 722 equivalent dwelling units) build-out of the community. The present capacity could serve approximately 1,000 equivalent dwelling units. The District has entered into an agreement with Matt Wheeler Engineering, Inc. to explore its existing potable water sources and capacity versus its projected future potable water needs. The District's existing water source production capacity is known to not meet anticipated potable water needs at full community build-out (approximately 1,400 equivalent dwelling units). The District plans to explore the ability to develop additional water sources, including water rights to Caples Lake, which (if exercised) would augment the District's supply and could provide the capacity and reliability necessary to maintain Water Enterprise service though anticipated District long-term growth. Other water supply options will also be explored in 2013-14.

Water Enterprise Customer Composition

The table below sets forth the number of customer accounts and estimated metered water delivery by customer type for the District's last five completed Fiscal Years.

TABLE 9
Water Deliveries (gallons)
Fiscal Years Ending June 30, 2008 through June 30, 2012

Fiscal Year ending June 30	2008	2009 (1)	2010	2011 (1)	2012
Residential:	7,949,372	6,964,104	7,937,853	6,359,571	5,783,612
Commercial:	4,412,078	4,150,727	4,687,340	4,362,261	4,160,317
Irrigation:	2,468,998	2,346,026	2,242,056	1,730,274	1,696,277
Other(2):	750,316	280,797	75,548	61,836	62,439
Total:	15,580,764	13,741,654	14,942,797	12,513,942	11,702,645

(1) Water deliveries and use were lower that usual in these years, due to drought conditions.
(2) Represents hydrant, construction or other miscellaneous connections.
Source: The District.

Major Water Customers

Customers pay a base service charge for water without regard to actual consumption. The five largest commercial and five largest residential Water Enterprise accounts are listed in the following table. Vail Associates is responsible for multiple accounts and comprises the largest commercial Water Enterprise user. All of the five largest residential customers are multi-family, condominium developments.

TABLE 10
Largest Customers of Water
Fiscal Year Ending June 30, 2012

Commercial Accounts	Annual Revenue	Percentage of Total Water Revenue
Largest Vail Associates Accounts:		
Red Cliffs Main Lodge	$6,013	2%
Youth Hostel	11,166	4
Kirkwood Inn	11,213	4
Red Cliffs Housing	15,889	5
Red Cliffs Boiler	11,167	4
Total Top 5 Vail Associates Accounts:	55,448	18.2%
Multifamily Residential Accounts[1]		
Mountain Club Home Owners' Assn.	$11,453	4%
The Meadows Lodge	19,470	6
Base Camp	13,743	5
Meadowstone Lodge	10,308	3
Timber Ridge	8,017	3
Total Top Five Residential:	62,991	20.6%
Total Water Revenues	$305,150	100%

(1) Multi-family residential units are billed to a single property management company but treated as individual occupant units.
Source: The District.

Current Water Enterprise Rates

In accordance with California law, the District may, from time to time, fix, alter or change charges and other fees related to the Water Enterprise. Consequently, the District periodically reviews Water Enterprise rates and charges. Under the District's current authorized Water Enterprise rates and charges authorization, rates and charges are adjusted administratively each year by the District by reference to the CPI. In the event that the District determined that the annual administrative increase would be insufficient, the District would be required to comply with the requirements of Proposition 218 for a rate increase proceeding. The District believes that it is currently in compliance with Proposition 218 with respect to all rates and charges of the Water Enterprise. Neither the District nor the Water Enterprise is subject to the jurisdiction of, or regulation by, the CPUC or any other regulatory body in connection with the establishment of charges and fees related to the Water Enterprise. See ""RISK FACTORS – Risk Factors Relating to the District's Revenues from Rates and Charges, Proposition 218" in this Official Statement for a discussion of the treatment of the District's rates and charges in light of Proposition 218.

The District adopted Water Enterprise rates in accordance with District Regulation No. 610.01. Ordinance No. 09-01 dated July 9, 2009 adjusted combined Water Enterprise and Wastewater Enterprise rates effective August 9, 2009 and includes annual cost of living adjustments commencing July 1, 2010 and for four years thereafter based on the previous year's change (as of May 1) in the CPI. The District had previously amended its rates as of January 13, 2002. Customers pay a base service charge for water and wastewater and a variable wastewater charge as measured by a water supply meter. The District does not anticipate significant reductions in water flow as a result of reduced water use.

Irrigation water rates for both residential and commercial usage are charged at a rate of $4.00 per 100 cubic feet.

The following table presents the District's historic Water Enterprise rates for its Fiscal Years ended 2003 through 2012. Customers are billed the base rate without regard to actual usage, however a customer's base rate may be comprised of a single amount representing multiple base rates.

TABLE 11
Historic Water Enterprise Base Rate
Fiscal Years Ending June 30, 2003 through June 30, 2012
(Effective July 1 of each Fiscal Year)

Fiscal Year	Water Base Rate
2003	$15.73
2004	15.73
2005	15.73
2006	15.73
2007	15.73
2008	15.73
2009	22.13
2010	22.13
2011	22.13
2012	23.86

Source: The District.

Connection Fees

The current one-time connection charges paid by new residential customers connecting to the Water Enterprise is $1,916.00. For commercial connections the fee is based on a formula created to reflect the type and use of the structure and based on an engineer's flow estimates. The following table shows connection fee revenue for the last five years.

TABLE 12
One-Time Water Enterprise Connection Fee Revenue

Fiscal Year	Residential	Commercial
2008	$13,412	$0
2009	0	0
2010	0	0
2011	1,916	0
2012	0	0

Source: The District.

Projected Water Enterprise Demand

Per the 2003 Kirkwood Specific Plan, the District believes the service area is approximately 50% built-out and with its present supply it can serve approximately 70% of build-out. Growth in the District has never been rapid and rapid future growth is not expected, as such the District typically plans for approximately 2-3% growth per year, which is greater than the growth it has experienced in the last five years. See "- Future Water Supply," above, for a description of the District's efforts to meet future Water Enterprise demand.

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Water Enterprise Revenues and Expenditures

The District's historic, audited Water Enterprise revenues and expenditures for Fiscal Years ending June 30, 2010 through June 30, 2012 and its budgeted Water Enterprise revenues and expenditures for Fiscal Year ending June 30, 2013 are set forth in the table below.

TABLE 13
Water Enterprise
Summary of Revenues and Expenses (1)
Fiscal Years Ending June 30, 2010 through June 30, 2012 (Audited) and Fiscal Year Ending June 30, 2013 (Budgeted)

	Audited 2010	Audited 2011	Audited 2012	Budgeted 2013 (2)
Operating Revenues				
Residential	$178,763	$176,855	$181,000	$190,382
Business	102,181	116,813	111,961	118,168
Other	18,470	16,988	12,189	19,695
Total Operating Revenues	299,414	310,656	305,150	328,245
Operating Expenses (3)				
Administrative and General	83,745	80,956	158,310	40,500
Pumping	43,832	82,995	6,660	119,791
Transmission and Distribution	91,838	95,294	23,186	164,546
Treatment	44,210	35,197	55,620	-
Total Operating Expenses	263,625	294,442	243,776	324,837
Non-Operating Expenses				
2011 Notes Interest Payments	-	-	14,000	8,438
Total Non-Operating Expenses	-	-	14,000	8,438
Net Revenues	$35,789	$16,214	$47,374	($5,030)

(1) Excludes property taxes allocated to the enterpise per the "Schedule of Detailed Statement of Revenues, Expenditures and Changes in Net Assets-Proprietary Departments" in the District's audited financial statements. Certain budgeted amounts are categorized differently under the District's audits.
(2) Due to a change in accounting practices, the District's revenues and expenses are categorized differently from prior year audits, beginning with the budget for the District's Fiscal Year ending June 30, 2013. Allocations for employee benefits and payroll taxes are presented differently from prior year audits. Additionally, the District formerly produced its own electric power by using diesel generators. Since the acquisition of the Propane Enterprise and Electric Enterprise, the District's cost for electricity has been metered and allocated to each Enterprise using electricity, which has thus increased certain of such Enterprise's "allocation" expenses.
(3) Excludes depreciation.
Source: The District.

THE WASTEWATER ENTERPRISE

The District provides sanitary wastewater collection, treatment and disposal for the District community. The District's wastewater treatment and disposal facility (the "**Treatment Facility**") is regulated by permit under the jurisdiction of the Central Valley Regional Water Quality Control Board (the "**RWQCB**") under Waste Discharge Requirements (the "**WDRs**") Order No. R5-2007-0125. The WDRs contain monitoring and reporting requirements, which include quarterly and annual monitoring of groundwater at eight locations around the Kirkwood valley.

Wastewater Enterprise Assets; ***Transmission and Treatment Facility***. The District's wastewater collection system consists of approximately 8.3 miles of six-inch gravity-flow wastewater collection lines and approximately 3,600 feet of eight-inch force main sewer lines. Two lift stations transfer the wastewater to the Treatment Facility. All have been placed in operational use over the past 10-30 years and presently serve the residential, Ski Resort and commercial areas within the District.

In 2001-2002, the Treatment Facility was upgraded from a conventional activated sludge treatment process to a membrane bioreactor, which now provides tertiary treatment of collected wastewaters. The Treatment Facility process includes gross solids screening, flow equalization, nitrification, denitrification, phosphorous removal via chemical additions, aeration, membrane filtration, disinfection, effluent disposal via pressure-dosed leach lines, extended aeration of waste sludge, and sludge dewatering (via centrifuge).

The upgraded Treatment Facility currently has an average design capacity of 190,000 gallons per day ("**GPD**") and a peak daily flow of 274,000 GPD. On an average maximum flow day, the Treatment Plant is using approximately 52% of its capacity. According to the Treatment Plant Monitoring Reports, monthly average effluent ranged from 16,687 GPD (average dry weather flow) to 98,994 GPD in 2011, with the highest flows occurring in the late winter/early spring during the period of seasonal snowmelt.

Wastewater Enterprise Improvements and Management

The District upgraded its two lift stations by constructing auxiliary wet wells to increase response times, adding backup generators for power redundancy, replacing worn pumps and valves, improving the stations' supervisory control and data acquisition ("**SCADA**") and alarm systems, and increasing critical stations' daily inspections from once per day to three times per day. The District improved its sewer maintenance by increasing the size of the maintenance crew to allow annual cleaning of sewers, doing closed-circuit camera inspections in sewers every five years, and cleaning high-risk sewers more frequently. The District is replacing or relining problem areas that are identified by the closed-circuit camera inspections.

Because the collection system is located in an environmentally sensitive area, and the water quality in the area is of pristine nature, the District is required to prepare, submit and implement a Sewer System Management Plan ("**SSMP**") as required by the California State Water Resources Control Board Order No. R5-2007-0125, Statewide General Wastewater Discharge Requirements for Wastewater Collection Agencies. The District's SSMP, implemented in January 2008, includes an overflow emergency response plan, operation and maintenance program, grease control plan, and a system evaluation and capacity assurance element, defined by and consistent with State Water Board Order No. 2006-0003-DWQ. The District is currently compliant with the SSMP.

Wastewater Volume. According to the Treatment Plant Monitoring Reports, monthly average effluent ranged from 16,687 GPD (average dry weather flow) to 98,994 GPD in 2011, with the highest flows occurring in the late winter/early spring during the period of seasonal snowmelt. The treatment facility currently has an average design capacity of 190,000 gallons per day and a peak daily flow of 274,000 GPD. The highest flows experienced in early spring represent 52% of plant capacity. Based on District growth projections of 2% per year the District does not foresee a need to expand the plant in the near future. The following table sets forth the annual volume of wastewater collected by the District in the preceding four Fiscal Years.

TABLE 14
Annual Wastewater Flow
Fiscal Years Ending June 30, 2009 through June 30, 2012

Fiscal Year Ending	Total Wastewater Flow (Gallons/Year)	Percentage of Treatment Plant Capacity
2009	14,592,500	21%
2010	16,487,200	24
2011	19,460,700	28
2012	20,757,800	30

Source: The District.

Wastewater Enterprise Projects Financed with the Certificates

The Certificates will provide funds for (i) the Wastewater Enterprise's share of costs to purchase and install an advanced water and wastewater metering project and (ii) a membrane project, which together are anticipated to cost an aggregate amount of $490,500.

Historically, the Treatment Facility has utilized membrane technology to achieve the strict discharge requirements for disposal of treated wastewater. The current membranes in use at the WWTP are nearing the end of their service life and will require replacement in advance of the 2013-14 winter (peak flow) season in order to maintain reliable wastewater service to Wastewater Enterprise customers. The District has entered into an agreement with Matt Wheeler Engineering, Inc. to provide project management, technical review, construction management, inspections, and start-up supervision for replacement of the Treatment Facility membranes.

Wastewater Enterprise Customer Composition

The table below sets forth the wastewater flow and wastewater service revenue generated by customer type for the last five Fiscal Years.

TABLE 15
Customer Account Types and Total Wastewater Flow
Fiscal Years Ending June 30, 2008 through June 30, 2012

	2008	2009	2010	2011	2012
Customer Type					
Residential Usage (in gallons):	7,949,372	6,964,104	7,937,853	6,359,571	7,783,612
Commercial Usage (in gallons):	4,412,078	4,150,727	4,687,340	4,362,261	4,160,317
Wastewater Revenues					
Residential:	$247,758	$246,578	$361,926	$391,774	$361,433
Commercial:	191,604	181,623	270,358	284,159	280,220

Source: The District.

Major Wastewater Enterprise Customers

Wastewater Enterprise Account customer billings are computed using a base rate plus a volumetric flow charge. The five largest commercial and five largest residential Wastewater Enterprise accounts are listed in the following table, and accounted for approximately 40% of the District's billed annual wastewater usage in the District's Fiscal Year ending June 30, 2012 . Vail Associates is responsible for multiple accounts and comprises the largest commercial Wastewater Enterprise user. All of the five largest residential customers are multi-family, condominium developments, as shown in the similar table for water in "THE WATER ENTERPRISE" section above.

TABLE 16
Five Largest Wastewater Accounts
Fiscal Year Ending June 30, 2012

Commercial Accounts	Gallons	Annual Revenue	Percentage of Total Wastewater Revenue
Vail Associates (5 accounts):			
Red Cliffs Main Lodge	318,648	$17,959	3%
Renwick (Employee Housing)	323,361	23,634	4
Kirkwood Inn	365,248	30,579	5
Red Cliffs Housing	555,764	35,799	6
Red Cliffs Boiler	376,244	23,378	4
Total Top 5 Vail Associates Accounts:	1,939,266	131,349	20.4%
Multifamily Residential Accounts[1]			
The Meadows Lodge	431,693	$35,678	6%
Mountain Club Home Owners' Assn.	471,977	26,358	4
Base Camp	295,610	24,660	4
Meadowstone Lodge	261,052	19,518	3
Timber Ridge	281,996	17,235	3
Total Top Five Residential:	1,742,328	$123,449	19.2%
Total Wastewater Revenues	9,858,625	$644,345	100%

Source: The District.

Current Wastewater Enterprise Rates

The District adopted Wastewater Enterprise rates in accordance with District Regulation No. 610.01. Ordinance No. 09-01 dated July 9, 2009 adjusted combined Water Enterprise and Wastewater Enterprise rates effective August 9, 2009 and includes annual cost of living adjustments commencing July 1, 2010 and for four years thereafter based on the previous year's change (as of May 1) in the CPI. The District had previously amended its rates as of June 10, 2007 and January 13, 2002. Customers pay a base service charge and a variable charge as measured by a water supply meter. The District does not anticipate significant reductions in wastewater flow as a result of reduced water use.

In accordance with California law, the District may, from time to time, fix, alter or change charges and other fees related to the Wastewater Enterprise. Consequently, the District periodically reviews Wastewater Enterprise rates and charges. Under the District's current authorized Wastewater Enterprise rates and charges authorization, rates and charges are adjusted administratively each year by the District by reference to the CPI. In the event that the District determined that the annual administrative increase would be insufficient, the District would be required to comply with the requirements of Proposition 218 for a rate increase proceeding. The District believes that it is currently in compliance with Proposition 218 with respect to all rates and charges of the Wastewater Enterprise. Neither the District nor the Wastewater Enterprise is subject to the jurisdiction of, or regulation by, the CPUC or any other regulatory body in connection with the establishment of charges and fees related to the Wastewater Enterprise. See "RISK FACTORS – Risk Factors Relating to the District's Revenues from Rates and Charges, Proposition 218" in this Official Statement for a discussion of the treatment of the District's rates and charges in light of Proposition 218.

Wastewater charges collected by the District typically vary from approximately $50-$200 per account. The following table presents the historic Wastewater Enterprise base rates and usage fee per cubic foot.

TABLE 17
Historic and Projected Wastewater Enterprise Rates
Fiscal Years Ending June 30, 2005 through 2013
(Effective July 1 of each Fiscal Year)

Year	Base Rate + Usage Fee per Cubic Foot
2005	$14.70 + $14.44/100cf
2006	$14.70 + $14.44/100cf
2007	$14.70 + $14.44/100cf
2008	$14.70 + $14.44/100cf
2009	$14.70 + $14.44/100cf
2010	$27.78 + $18.05/100cf
2011	$27.78 + $18.05/100cf
2012	$29.33 + $19.46/100cf
2013	$29.96 + $19.46/100cf

Source: The District.

Wastewater Enterprise Connection Fees

The current one-time connection charges paid by new residential customers connecting to the Wastewater Enterprise is $6,300, however certain portions of the District are within a community facilities district and such land is exempt from connection fees. For commercial connections the fee is based on a formula created to reflect the type and use of the structure and based on an engineer's flow estimates. The following table shows connection fee revenue for the last five years.

TABLE 18
One-Time Wastewater Enterprise Connection Fee Revenue

Fiscal Year Ending	Residential	Commercial
2008	$24,120	$0
2009	$0	0
2010	$0	0
2011	2,895	0
2012	$0	0

Source: The District.

Projected Wastewater Enterprise Demand

Based on the 2003 Kirkwood Specific Plan, the District believes the service area is approximately 50% built-out (based on planned dwelling units) and the potential exists for increases in future demand. The capacity of the wastewater processing system, as currently configured, has operated at a recorded maximum of 52% of capacity. Based on this supply and capacity profile, the District believes its current wastewater processing capacity is sufficient for the foreseeable future.

Wastewater Enterprise Revenues and Expenditures

The District's historic, audited Wastewater Enterprise revenues and expenditures for Fiscal Years ending June 30, 2010 through 2012 and its budgeted Wastewater Enterprise revenues and expenditures for the Fiscal Year ending June 30, 2013 are set forth in the table below.

TABLE 19
Wastewater Enterprise
Summary of Revenues and Expenses [(1)]
Fiscal Years Ending June 30, 2010 through June 30, 2012 (Audited) and Fiscal Year Ending June 30, 2013 (Budgeted)

	Audited, 2010	Audited, 2011	Audited, 2012	Budgeted 2013 [(2)]
Operating Revenues				
Residential	$361,926	$391,774	$361,433	$402,193
Business	270,358	284,159	280,220	313,453
Other	6,302	7,280	2,692	-
Total Operating Revenues	638,586	683,213	644,345	715,646
Operating Expenses [(3)]				
Administrative and General	221,896	235,969	194,247	108,400
Pumping		-	17,120	132,491
Transmission and Distribution	12,827	14,835	-	465,349
Treatment	344,208	456,431	349,646	-
Total Operating Expenses	578,931	707,235	561,013	706,240
Non-Operating Expenses				
2011 Notes Interest Payments	-	-	14,000	8,438
Total Non-Operating Expenses	-	-	14,000	8,438
Net Revenues	$59,655	($24,022)	$69,332	$968

(1) Excludes property taxes allocated to the enterpise per the "Schedule of Detailed Statement of Revenues, Expenditures and Changes in Net Assets-Proprietary Departments" in the District's audited financial statements.Certain budgeted amounts are categorized differently under the District's audits.
(2) Due to a change in accounting practices, the District's revenues and expenses are categorized differently from prior year audits, beginning with the budget for the District's Fiscal Year ending June 30, 2013. Allocations for employee benefits and payroll taxes are presented differently from prior year audits. Additionally, the District formerly produced its own electric power by using diesel generators. Since the acquisition of the Propane Enterprise and Electric Enterprise, the District's cost for electricity has been metered and allocated to each Enterprise using electricity, which has thus increased certain of such Enterprise's "allocation" expenses.
(3) Excludes depreciation.
Source: The District.

THE PROPANE ENTERPRISE

The District began providing Propane Enterprise services on July 22, 2011, as a result of acquiring the existing propane gas and electric systems of Mountain Utilities, which was owned and operated as a subsidiary of Mountain Springs Kirkwood, LLC.

Propane Enterprise Assets. The District's propane assets include approximately five miles of underground distribution lines ranging in diameter from 2-6 inches, which are located throughout the Kirkwood Valley, together with two storage tanks (one 20,000 gallon and one 30,000 capacity), a vacuum trailer, propane meters and numerous other miscellaneous tools and equipment required to operate the Propane Enterprise and to transport propane to customers.

Propane Source. The District is under contract for propane purchase and delivery with its supplier, Kiva Energy (the "**Propane Supplier**"), located in Manteca, California. Propane is delivered to the District via truck from the Propane Supplier, and the two storage tanks are filled two to three times weekly during the winter, and two to three times monthly during the summer. The liquid propane is then vaporized and distributed to Propane Enterprise customers via the five miles of underground distribution lines.

Propane Enterprise Projects Financed with the Certificates

The Propane Enterprise project entails the financing of 417 propane meter registers, which are remotely read. Readings are transmitted to the base station at the District's Community Services Building. This system eliminated the need to manually read propane meters, which is a process that takes three days currently. This system will also assist with leak detection and eliminate the need to estimate reads when propane meters are inaccessible due to heavy snow depths.

Propane Enterprise Customer Composition

The table following sets forth the number of Propane Enterprise accounts for the last five Fiscal Years; years prior to 2012 reflect prior ownership of the system.

TABLE 20
Propane Accounts and Propane Deliveries
Fiscal Year Ending June 30, 2012 (1)

Fiscal Year ended June 30	2008	2009	2010	2011	2012
Propane Accounts					
Residential:	380	399	401	396	382
Commercial:	21	21	23	24	43
Total	401	420	424	420	425

(1) Prior to Fiscal Year ending June 30, 2012, the Propane Enterprise was owned by Mountain Utilities, and numbers reflect Mountain Utilities' customer composition.
Source: The District.

Major Propane Enterprise Customers

The five largest Propane Enterprise accounts for the District's Fiscal Year ending June 30, 2012 accounted for 55% of the District's annual Propane Enterprise sales. The District's largest Propane Customer is the Ski Resort, and all of the Propane Enterprise's remaining four largest residential customers listed below are multi-family, condominium developments. The table below shows annual purchases for those accounts. No other account represented more than 5% of total Propane Enterprise sales in the Fiscal Year.

TABLE 21
Five Largest Propane Customers
Fiscal Year Ending June 30, 2012

Customer	Type of Property	Total Propane Sales	Percentage of Total Propane Sales
Kirkwood Mountain Resort	Recreation/Commercial	$214,410	17%
Mountain Club Home Owners' Assn.	Residential	163,989	13
The Lodge at Kirkwood Home Owners' Assn.	Residential	126,430	10
Meadowstone Lodge	Residential	138,835	11
The Meadows Lodge	Residential	50,640	4
Total		$694,304	55%
Total Propane Sales		$1,261,201	100%

Source: The District.

Current Propane Enterprise Rates

Current Rates. Following CPUC approval of the acquisition of the Propane and Electric Enterprise assets of Mountain Utilities, the District has exclusive jurisdiction to set propane rates within its service area by ordinance, which requires a majority vote of the Board. After approval, these rates are not currently subject to review by the CPUC or any other state or federal agency. The Board is also authorized to set charges, pay for and supply all propane to be furnished to customers according to such schedules, tariffs, rules and regulations as are adopted by the Board.

The District enacted Ordinance No. 12-01, adopting electric and propane service charges on March 9, 2012 for the Propane and Electric Enterprises in amounts sufficient to pay District operation and maintenance expenses of each such Enterprise, including fuel costs.

Each customer's monthly Propane Enterprise service charge is the "Propane Usage Rate" (based on such customer's metered propane usage each month, and with such Propane Usage Rate adjusted by the prior month's "Fuel Adjustment Charge," as such is described below), plus the Base Rate, plus the Meter Charge. Following, is a current schedule of Propane Enterprise rates, effective as of July 2012:

Propane Usage Rate	$0.0911 per cubic foot
Base Rate	$5.11 per month
Propane Meter Charge	$3.36 per month

Fuel Adjustment Charge. Ordinance 11-01 established the "Fuel Adjustment Charge" (also, in this Official Statement, a "**FAC**") as a component of the total cost of propane and electricity delivered to and consumed by the District's Propane and Electric Enterprise customers. The FAC formula can be adjusted upward or downward, as frequently as monthly, to reflect the District's actual cost of propane pursuant to its contracts with the Propane Supplier. Adjustments to the FAC are made by official action of the District's Board and do not require review or approval by the CPUC. The FAC will be a sum per cubic foot that is added to the Propane Usage Rate. At the end of each month, the District Manager, or his or her designee, shall calculate the Fuel Adjustment Charge for the prior month pursuant to the formula set forth in Ordinance 12-03. The propane usage rate of $0.0911 allows for a $0.546/cf propane fuel cost. Any fluctuations of fuel costs above or below this rate are charged or credited to the customer in the monthly FAC.

The following table presents Propane Enterprise base rates for the years indicated, with estimates for future years as noted. Actual billed rates typically vary from $100 to $400 per month.

TABLE 22
Monthly Propane Rates
(Effective July 1 of each Year)

Fiscal Year Ending [1]	Base Rate + Usage Fee per Cubic Foot
2011	$5.00 + $.0892/cubic foot
2012	$5.11 + $.0911/cubic foot
2013 [2]	$5.21 + $.0911/cubic foot
2014 [2]	$5.31 + $.0911/cubic foot

(1) Prior to Fiscal Year ending June 30, 2012, the Propane Enterprise was owned by Mountain Utilities; the 2011 figure reflects Mountain Utilities customer rate.
(2) Estimated.
Source: The District.

Projected Propane Enterprise Demand

The District believes the service area is approximately 50%% built-out (based on planned dwelling units). The District believes that the market availability of propane and the District's ability to deliver it can meet future demand without unforeseeable significant capital expenditures.

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Propane Enterprise Revenues and Expenditures

The District's historic, audited Propane Enterprise revenues and expenditures for Fiscal Year ending June 30, 2012 and its budgeted Propane Enterprise revenues and expenditures for Fiscal Year ending June 2013 are set forth in the table below.

TABLE 23
Propane Enterprise
Summary of Revenues and Expenses [1]
Fiscal Year Ending June 30, 2012 (Audited) and Fiscal Year Ending June 30, 2013 (Budgeted)

	Audited, 2012	Budgeted, 2013 [2]
Operating Revenues		
Residential	$1,260,530	$710,196
Business	-	1,065,294
Other	671	45,638
Total Operating Revenues	1,261,201	1,821,128
Operating Expenses [3]		
Administrative and General	92,942	371,361
Transmission and Distribution	959,111	1,054,592
Total Operating Expenses	1,052,053	1,425,953
Non-Operating Expenses		
2011 Notes Interest Payments	77,844	57,572
Total Non-Operating Expenses	77,844	57,572
Net Revenues	$131,304	$337,603

(1) Excludes property taxes allocated to the enterpise per the "Schedule of Detailed Statement of Revenues, Expenditures and Changes in Net Assets-Proprietary Departments" in the District's audited financial statements. Certain budgeted amounts are categorized differently under the District's audits.
(2) Due to a change in accounting practices, the District's revenues and expenses are categorized differently from prior year audits, beginning with the budget for the District's Fiscal Year ending June 30, 2013. Allocations for employee benefits and payroll taxes are presented differently from prior year audits. Additionally, the District formerly produced its own electric power by using diesel generators. Since the acquisition of the Propane Enterprise and Electric Enterprise, the District's cost for electricity has been metered and allocated to each Enterprise using electricity, which has thus increased certain of such Enterprise's "allocation" expenses.
(3) Excludes depreciation.
Source: The District.

THE ELECTRIC ENTERPRISE

Under the Electric Installment Sale Agreement, Installment Payments are secured by a pledge of *ad valorem* property taxes allocated by the District to the Electric Enterprise. ***After payment of debt service on the RUS Bond, the District may use excess revenues of the Electric Enterprise for payment of the Installment Payments, however revenues of the Electric Enterprise are not pledged for payment of the Installment Payments.*** See "SECURITY FOR THE CERTIFICATES" above.

The District began providing electricity services on July 22, 2011, as a result of acquiring the existing propane gas and electric systems of Mountain Utilities, which was owned and operated as a subsidiary of Mountain Springs Kirkwood, LLC. In March 2012 the District completed construction of its new Powerhouse to house eight new diesel fuel generators, which provide the District's customers their electricity.

Electric Enterprise Assets. Acquired from Mountain Utilities, the District's electric assets include 170 transformers, six circuit routing switches, 37 underground electric vaults, approximately 11.47 miles of underground circuits at 12.47 kilovolts, and 13 above-ground line junction enclosures, together with all tools, equipment and miscellaneous property necessary for the operation of the Electric Enterprise.

The new Powerhouse, constructed by the District, was built with a designed capacity to accommodate future residential and Ski Resort development. Though current demand only requires 3 megawatts, the Powerhouse was designed as a 5 megawatt Powerhouse, and it can be expanded to accommodate up to 8 megawatts. The number of residential customers of the Electric Enterprise is expected to climb over 40% to roughly 1,400, with a peak overnight population of approximately 6,000 persons at final build-out of the District community, as per the approved 2003 Kirkwood Specific Plan. Potential annual energy use to accommodate full development of the District community and the Ski Resort would increase peak energy demand from the current 7,000 mWh to approximately 22,000 mWh at final community build-out, and peak power demand, or load, would be between 8.5 and 11.0 mW, depending upon the mix of winter and summer usage.

The District's Out-Valley Interconnect Project will give it access to lower priced energy by connecting the District to the external electricity grid, and will mitigate the District's risks associated with the potential for a long-term rise in the price of oil from which the Powerhouse's diesel fuel is refined. When the District's Out-Valley Interconnect Project is completed (which is anticipated to occur in late 2014), the Powerhouse will serve as a reliable back-up available in the case of interruption of energy supply from power purchased by contract and delivered to the District via the Out-Valley Interconnect transmission line.

Electric Enterprise Installment Payments Are Not Secured by Net Revenues

Approximately 50% percent of the District's total utility Enterprise revenues result from its sale of electricity and related services, ***however net revenues from the electric enterprise are not pledged to secure the Certificates, but are pledged to secure the RUS Bond***. The RUS Bond has been authorized and is available for drawings in an aggregate amount of $50,000,000. As a result of the issuance of the RUS Bond, a portion of the Prior Notes in the principal amount of $18,980,000 was paid prior to maturity on March 4, 2013. with the majority of these draws used to retire approximately $19.98 million of the Prior Notes. Most of the remaining draws will be used to finance the Out-Valley Interconnect Project. The documents

under which the RUS Bond has been issued allows the District to incur additional obligations payable from a pledge of Net Revenues of the Electric Enterprise on a parity or subordinate basis to the RUS Bond, however the District has elected not to make such a pledge in connection with the Certificates.

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RISK FACTORS

The following information should be considered by prospective investors in evaluating the Certificates. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Certificates. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The purchase of the Certificates involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and interest with respect to the Certificates. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

Risk Factors Relating to the District's Property Tax Revenues

Assessed Value of Taxable Property; Delinquent Payment of Property Taxes. Natural and economic forces can affect the assessed value of taxable property within the District. Natural disasters, as described below, could cause a reduction in the assessed value of taxable property within the District. Economic and market forces, such as a downturn in the regional economy generally, can also affect assessed values. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Levy and Collection. The District does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the District's property tax revenues, and accordingly, could have an adverse impact on the ability of the District to make Installment Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the District's ability to pay Installment Payments and other payments due under the Installment Agreements when due, and thus negatively impact the payment of principal of and interest with respect to the Certificates.

Reduction in Inflationary Rate. Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation in the following Fiscal Years: 1983-84 (1.010%); 1995-96 (1.194%); 1996-97 (1.115%); 1999-00 (1.853%); 2004-05 (1.867%); 2010-11 (0.998%); 2011-12 (1.008%); and 2012-13 (1.02%). More information about inflationary assessed value adjustments can be accessed through the California State Board of Equalization's website, under the Final CCPI Announcement posted on the "Letters to Assessors" webpage for each year, at http://www.boe.ca.gov/proptaxes/ltacont.htm. *The reference to this internet website is shown for reference and convenience only, the information*

contained within the website may not be current and has not been reviewed by the District and is not incorporated in this Official Statement by reference.

The District is unable to predict if any adjustments to the full cash value base of real property within the District, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values; Delinquencies. Reductions in the market values of taxable property may cause property owners to appeal assessed values and may also be associated with an increase in delinquency rates for taxes.

No assurance can be given that property tax appeals in the future will not significantly reduce the District's property tax revenues. There are two types of appeals of assessed values that could adversely impact property tax revenues:

Proposition 8 Appeals. Most of the appeals that might be filed in the District would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

Each of the County Assessors may also unilaterally reduce assessed values under Proposition 8.

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The completion date of new construction or the date of change of ownership determines the base year. Any base year appeal must be made within four years of the change of ownership or new construction date.

Decreases in the aggregate value of taxable property within the District resulting from natural disaster, reclassification by ownership or use, or as a result of the operation Proposition 8 all may have an adverse impact on the amounts of funding sources available to pay Installment Payments and other payments due under the Installment Agreements, and thus negatively impact the payment of principal of and interest with respect to the Certificates..

In addition, failure by large property owners to pay property taxes when due may also cause a decrease in the amounts funding sources available to pay Installment Payments and other payments due under the Installment Agreements when due, and thus negatively impact the payment of principal of and interest with respect to the Certificates.

See "- Natural Disasters" below, and "DISTRICT FINANCES – Property Taxes."

Property Tax Allocation by the State; Changes in Law. The responsibility for allocating general property taxes was assigned to the State by Proposition 13, which stated that property taxes were to be allocated "according to law." The formula for such allocation was contained in Assembly Bill 8 ("**AB 8**"), adopted in 1978, which allocates property taxes among cities, counties, and school districts. The formulas contained in AB 8 were designed to allocate property taxes in proportion to the share of property taxes received by a local entity prior to Proposition 13.

Beginning in its Fiscal Year ending June 30, 1993, in response to its own budgetary shortfalls, the State began to permanently redirected billions of dollars of property taxes Statewide from cities, counties, and certain special districts to schools and community college districts. These redirected funds reduced the State's funding obligation for K-14 school districts by a commensurate amount. In response, Proposition 1A of 2004, approved by State voters in November 2004 and generally effective in Fiscal Year ending June 30, 2007, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain limitations. However, pursuant to Proposition 1A and beginning in Fiscal Year ending June 30, 2009, the State could, upon gubernatorial proclamation of fiscal hardship and following approval of two-thirds of both houses of the legislature, and it did, shift to schools and community colleges up to 8% of local government *ad valorem* property tax revenues, which amount must be repaid, with interest, within three years. The State could also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. In November 2010, State voters approved Proposition 22, which amends the State's constitution to eliminate the State's authority to temporarily shift additional *ad valorem* property taxes from cities, counties and special districts to schools, among other things.

No assurance can be given that the State, the Counties' or other electorate bodies affecting the District will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State in a manner that could result in a reduction of the District's property tax allocations or its other revenues and, therefore, a reduction of the amounts of funds legally available to the District to pay Installment Payments and other payments due under the Installment Agreements, and thus negatively impact the payment of principal of and interest with respect to the Certificates.

Limited Number of Taxable Parcels; Concentration of Ownership. Approximately 7% of taxable parcels in the District are owned by the Ski Resort and by Heavenly Valley, LP, another ski resort community. See "DISTRICT FINANCES, Property Taxes, Largest Taxpayers."

Future delinquencies by the Ski Resort and/or Heavenly Valley, LP in the payment of property taxes when due could result in (i) a deficiency in the amounts of funds legally available to the District to pay Installment Payments and other payments due under the Installment Agreements or (ii) a delay in the making of Installment Payments as the District pursues remedies available to it in the case of late or nonpayment.

Natural Disasters. The financial stability of the District may be adversely affected by a variety of natural factors, particularly those that may affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such improvements. Chiefly, among such natural factors, natural calamities may adversely affect economic activity in the District, which could have a negative impact on the District's finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial damage to the Enterprises, or that the District would have insurance or other resources available to make repairs to the Enterprises in order to generate sufficient Net Revenues to pay debt service on the Certificates when due.

Natural factors and calamities that could affect the District include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements) and climatic conditions (such as droughts and diminished snowfall). At its 2012 annual meeting, the American Geophysical Union noted that the West Tahoe Fault, which defines the west shore of Lake Tahoe and which is in close proximity to the District, is capable of producing a magnitude-7.3 earthquake and tsunamis up to 30 feet (10 meters) high in the lake. An earthquake of such magnitude could also cause significant damage within the District and in its surrounding areas from earth shifting and landslides. Tourism to the District could significantly decline, major transportation routes connecting to the District could be cut off, and property tax revenues and revenues from rates and charges received by the District could decline, reducing the amounts of funds legally available to the District to pay Installment Payments and other payments due under the Installment Agreements, and thus negatively impact the payment of principal of and interest with respect to the Certificates. Earthquakes strike on the West Tahoe Fault every 3,000 to 4,000 years on the fault, and the most recent shaker was 4,500 years ago, indicating the fault is overdue for another earthquake.

Drought, and corresponding decreased levels of snowfall (in the winter) and filling the Lake Tahoe basin (in the summer), can cause fewer visits to the Ski Resort and District area from tourists and part-time residents, leading to corresponding lower levels of Enterprise usage. According to the California Drought Monitor, as of February 2013, the District is located within a D2 – D4 Zone, indicating severe drought conditions. Ongoing drought conditions could negatively and materially affect revenues from rates and charges received by the District, reducing the amounts of funds legally available to the District to pay Installment Payments and other payments due under the Installment Agreements, and thus negatively impact the payment of principal of and interest with respect to the Certificates. See "THE WATER ENTERPRISE, Potable Water Source and Storage, Table 7, Snowfall Totals," for further information about snow precipitation levels in the District in recent years.

Additionally, the District is located in parts of the Counties classified as a "moderate" fire hazard by the California Department of Forestry and surrounded by thousands of acres of

potentially flammable, forested open space. Substantial damage could be caused within the District, affecting the Enterprises and their customers, by fire, including fire triggered by lightening storms, which occur frequently in the mountains in which the District is located. The Kirkwood Volunteer Fire Department provides some fire protection to the District, but this may not be sufficient protection in the case of a catastrophic fire event.

Demand for District Services. The District serves what is largely a recreation/vacation community dominated by the Ski Resort. The attractiveness of the area to property owners and visitors is contingent on the viability of the Ski Resort. Consequently, the demand for District services is tied to the level of use of the Ski Resort and surrounding area. Likewise, the future development of homes and multifamily residential units and hotels is substantially influenced by the summer and winter recreational opportunities and facilities in the area, which are dependent in part upon conditions outside of the control of the Ski Resort or the District, such as weather and accessibility via established highways. There can be no assurance that property values in this type of environment will be stable or increasing. Likewise, there can be no assurance that the local demand for the services provided by any enterprise of the District will be maintained at levels described in this Official Statement. Reduction in property values the corresponding reduction in Tax Revenues, as well as reductions in the level of demand and possible resulting increases in utility rates could result in a reduction of the funding sources available to make Installment Payments and other payments due under the Installment Sale Agreements.

Risk Factors Relating to the District's Revenues from Rates and Charges

Customer Concentration. The Ski Resort serves as the largest customer of each of the Enterprises, with Ski Resort-associated accounts consistently generating the largest percentage of annual Water, Wastewater and Propane Enterprise Revenues. See "THE WATER ENTERPRISE, Major Water Customers," "THE WASTEWATER ENTERPRISE, Major Wastewater Customers," and "THE PROPANE ENTERPRISE, Major Propane Enterprise Customers," respectively.

Decreased usage of any of the Enterprises by the Ski Resort and its associated entities, caused by decreased numbers of visits to the Ski Resort and nearby areas, could have a negative, material impact on the revenues collected by each of the Enterprises (which impact may not be offset by a concurrent decline in Enterprise expenditures), and concurrently, on the financial condition of the District. Such impacts, in turn, could cause a reduction in Net Revenues available to the District to pay Installment Payments and other payments due under the Installment Agreements, and thus negatively impact the payment of principal of and interest with respect to the Certificates. The causes of decreased visits to the Ski Resort and related Enterprise usage by the Ski Resort may be entirely outside of the control of the District, and may include natural calamity- and climate-related causes (including but not limited to drought conditions and low snowfall levels) and Ski Resort operational and marketing-related causes (affecting public perception of the Ski Resort as a desirable travel destination).

In the unlikely event that the Ski Resort were to cease operations entirely, or reduce its operations and Enterprise usage significantly, the District can provide no assurances that it will be able to replace Net Revenues lost as a result of such Ski Resort actions through growth in Enterprise revenues from its other customers, and, in fact, such Enterprise revenues from other customers are likely to be subject to a significant, concurrent decline if the Ski Resort were no longer operational.

Demand for District Services. As noted in "RISK FACTORS - Risk Factors Relating to the District's Property Tax Revenues, Demand for District Services," above, the demand for District services is tied to the level of use of the Ski Resort and surrounding area, and there can be no assurance that the local demand for the services provided by any Enterprise of the District will be maintained at levels described in this Official Statement. Reductions in the level of demand and possible resulting increases in Enterprise rates could result in a reduction of the funding sources available to make Installment Payments and other payments due under the Installment Sale Agreements.

Additionally, per the 2003 Kirkwood Specific Plan, the District believes the service area is approximately 50% built-out and with its present supply it can serve approximately 70% of build-out. The District typically plans for approximately 2-3% growth via additional construction and development within its boundaries per year, which is greater than the growth it has experienced in the last five years. Numerous factors, including, chiefly, economic factors relating to the ongoing slow economic recovery following the national recession beginning in 2008, could cause the District to fail to grow at the rate it has project, and, concurrently, to fail to generate projected Net Revenues for each of its Enterprises as set forth above. Economic factors could also cause decreases in the number of visits to the Ski Resort, and actual declines in Enterprise usage and revenues, as was seen, notably, in the District's Fiscal Year ending 2009.

Expenses. There can be no assurance that the District's expenses for any of its Enterprises will be consistent with the levels described in this Official Statement. Changes in technology, new regulatory requirements, increases in the cost of energy, or other expenses could reduce respective Enterprise revenues, and could require substantial increases in rates or charges in order to comply with the rate covenants. Such rate increases could increase the likelihood of nonpayment, and could also decrease demand for the services or otherwise increase the possibility of nonpayment of the Certificates.

Revenues; Rate Covenants. Net Revenues are dependent upon the demand for the District's enterprise services, which can be affected by economic factors, population factors, weather, more stringent regulatory standards, conservation efforts, water or propane shortages, or problems with the District's ability to produce, distribute or otherwise provide the utility services it contemplates (excluding, for this consideration, all services of the Electric Enterprise, as these revenues are not included in Net Revenues). There can be no assurance that utility service demand will be consistent with the levels contemplated in this Official Statement. A decrease in the demand for water, wastewater or propane services could require an increase in rates or charges in order to comply with the rate covenants contained in each Installment Sale Agreement. The District's ability to meet its rate covenants as such are set forth in each Installment Sale Agreement is dependent upon its capacity to increase rates without driving down demand to a level insufficient to meet debt service on the Certificates.

Constitutional Limit on Fees and Charges. If a portion of an Enterprise's rates were determined by a court to exceed the reasonable costs of providing service, any fee which the District charges may be considered to be a "special tax," which under Article XIIIA of the California Constitution must be authorized by a two-thirds vote of the affected electorate. This limitation is applicable to the District's rates for services provided by the Enterprises. The reasonable cost of service provided by the Enterprises has been determined by the State Controller to include depreciation and allowance for the cost of capital improvements. In addition, the California courts have determined that fees such as connection fees (capacity charges) will not be special taxes if they approximate the reasonable cost of constructing enterprise improvements contemplated by the local agency imposing the fee. Such court determinations have been codified in the Government Code of the State of California (Section 66000 *et seq*.).

The District is of the opinion that the rates and use charges imposed by the District in connection with the Enterprises do not exceed the costs it reasonably bears in providing such services. The District is unable to predict how Article XIIIC and Article XIIID will ultimately be interpreted by the courts and what, if any, further implementing legislation will be enacted, and there can be no assurance that Article XIIIC and Article XIIID will not limit the future ability of the District to impose, levy, charge and collect increased fees and charges for the Enterprises.

Proposition 218.

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

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

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

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

Judicial Interpretation of Proposition 218. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Proposition 218 under certain circumstances.

In *Richmond v. Shasta Community Services District* (9 Cal. Rptr. 3rd 121), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIIID to certain charges related to water service. In *Richmond*, the Court held that connection charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (March 23, 2005), the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIIID before imposing or increasing such fees. The California Supreme Court denied the District of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (S127535, July 24, 2006), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest with respect to any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Proposition 218 and the District Water Rates. The District's current water rate structure (see "THE WASTEWATER ENTERPRISE - Current and Historical Rates" above) was adopted by Ordinance No. 09-01 on July 9, 2009. The District took the following actions to meet the requirements of Proposition 218:

- Notices were sent to property owners at least 45 days prior to a scheduled June 11, 2009 public hearing to address comments.

- A public hearing was conducted on July 9, 2009 wherein Ordinance No. 09-01 was approved.

Proposition 218 and the District Wastewater Rates. The District's current wastewater rate structure (see "THE WASTEWATER ENTERPRISE- Current and Historical Rates" above) was adopted by Ordinance No. 09-01 on July 9, 2009. The District took the following actions to meet the requirements of Proposition 218:

- Notices were sent to property owners at least 45 days prior to a scheduled June 11, 2009 public hearing to address comments.

- A public hearing was conducted on July 9, 2009 wherein Ordinance No. 09-01 was approved.

The District will continue to comply with the provisions of Proposition 218 in connection with future wastewater rate increases.

Conclusion. It is not possible to predict how courts will further interpret Article XIIIC and Article XIIID in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the District's rates and charges, although it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIIC and Article XIIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for utility service, or to call into question previously adopted utility rate increases.

Natural Disasters. As described in "- Risk Factors Relating to the District's Property Tax Revenues, Natural Disasters, above, natural calamities may adversely affect economic activity in the District, which could have a negative impact on the District's finances and its abilities to generate sufficient Net Revenues to pay debt service on the Certificates when due.

Risk Factors Relating to the District's Operations and the Enterprises

Risk of Future Regulation. Environmental regulations affect how the District provides its services, particularly with regard to the Wastewater Enterprise. The kind and degree of wastewater service of the Wastewater Enterprise is regulated, to a large extent, by the federal government and the State of California. If the federal government, acting through the Environmental Protection Agency or additional legislation, or the State should impose stricter wastewater treatment standards upon the Wastewater Enterprise, the District's Operation and Maintenance Costs could increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction that federal or State regulation will take with respect to wastewater treatment standards. Similar environmental regulatory concerns could also be applicable to the Water, Electric and Propane Enterprises.

There can be no assurance that any other entity with regulatory authority over the District will not adopt further utility-related, financial or other restrictions on operation of any Enterprise of the District. Costs associated with compliance with any new environmental or other regulations could leade to a material reduction of the amounts of funds legally available to the District to pay Installment Payments and other payments due under the Installment Agreements, and thus negatively impact the payment of principal of and interest with respect to the Certificates.

Insurance. The Installment Sale Agreements obligate the District to obtain and keep in force various forms of insurance or self-insurance, subject to deductibles, for repair or replacement of a portion of an Enterprise in the event of damage or destruction to such portion of the Enterprise. No assurance can be given as to the adequacy of any such self-insurance or any additional insurance to fund necessary repair or replacement of any other portion of an Enterprise. Significant damage to an Enterprise, such as that caused by a natural calamity, could cause the District to be unable to generate sufficient Net Revenues to pay the Installment Payments related to that Enterprise, and thus negatively impact the payment of principal of and interest with respect to the Certificates.

Additional Obligations of the District. Under each Installment Sale Agreement, the District is authorized to incur additional obligations secured and payable from (i) Tax Revenues and Net Revenues or (ii) Tax Revenues of the respective Enterprise only on a parity basis with the Installment Payments, subject to conditions described therein. See "SECURITY FOR THE CERTIFICATES, Parity Obligations." To the extent that additional obligations are incurred by the District, the funds available to pay Installment Payments may be decreased.

The Installment Payments and other payments due under the Installment Sale Agreements are payable from certain funds lawfully available to the District. See "SECURITY FOR THE CERTIFICATES, Installment Payments, Unconditional Obligation." In the event that the amounts which the District is obligated to pay in a Fiscal Year were to exceed the District's revenues for such year, the District might choose to make certain payments rather than making other payments (including in the non-payments, Installment Payments and additional payments due under the Installment Sale Agreements), based on the perceived needs of the District. The same result could occur if, because of California Constitutional limits on expenditures, the

District were not permitted to appropriate and spend all of its available revenues or were required to expend available revenues to preserve the public health, safety and welfare.

Impact of State Budget on the District. In recent years, the State of California has faced significant financial and budgetary stress, from which it has only began to recover in Fiscal Year ending June 30, 2013, experiencing budget shortfalls in the billions of dollars each of the last several years. State revenues declined significantly as a result of recent economic conditions and other factors. On January 10, 2013, Governor Edmund G. Brown Jr. presented his Proposed State Budget for the Fiscal Year ending June 30, 2014 (the "**2013-14 Proposed State Budget**"), which is anticipated to be the first balanced budget presented in many years.

The District cannot predict what actions will be taken in the future by the California State Legislature and the Governor to deal with changing State revenues and expenditures. It is anticipated that there could be additional future legislation that addresses State budget shortfalls. The District cannot predict what measures may be proposed or implemented for the current Fiscal Year or in the future and the impact, if any, of actions by the State affecting special districts. Given the magnitude of the State's budgetary deficits from time to time, it is possible that future legislation will impact revenues of special districts such as the District. Budgetary developments at the State level would most likely adversely affect local governments, possibly including the District.

Litigation. The District may be or become a party to litigation that has an impact on the financial condition of the District. Although the District maintains certain insurance policies that provide coverage under certain circumstances and with respect to certain types of incidents (see "DISTRICT FINANCES – Risk Management" for further information), the District cannot predict what types of liabilities may arise in the future and whether these may adversely affect the District's ability to pay the Installment Payments and other payments due under the Installment Agreements. See also "NO LITIGATION," below.

Risk Factors Relating to the Certificates

No Obligation to Tax. The obligation of the Authority to pay the principal of and interest on the Certificates does not constitute an obligation of the Authority for which the Authority is obligated to levy or pledge any form of taxation or for which the Authority has levied or pledged any form of taxation. The obligation of the Authority to pay principal of and interest on the Certificates does not constitute a debt or indebtedness of the Authority, the District, the State of California or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction.

Limited Recourse on Default. If the District defaults on its obligation to make payments under the Installment Sale Agreements, the Trustee has the right to accelerate the total unpaid principal amount of the Certificates. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient funding sources to make Installment Payments and other payments due under the Installment Sale Agreements.

Limitations on Remedies Available. The ability of the District to comply with its covenants under the Trust Agreement and to generate Net Revenues sufficient to pay principal of and interest with respect to the Certificates may be adversely affected by actions and events outside of the control of the District, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See, for example, "RISK FACTORS - Risk Factors Relating to the District's Revenues from Rates

and Charges, Proposition 218," above. Furthermore, any remedies available to the Owners of the Certificates upon the occurrence of an Event of Default under the Trust Agreement are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Certificate Owner remedies contained in the Trust Agreement, the rights and obligations under the Certificates and the Trust Agreement may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Loss of Tax Exemption of Certificates; Audits. As discussed in this Official Statement under the caption "TAX MATTERS," interest on the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were issued, as a result of future acts or omissions of the Authority or the District in violation of its covenants in the Trust Agreement. Should such an event of taxability occur, the Certificates are not subject to a special redemption and will remain outstanding until maturity or until redeemed. The Internal Revenue Service (the "**IRS**") has initiated an expanded program for auditing tax-exempt bond issues, including both targeted and random audits. It is possible that the Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates would be affected as a result of such an audit, or by an audit of similar obligations.

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

CONTINUING DISCLOSURE

The District will covenant for the benefit of owners of the Certificates to provide certain financial information and operating data relating to the District by the date that is nine months after the end of the District's Fiscal Year (currently March 31 based on the District's Fiscal Year end of June 30), commencing with the report for the 2012-13 Fiscal Year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. Such reports are required to be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system ("**EMMA**"). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is described in "APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT," attached to this Official Statement. These covenants have been made in order to assist the underwriter of the Certificates in complying with Securities Exchange Commission Rule 15c2 12(b)(5) (the "**Rule**").

The District and its related governmental entities have previously entered into disclosure undertakings under the Rule in connection with the Prior Notes. In 2012 and 2013, the District failed to timely file its Annual Reports with respect to the Prior Notes, as required by its previous undertakings, and the District did not provide proper notice of delay. Supplemental Annual Reports have been filed as of the date of this Official Statement.

In order to ensure future compliance with the District's continuing disclosure undertakings, the District has hired Goodwin Consulting Group, Inc., as its dissemination agent, with respect to the Certificates and each of its other continuing disclosure obligations.

NO LITIGATION

In connection with issuance of the Certificates, the District will certify that there is no litigation pending or, to the District's knowledge, threatened in any way to restrain or enjoin the issuance, execution or delivery of the Certificates, to contest the validity of the Certificates, the Trust Agreement or any proceedings of the District with respect thereto.

Also in connection with issuance of the Certificates, the District will certify that there are no lawsuits or claims pending against the District or the Authority that will materially affect the District's finances so as to impair the ability to pay principal of and interest with respect to the Certificates when due.

FINANCIAL STATEMENTS

AKT, LLP (the "**Auditor**"), audited the financial statements of the District for the Fiscal Year ending June 30, 2012. The Auditor's examination was made in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. See "APPENDIX A – Audited Financial Statements of the District for Fiscal Year Ended June 30, 2012."

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

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of Installment Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Certificates. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest with respect to the Certificates in gross income for federal income tax purposes to be retroactive to the date of issuance of the Certificates.

If the initial offering price to the public (excluding bond houses and brokers) at which a Certificate is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Certificates to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Certificate. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Certificates under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Certificate for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Certificate is amortized each year over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest

or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Certificates.

In the further opinion of Special Counsel, the portion of Installment Payments designated as and comprising interest and received by the owners of the Certificates is exempt from California personal income taxes.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates may have federal or state tax consequences other than as described above. Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates other than as expressly described above.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

CERTAIN LEGAL MATTERS

The legal opinion of Special Counsel, approving the validity of the Certificates, in substantially the form attached hereto as Appendix D, will be made available to purchasers at the time of original delivery of the Certificates, and a copy thereof will be printed on each Certificate. Jones Hall is also acting as Disclosure Counsel the District. *Payment of the fees and expenses of Special Counsel and Disclosure Counsel is contingent upon issuance of the Certificates*.

Certain matters will be passed upon by Bartkiewicz, Kronick & Shanahan, Sacramento, California, as general counsel to the District and Fulbright & Jaworksi L.L.P., Los Angeles, California, is serving as counsel for the Underwriter.

UNDERWRITING

The Certificates were purchased through negotiation by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**") at a purchase price of $5,173,859.15 (being the aggregate principal amount thereof ($5,095,000), less an underwriter's discount of $$76,425, plus an original issue premium of $155,284.15). The purchase contract pursuant to which the Underwriter is purchasing the Certificates provides that it will purchase all of the Certificates if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in such contract of purchase.

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

FINANCIAL ADVISOR

FirstSouthwest, New York, New York (the "**Financial Advisor**") has assisted the District with various matters relating to the planning, structuring and delivery of the Certificates. First Southwest's largest business is its financial advisory practice. It is also a broker-dealer involved with the business of underwriting and distributing municipal securities or other public securities. The Financial Advisor assumes no responsibility for the accuracy, completeness or fairness of this Official Statement. The Financial Advisor will receive compensation from the District contingent upon the sale and delivery of the Certificates.

PROFESSIONAL SERVICES

In connection with the issuance of the Certificates, all or a portion of the fees payable to Special Counsel and Disclosure Counsel, the Underwriter, the Financial Advisor and Union Bank, N.A., San Francisco, California, as trustee for the Certificates, are contingent upon the issuance and delivery of the Certificates.

EXECUTION

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

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

By: _____
General Manager

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2012

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Kirkwood Meadows Public Utility District

Financial Statements with Supplemental Information

Year Ended June 30, 2012

AKT

CPAs AND BUSINESS CONSULTANTS

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KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
Basic Financial Statements with Supplemental Information
Year Ended June 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kirkwood Meadows Public Utility District
Kirkwood, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Kirkwood Meadows Public Utility District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the District as of June 30, 2012, and the respective changes in financial positions and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has not presented Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information consisting of the Schedules of

Detailed Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Departments and the Schedule of Detailed Statement of Revenues, Expenditures and Changes in Net Assets - Proprietary Departments are presented for the purpose of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

AKT LLP

Salem, Oregon
November 30, 2012

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

Statement of Net Assets

Year Ended June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Unrestricted cash and cash equivalents	$ 232,570	$ 1,975,955	$ 2,208,525
Restricted cash and cash equivalents	112,006	1,200,865	1,312,871
Accounts and other receivables, net	-	604,036	604,036
Property tax receivable	-	69,985	69,985
Materials and supplies	-	204,455	204,455
Prepaid expenses	-	59,361	59,361
Interfund receivable	-	284,146	284,146
Total Current Assets	344,576	4,398,803	4,743,379
Non-Current Assets:			
Loan fees, net	-	191,945	191,945
Capital assets, net	323,337	28,460,100	28,783,437
Work in progress	56,352	5,156,571	5,212,923
Total Non-Current Assets	379,689	33,808,616	34,188,305
	$ 724,265	$ 38,207,419	$ 38,931,684
LIABILITIES			
Current Liabilities:			
Current portion of capital lease obligation	$ -	$ 37,905	$ 37,905
Accounts payable	-	794,796	794,796
Accrued expenses	-	216,183	216,183
Interfund payable	284,146	-	284,146
Customer deposits	-	26,005	26,005
Restricted liability	112,006	-	112,006
Total Current Liabilities	396,152	1,074,889	1,471,041
Non-Current Liabilities			
Long-term debt	-	22,145,000	22,145,000
Capital lease obligation	-	164,145	164,145
Total Non-Current Liabilities	-	22,309,145	22,309,145
NET ASSETS			
Invested in capital assets, net of related debt	379,689	11,269,621	11,649,310
Unrestricted	(51,576)	3,553,764	3,502,188
Total Net Assets	328,113	14,823,385	15,151,498
	$ 724,265	$ 38,207,419	$ 38,931,684

See accompanying notes to financial statements.

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2012

		Program Revenues	Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Governmental Activities	Type Activities	Total
Governmental Activities:					
Fire	$ 212,999	$ 92,757	$ (120,242)	$ -	$ (120,242)
Parks	12,350	25	(12,325)	-	(12,325)
Mosquito abatement	5,658	12	(5,646)	-	(5,646)
Total governmental activities	231,007	92,794	(138,213)	-	(138,213)
Business-Type Activities					
Cable	7,724	14,375	-	6,651	6,651
Electric	3,442,896	2,980,571	-	(462,325)	(462,325)
Employee housing	111,353	62,599	-	(48,754)	(48,754)
Propane	1,172,879	1,261,201	-	88,322	88,322
Snow removal	414,926	425,985	-	11,059	11,059
Solid waste	109,352	120,970	-	11,618	11,618
Water	387,850	305,150	-	(82,700)	(82,700)
Wastewater	979,713	644,345	-	(335,368)	(335,368)
Total business-type activities	6,626,693	5,815,196	-	(811,497)	(811,497)
Total	$ 6,857,700	$ 5,907,990	$ (138,213)	$ (811,497)	$ (949,710)
General Revenues:					
Property taxes			39,417	933,310	972,727
Change in Net Assets			(98,796)	121,813	23,017
Net Assets, beginning			426,909	14,701,572	15,128,481
Net Assets, ending			$ 328,113	$ 14,823,385	$ 15,151,498

See accompanying notes to financial statements.

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

Balance Sheet - Governmental Funds

June 30, 2012

	General Fund	Total Governmental Funds
ASSETS		
Unrestricted cash and cash equivalents	$ 232,570	$ 232,570
Restricted cash and cash equivalents	112,006	112,006
Total Assets	$ 344,576	$ 344,576
LIABILITIES		
Interfund payable	$ 284,146	$ 284,146
Restricted liability	112,006	112,006
Total Liabilities	396,152	396,152
FUND BALANCES		
Unassigned	(51,576)	(51,576)
Total Fund Balances	(51,576)	(51,576)
Total Liabilities and Fund Balances	$ 344,576	

RECONCILIATION TO STATEMENT OF NET ASSETS:

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital assets used in governmental activities of $816,102, net of accumulated depreciation of $436,413, are not financial resources and, therefore, are not reported in the funds	379,689
Net Assets of Governmental Activities	$ 328,113

See accompanying notes to financial statements.

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year ended June 30, 2012

		General Fund
Revenues:		
General revenues	$	92,794
Property taxes		39,417
Total Revenues		132,211
Expenditures:		
Public protection		134,734
Support services		9,381
Services and supplies		63,345
Capitaly outlay		56,352
Total Expenditures		263,812
Net Change in Fund Balance		(131,601)
Fund Balance, beginning		80,025
Fund Balance, ending	$	(51,576)

See accompanying notes to financial statements.

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities and Changes in Net Assets

Year ended June 30, 2012

Amounts Reported for Governmental Activities in the Statement of Actvities and Changes in Net Assets are Different Because:		
Net change in fund balances - total governmental funds	$	(131,601)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities and Changes in Net Assets the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.		
Capital asset additions		56,352
Less: current year depreciation expense		(23,547)
Changes in Net Assets of Governmental Activities	$	(98,796)

See accompanying notes to financial statements.

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

Statement of Net Assets - Proprietary Fund

June 30, 2012

ASSETS		
Current Assets:		
Unrestricted cash and cash equivalents	$	1,975,955
Restricted cash and cash equivalents		1,200,865
Accounts and other receivables, net		604,036
Property tax receivable		69,985
Materials and supplies		204,455
Prepaid expenses		59,361
Interfund receivable		284,146
Total Current Assets		4,398,803
Non-Current Assets:		
Loan fees, net		191,945
Capital assets, net		28,460,100
Work in progress		5,156,571
Total Non-Current Assets		33,808,616
	$	38,207,419
LIABILITIES		
Current Liabilities:		
Current portion of capital lease obligation	$	37,905
Accounts payable		794,796
Accrued expenes		216,183
Customer deposits		26,005
Total current liabilities		1,074,889
Non-Current Liabilities:		
Long-term debt		22,145,000
Capital lease obligation		164,145
Total Non-Current Liabilities		22,309,145
NET ASSETS		
Investment in capital assets, net of related debt		11,269,621
Unrestricted		3,553,764
Total Net Assets		14,823,385
	$	38,207,419

See accompanying notes to financial statements.

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

Statement of Revenues, Expenditures and Changes in Net Assets - Proprietary Funds

Year ended June 30, 2012

Operating Revenues:	
Residential	$ 4,912,865
Business	392,181
Snow removal	423,155
Rental income	62,387
Other	24,608
Total Operating Revenues	5,815,196
Operating Expenses:	
Administrative and general	788,985
Depreciation and amortization	1,231,696
Pumping	23,780
Services and supplies	295,986
Transmission and distribution	3,619,850
Wastewater treatment	349,646
Water treatment	55,620
Total Operating Expenses	6,365,563
Operating Loss	(550,367)
Non-Operating Revenues/(Expenses):	
Property taxes	933,310
Interest expense	(261,130)
Total Non-Operating Revenues	672,180
Net Income	121,813
Net Assets, beginning	14,701,572
Net Assets, ending	$ 14,823,385

See accompanying notes to financial statements.

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

Statement of Cash Flows - Proprietary Funds

Year ended June 30, 2012

Cash Flows from Operating Activities:	
Receipts from customers	$ 5,343,235
Payments to suppliers	(3,893,514)
Payments to employees	(1,020,733)
Net Cash Provided by Operating Activities	428,988
Cash Flows from Non-Capital Financing Activities:	
Receipts from property taxes and other non-operating revenues and expenses	863,325
Net Cash Provided by Non-Capital Financing Activities	863,325
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(11,433,878)
Long-term debt - principal paid	(7,658,276)
Interest paid on long-term debt and capital lease	(261,130)
Capital lease - principal paid	(44,371)
Net Cash Used by Capital and Related Financing Activities	(19,397,655)
Net decrease in Cash and Cash Equivalents	(18,105,342)
Cash and cash equivalents, beginning	21,282,162
Cash and cash equivalents, ending	$ 3,176,820
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	$ (550,367)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation and amortization expense	1,231,696
Changes in assets and liabilities:	
Accounts receivable	(471,961)
Materials and supplies	(155,971)
Prepaid expenses	(13,160)
Interfund receviable	(421,828)
Accounts payable	634,803
Customer deposits	3,100
Accrued expenses	172,676
Net Cash Provided by Operating Activities	$ 428,988

See accompanying notes to financial statements.

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

Statement of Fiduciary Net Assets and Statement of Changes In Fiduciary Net Assets- Fiduciary Fund

June 30, 2012

Statement of Fiduciary Net Assets:		
Assets:		
Cash held by the District	$	336,505
Property tax receivable		15,214
Total Assets	$	351,719
Liabilities:		
Restricted liability	$	351,719
Net Assets	$	-
Statement of Changes in Fiduciary Net Assets:		
Net Assets, beginning	$	-
Net Assets, ending	$	-

See accompanying notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of Kirkwood Meadows Public Utility District (the District) are prepared in conformity with accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board (GASB). Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Significant financial accounting and reporting policies for the District are discussed below.

Reporting Entity

The District was formed by resolution of the Local Agency Formation Commission (LAFCO) of the County of Alpine on May 22, 1984 as a detachment from El Dorado Irrigation District in the counties of Alpine, Amador and El Dorado. The District's formation was also pursuant to all the provisions of the Public Utility Code, Division 7, Chapter 2, and all applicable state election laws. The District is governed by a Board of Directors which is elected by the residents of the District.

The District is currently responsible for the operation of the community's propane, electric, water supply, water collection and treatment facilities, the Volunteer Fire Department, mosquito abatement, solid waste management, park/recreational facilities and snow removal. The District began providing electricity and propane services on July 22, 2011 as a result of acquiring the existing electric and propane gas systems from Mountain Utilities, LLC. In addition the District constructed a new electric power generation facility that came online March 2012 and houses 5 diesel fuel generators which provide the District's customers their electricity.

The District has created KMPUD Public Facilities Corporation, a non-profit public benefit corporation, for the purpose of financing the acquisition and construction of various public facilities, structures and other public buildings in the District. Although legally separate from the District, the Public Facilities Corporation is reported as if it were a part of the primary government because it shares a common Board of Directors. The Public Facilities Corporation had no significant financial transactions in the current fiscal year.

Government-Wide Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities and Changes in Net Assets) report information on all of the non-fiduciary governmental activities of the District. Governmental activities are financed primarily through property taxes and charges for services. The government-wide Statement of Activities reflects the cost of programs and functions reduced by directly associated revenues (charges for services and operating grants) to arrive at the net revenue or expense for each program and function. Net program revenue or expense is then adjusted for general revenues to determine the change in net assets for the year. Indirect expenses such as support services and administration incurred in the general government and other functions/activities are not allocated to programs/functions that they may benefit.

Separate financial statements are provided for the Governmental Funds and the Proprietary Fund as well as the Fiduciary Fund even though the Fiduciary Fund is excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing and related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange include grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which eligibility requirements have been satisfied.

The Governmental Fund financial statements use a flow of current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included in the Balance Sheet. Statements of Revenues, Expenditures and Changes in Fund Balance of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

Note 1 - Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued
The governmental fund types are maintained using a modified accrual basis of accounting whereby revenues, except for property taxes, are recorded in the accounting period in which they become susceptible to accrual, both measurable and available, and expenditures are recorded at the time the related fund liabilities are incurred, except for interest expense on long-term debt which is recorded as due.

Revenue is determined to be measurable when the transaction amount is determinable and available when it is collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year.

The Proprietary Fund and the Fiduciary Fund are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the fund statement of net assets. The total net assets is segregated into invested in capital assets net of related debt and unrestricted net assets.

The Fiduciary Fund accounts for arrangements with the Communities Facilities District as more fully described in Note 8 to the financial statements.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements, statements and interpretations. The District has not presented a report on Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Investments
Cash and investments include cash on hand, deposits with banks, and other highly liquid investments with original maturities of three months or less. The investment in Local Agency Investment Funds (LAIF) is considered to be cash. The District maintains its cash either in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000 per depositor or in certain non-interest bearing accounts that are fully insured by the FDIC. As of June 30, 2012, the District did not have cash in any one bank that exceeded the FDIC limit. Investments are stated at cost, which approximates fair value.

Interfund Transactions
During the course of operation, transactions occur between individual funds for goods provided or services rendered. Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed. All other interfund transfers are reported as operating transfers.

Receivables
Accounts receivable primarily represent user charges for service, which are recognized as earned. The District discontinues services on delinquent accounts until payment is received; substantially all accounts are collectible. Receivables are written off when the District determines an account to be uncollectible.

Note 1 - Summary of Significant Accounting Policies, continued

Materials and Supplies
Materials and supplies are stated at the lower of cost or market, with cost determined using a weighted average basis.

Capital Assets
Capital assets are reported in the applicable government-wide financial statement and are reported at cost. Costs include labor, materials, and related indirect costs, such as engineering, used during construction. The cost of additions, renewals, and betterments are capitalized. Projects constructed by others and contributed to the District are stated at approximate cost. Repairs and minor replacements are charged to operating expenses. A capitalization threshold of $1,000 is used to report capital assets. The cost of property and removal cost, less salvage, is charged to accumulated depreciation when property is retired. Depreciation is computed on assets placed in service using a straight-line method over their estimated useful life. The range of estimated useful lives by type of assets is as follows:

	Years
Buildings and improvements	10 to 40
Infrastructure	20 to 40
Machinery and equipment	5 to 15

The District follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for its own use. For the year ended June 30, 2012, total interest incurred was $1,161,074 of which $899,944 was capitalized.

Loan Fees
Loan fees at June 30, 2012 represent the issuance costs that were incurred in conjunction with the refinancing of certain notes and are being amortized over the 2 year term of the notes. Loan fees were $445,304 and amortization expense related to the issuance costs was $216,251 for the year ended June 30, 2012.

Property Taxes
The District receives property taxes from Alpine, Amador and El Dorado Counties. Property taxes receivable are recorded in the fiscal year for which the tax is levied based on the assessed value as of September 1 of the preceding fiscal year. They become a lien on the first day of the year they are levied. Secured property tax is levied on September 1 and due in two installments, on November 1 and March 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1, and become delinquent on August 31. The District has a policy to allocate property tax to departments as needed.

Compensated Absences
Accumulated, unpaid compensated absences (vacation) are recorded as an expense when earned. Sick pay is recorded when leave is taken as such amounts do not vest to the employees, however any excess over 160 hours is compensated at year-end.

Income Taxes
The District is exempt from federal and state income taxes; consequently, no provision for income taxes is included in the accompanying financial statements for any fund.

Budgets
The Board of Directors annually adopts an operating budget for its General Fund. The operating budgets are prepared on the accrual basis. Budgetary comparison schedules have been provided for the general fund by department to demonstrate compliance with the budgets.

Note 1 - Summary of Significant Accounting Policies, continued

Net Assets
For Government-Wide Financial Statements, net assets comprise the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following three categories:

Invested in capital assets, net of related debt - consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - consist of external constraints placed on net assets use by creditors, grantors, contributors, or laws of regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District has no restricted net assets at June 30, 2012.

Unrestricted net assets - consists of all other net assets that are not included in the other categories previously mentioned.

Note 2 - Cash and Investments

The District's cash and investments consist of the following at June 30, 2012:

Cash on hand	$ 225
Cash deposits in bank demands accounts	2,171,099
Restricted cash	1,312,871
Investment in LAIF	37,201
Total cash and investments	$ 3,521,396

Restricted cash consists primarily of amounts related to the 2011 Anticipation Notes (see Note 6) and are restricted as to their use.

Custodial Risk- For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have bank deposit policies to address custodial risk. Nevertheless, management does not believe that there is any substantial custodial risk related to cash due to FDIC coverage.

Interest Rate Risk - In accordance with its investment policy, the Utility manages its exposure to declines in fair value of its investments by limiting its investments to the LAIF.

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, the State Treasurer's Investment Fund, and deposits with banks, mutual savings banks, and savings and loan associations as provided for in the California Government Code Section 53600, Chapter 4 – Financial Affairs. All of the investments held at June 30, 2012, are in compliance with those statutes.

Investments consist of cash deposits with state of California Treasurer's Local Agency Investment Fund (LAIF) an external investment pool of the state of California. The fair value of the District's position in the LAIF is the same as the value of pool shares. The LAIF is a voluntary program created by statute as an investment alternative for California's local governments and special districts and it continues today under Treasurer Bill Lockyer's administration. The enabling legislation for the LAIF is Section 16429.1 et seq. of the California Government Code. The State Treasurer's Office is audited by the Bureau of State Audits on an annual basis and the resulting opinion is posted to the State Treasurer's Office website following its publication. The Bureau of State Audits also has a continuing audit process throughout the year. All investments and LAIF claims are audited on a daily basis by the State Controller's Office as well as an in-house audit process involving three separate divisions.

Note 2 - Cash and Investments, continued

Custodial Credit Risk - Custodial credit risk on investments is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have an investment policy to address custodial credit risk however, investments are held by third party custodians in the District's name. Pursuant to Government Accounting Standards Board Statement 3, the investment in LAIF is not classified in categories of credit risk. The District's funds in LAIF are invested in a diversified portfolio (of underlying investments e.g. U.S. Treasury obligations) such that it considers the risk of material loss to be minimal. The funds held in LAIF can be withdrawn on demand.

Note 3 - Capital Assets

A summary of the governmental funds capital assets for the year ended June 30, 2012 is as follows:

	June 30, 2011	Increases	Decreases	June 30, 2012
Plant assets being depreciated:				
Fire department	$ 729,916	$ -	$ -	$ 729,916
Parks and recreation	29,834	-	-	29,834
	759,750	-	-	759,750
Less Accumulated depreciation	(412,866)	(23,547)	-	(436,413)
Net capital assets being depreciated	346,884	(23,547)	-	323,337
Construction work in progress	-	56,352	-	56,352
Capital assets, net	$ 346,884	$ 32,805	$ -	$ 379,689

A summary of the business-type activities capital assets for the year ended June 30, 2012 is as follows:

	June 30, 2011	Increases	Decreases	June 30, 2012
Plant assets being depreciated:				
Water	$ 4,461,771	$ 36,102	$ -	$ 4,497,873
Waste-water	13,372,646	32,822	-	13,405,468
Employee housing	1,566,458	-	-	1,566,458
Electric	-	15,077,396	-	15,077,396
Propane	-	1,244,708	-	1,244,708
Cable	23,351	-	-	23,351
Snow removal	884,125	257,954		1,142,079
Solid waste	24,900	-	-	24,900
	20,333,251	16,648,982	-	36,982,233
Less Accumulated depreciation	(7,542,113)	(980,020)	-	(8,522,133)
Net capital assets being depreciated	12,791,138	15,668,962	-	28,460,100
Construction work in progress	10,160,686	11,669,394	(16,673,509)	5,156,571
Capital assets, net	$ 22,951,824	$ 27,338,356	$ (16,673,509)	$ 33,616,671

Note 4 - Long-Term Debt

Long-term debt activity for the year ended June 30, 2012 is as follows:

	June 30, 2011	Increases	Decreases	June 30, 2012
Housing	$ 500,000	$ -	$ (500,000)	$ -
Vehicle	108,283	-	(108,283)	-
2008 Anticipation Notes	1,500,000	-	(1,500,000)	-
2010 Anticipation Notes	5,550,000	-	(5,550,000)	-
2011 Anticipation Notes	22,145,000	-	-	22,145,000
Total long-term debt	$ 29,803,283	$ -	$ (7,658,283)	$ 22,145,000

The 2011 anticipation notes due in 2013 consist of:

	Principal	Interest	Total
Tax-Exempt Series A	$ 12,120,000	$ 545,400	$ 12,665,400
Tax-Exempt Series B	6,715,000	302,175	7,017,175
Taxable Series C	3,310,000	165,000	3,475,000
	$ 22,145,000	$ 1,012,575	$ 23,157,575

The District issued bond anticipation notes in 2011, which consist of Tax-Exempt Series A notes at 4.5% interest, Tax-Exempt Series B notes at 4.5% interest, and Taxable Series C notes at 5.0% interest.

The District used the proceeds of the Series A and Series B Notes to finance and or reimburse the District for (1) costs and expenses of consultants that have been or will be retained by the District to perform feasibility, engineering, mapping and environmental studies and evaluations associated with the proposed acquisition and improvement of the Kirkwood area electricity and propane assets and services; (2) related costs and expenses associated with permitting and entitlements; (3) The redemption of the District's $1,500,000 2008 Anticipation Notes and $5,550,000 2010 Anticipation Notes, the redemption of the 2006 vehicle maintenance and Storage Facility Loan in the principal sum of $500,000 plus accrued interest, and the redemption of the 2002 Employee Housing Building Loan in the principal sum of $148,000 plus accrued interest; (4) the construction of a new electric power generation facility and the installation of generators along with related switchgear equipment; (5) the construction of a new Powerhouse and electrical distribution facilities, including underground circuits, circuit routing switches, vaults and transformers; (6) the funding of a Capitalization Interest Fund to pay interest on the Notes through maturity; and (7) payment of Costs of Issuance.

Pursuant to an Asset Purchase Agreement between the District and Mountain Utilities, use of the proceeds of the Series C Notes, in part, were used to finance and or reimburse the District: (1) for the purchase of the land and the existing assets of Mountain Utilities; (2) for the acquisition of Mountain Utilities vehicles, tanks, storage containers and miscellaneous parts and tools; (3) for the funding of a Series C Capitalization Interest Fund; (4) for the payment of Series C Costs of Issuance.

The obligation of the District to make the Note Payment pursuant to the Trust Agreement is a special limited obligation payable from and secured by a pledge of (1) the proceeds of any obligation of the District incurred to retire the Notes; (2) all monies in the Note Payment Fund and in the other funds and accounts established pursuant to the Trust Agreement and (3) revenues deposited in the Reserve/Rate Stabilization Fund derived from the sale of electricity and propane and from such existing ad valorem tax collections that may be transferred by the District, in its sole discretion, to the Reserve/Rate Stabilization Fund and not needed for District operating costs.

Note 4 - Long-Term Debt, continued

The balance of the 2011 anticipation notes at June 30, 2012, is $22,145,000, which is due on May 1, 2013.

On September 25, 2012, the District was awarded a loan guarantee commitment of $50,000,000 by the Rural Utilities Service (RUS). Under this commitment, RUS will guarantee a loan of $50,000,000 from the Federal Financing Bank (FFB). The proceeds of the loan are to be used by the District to finance projects as described in their loan application (which includes the construction of transmission lines that will provide the District the ability purchase power from outside suppliers) as well as reimburse the 2011 anticipation notes. The total estimated cost of these projects, including reimbursement of the 2011 anticipation notes, is $52,430,418, of which $2,430,418 will be financed through operations.

As a result, the District has both the ability and intent to refinance with 2011 anticipation notes with long-term financing. Therefore, the balance of the 2011 anticipation notes at June 30, 2012 is included as long term debt in the accompanying financial statements.

Note 5 - Capital Lease Obligation

The District entered into a capital lease for the purchase of a snow blower during 2012. The asset and related liabilities under capital lease are recorded at fair value of the assets. The fair value of the assets included in business-type activities capital assets at June 30, 2012 was $246,421. Depreciation of assets under capital lease is included in depreciation expense and was $15,401. Accumulated depreciation of assets under capital lease was $15,401 at June 30, 2012.

Minimum future lease payments under the capital lease as of June 30, 2012 for each of the next 5 years and in the aggregate are:

2013	$	44,371
2014		44,371
2015		44,371
2016		44,371
2017		44,371
Total mimimum lease payments		221,855
Less amounts representing interest		19,805
Present value of minimum lease payments		202,050
Less current portion		(37,905)
Long-term portion	$	164,145

Note 6 - Pension Plan

Plan Description

The District contributes to the California Public Employee's Retirement System (PERS), an cost-sharing multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

All full-time District employees are eligible to participate in the System. Benefits fully vest after five years of credited service. Participants with vested benefits are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of the average salary during the last year of employment, for each year of credited service up to five years and, 2.5% for each year over five years. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute.

Note 6 - Pension Plan, continued

Plan Description, continued
PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, CA 94229-2703.

Funding Policy
District employees' contribution rate is 8% of their annual salary to the System. The District pays employees' contributions. The District is required to contribute the remaining amounts (2011-2012 rate 16.220%) necessary to fund the benefits for its members, using the actuarial basis recommended by the PERS Actuaries and Actuarial Consultants and adopted by the Board of Administration. For the year ended June 30, 2012 the District paid total contributions of $198,255.

Since the District's plan has less than 100 active members since June 30, 2003, it is required to participate in a risk pool.

A summary of principal assumptions and method used to determine the contractually required contributions is shown below for the cost-sharing multiple-employee defined benefit plan.

Employer contribution rates for the period ended June 30, 2012 are based on the actuarial valuation dated June 30, 2010. The entry age normal cost method is used to determine the actuarial value of the plan's assets. The actuarial assumptions include:

- Investment return of 7.75% (net of administrative expenses)
- Projected salary increases of 3.55% to 14.45% per year depending on age, service and type of employment
- Consumer price inflation rate of 3.00%
- Average remaining period of 19 years (as of the valuation date)
- Asset valuation method of 15 year smoothed market
- Payroll growth of 3.25%.
- Individual salary growth based on a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

Trend Information:

Year	Contribution Rate	Required Contribution	Percentage Contributed
2010	13.289%	$ 68,228	100%
2011	13.371%	$ 77,823	100%
2012	16.220%	$ 105,667	100%

Schedule of Funding Progress:

Fund Status of Risk Pool

Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities	Funded Ratio	Covered Payroll	UL as a % of Payroll	District Members	Risk Pool Members
06/30/07	$ 1,972,910,641	$ 1,149,247,298	$ 166,207,063	58.3%	$ 289,090,187	57.5%	17	12,595
06/30/08	$ 1,537,909,933	$ 1,337,707,835	$ 200,202,098	87.0%	$ 333,307,600	60.1%	18	13,899
06/30/09	$ 1,834,424,640	$ 1,493,430,831	$ 340,993,809	81.4%	$ 355,150,151	96.0%	18	14,668
06/30/10	$ 1,972,910,641	$ 1,603,482,152	$ 369,428,489	81.3%	$ 352,637,380	104.8%	20	15,136

Note 7 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for risks of loss including workers' compensation, property and liability, automobile liability, directors' and officers' liability, and employee dishonesty coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the current and prior fiscal year.

Note 8 - Communities Facilities District

CFD No. 98-1 is a legally constituted governmental activity established under the Mello-Roos Community Facilities Act of 1982 (the "Act") as amended. The Act provides an alternative method for financing certain public capital facilities and services. CFD No. 98-1 was established through a special election held in May, 1999 whereas the qualified electors approves the Rate and Method of Apportionment of the Special Tax and authorized the issuance of up of $6,263,552 in bonds.

In October 1999, $2,450,000 in long-term bonds were issued, the 1999 Series A bonds. A second series of long term bonds in the amount of $3,813,552 were issued in May 2000, the 2000 Special Tax Bonds, Series B. The bond proceeds provided funds for the acquisition and construction of public sewer treatment plan improvements to serve property located within CFD No. 98-1.

The bonds are secured and payable from a pledge of the Special Taxes collected by the District (which are remitted to Mello-Roos Community Facilities District) levied upon certain real property within the CFD District, the proceeds of any foreclosure actions brought following a delinquency in the payment of the Special Tax and from amounts held in certain funds pursuant to the Resolution. Neither the faith and credit nor the taxing power of the District, the CFD District, the County, the State of California or any political subdivision of any the foregoing is pledged to the payment of the bonds.

The bonds are not a debt of the District, CFD No. 98-1, the County, the State of California or any political subdivisions, and neither the District, CFD No. 98-1, the County, the State nor any of its political subdivisions is liable therefore.

Note 9 - Fund Balances

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

Nonspendable — Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District did not have any nonspendable balances at June 30, 2012.

Restricted — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District did not have any restricted balances at June 30, 2012.

Committed — Amounts that can be used only for specific purposes determined by a formal action of the District. The Board of Directors has the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors. The District did not have any committed balances at June 30, 2012.

Assigned — Amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. This intent can be expressed by the Board of Directors or through the delegation of this responsibility to the General Manager. The District did not have any assigned balances at June 30, 2012.

Unassigned — Consist of all amounts not included in the other classifications previously mentioned.

Note 9 - Fund Balances, continued

The District would typically use assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Note 10 - New Pronouncements

In June 2012, the GASB issued Statement No. 67 *Financial reporting for Pension Plans*, and Statement No. 68 *Accounting and Financial Reporting for Pensions.* Statement 67 revises existing guidance for the financial reports of most pension plans. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position and a statement of changes in fiduciary net position. Statement 67 also enhances note disclosures and required supplementary information (RSI) for both defined benefit and defined contribution pension plans, and requires presentation of new information about annual money weighted rates of return in the notes to the financial statements and in 10-year RSI schedules.

Statement 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. This statement will require governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and RSI. A single or agent employer will also present RSI schedules covering the past 10 years regarding the sources of changes in the components of the net pension liability, ratios that assist in assessing the magnitude of the net pension liability, and comparisons of actual employer contributions to the pension plan with actuarially determined contribution requirements.

The District is in the process of assessing the impact of this statement and will implement it as of the effective date. For the District, the statement will be effective for the fiscal year beginning July 1, 2013.

REQUIRED SUPPLEMENTAL INFORMATION

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

Schedule of Revenues, and Expenditures, Budget to Actual - Fire Department

Year ended June 30, 2012

	Budget Original and Final	Actual	Variance with Final Budget
Revenues:			
Annual Assessment	$ 65,100	$ 64,685	$ (415)
Donations	4,750	-	(4,750)
Contributions	12,500	8,733	(3,767)
Amador fire calls	3,000	-	(3,000)
Other	500	548	48
In-service training	2,000	1,126	(874)
Special events	23,000	17,240	(5,760)
Impact fees	1,500	412	(1,088)
Grants	3,000	-	(3,000)
New equipment fund	50	13	(37)
Property taxes	-	21,242	21,242
Total revenues	115,400	113,999	(1,401)
Expenditures:			
Personnel services			
Maintenance	200	260	(60)
Vacation/sick pay	7,000	11,081	(4,081)
Payroll	25,000	5,921	19,079
Fundraise	7,500	5,196	2,304
Employee expenses	45,500	38,944	6,556
On call wages	22,000	26,020	(4,020)
Generator	300	275	25
Fundraising expense	6,500	10,704	(4,204)
Administration	43,000	30,777	12,223
Snow removal	700	159	541
Operator benefits	6,000	6,496	(496)
Total personnel services	163,700	135,833	27,867
Office expenses			
Postage	700	471	229
Other office	5,000	3,298	1,702
Equipment service	2,700	372	2,328
Office supplies	1,200	626	574
Computer maintenance	500	679	(179)
Property insurance	2,000	1,268	732
Liability insurance	8,000	10,407	(2,407)
Telephone	3,000	2,125	875
Total office expenses	$ 23,100	$ 19,246	$ 3,854

See accompanying notes to financial statements.

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

Schedule of Revenues, Expenditures and Change in Fund Balance, Budget to Actual - Fire Department, continued

Year ended June 30, 2012

	Budget Original and Final	Actual	Variance with Final Budget
Professional services			
Legal	$ 800	$ 733	$ 67
Accounting	1,500	4,898	(3,398)
Total professional services	2,300	5,631	(3,331)
Other			
Directors fees	2,500	1,657	843
Director health benefits	4,000	4,596	(596)
Total other	6,500	6,253	247
Department operations			
CSB maintenance	250	20	230
Materials, supplies, & outside maintenance	8,000	1,933	6,067
Vehicles	3,500	2,086	1,414
Vehicle maintenance	2,000	1,325	675
Equipment/vehicle maintenance	500	93	407
Volunteer meetings	2,000	1,800	200
Outside training/meetings	250	-	250
Meetings/training	100	154	(54)
Fire/accident calls	8,000	7,240	760
Personnal protective equipment	1,000	-	1,000
Contract services	2,500	94	2,406
Generator fuel	9,000	1,039	7,961
Generator maintenance	1,000	1,619	(619)
Propane	3,000	460	2,540
Uniforms	1,000	155	845
Communications	2,000	1,706	294
Capital expense - fire hose/misc	2,000	-	2,000
Capital expense - turn outs	6,000	-	6,000
Outisde maintenance	-	3,920	(3,920)
Total department operations	52,100	23,644	28,456
Total expenditures	247,700	190,607	57,093
Deficiency of receipts over expenditures	$ (132,300)	$ (76,608)	$ 55,692

See accompanying notes to financial statements.

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

Schedule of Revenues, and Expenditures, Budget to Actual - Parks

Year ended June 30, 2012

	Budget Original and Final	Actual	Variance with Final Budget
Revenues:			
Other revenue	$ 15	$ 25	$ 10
Property taxes	-	12,500	12,500
Total Revenues	15	12,525	12,510
Expenditures:			
Materials and supplies	50	8	42
Personnel	2,400	4,246	(1,846)
Other	100	-	100
Admin labor	800	1,002	(202)
Generator	10	11	(1)
Vacation/sick wages	700	733	(33)
Employee expenses	4,241	2,675	1,566
On call wages	15	14	1
Snow removal labor	30	8	22
Operator benefits	220	144	76
Maintenance	10	13	(3)
Office supplies	30	29	1
Postage	25	23	2
Other office	150	146	4
Computer maintenance	20	33	(13)
Telephone	75	75	-
Meetings/training	10	8	2
Equipment service	1,100	1,060	40
Property insurance	75	62	13
Liability insurance	150	98	52
Accounting	20	30	(10)
Legal	60	241	(181)
Directors' fees	110	81	29
Directors' benefits	200	226	(26)
CSB maintenance	25	1	24
Outside maintenance	50	3	47
Generator fuel	75	36	39
Generator maintenance	10	72	(62)
Vehicles	100	93	7
Uniforms	20	1	19
Propane	75	23	52
Total Expenditures	10,956	11,195	(239)
Excess (deficiency) of revenues over expenditures	$ (10,941)	$ 1,330	$ 12,271

See accompanying notes to financial statements.

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

Schedule of Revenues, and Expenditures, Budget to Actual - Mosquito Abatement

Year ended June 30, 2012

	Budget Original and Final	Actual	Variance With Final Budget
Revenues:			
Other revenue	$ 10	$ 12	$ 2
Property taxes	-	5,675	5,675
Total Revenues	10	5,687	5,677
Expenditures:			
Materials and supplies	20	4	16
Personnel	2,200	2,156	44
Other	100	-	100
Admin labor	500	488	12
Generator	25	5	20
Vacation/sick wages	450	411	39
Employee expenses	3,000	1,522	1,478
On call wages	10	7	3
Snow removal labor	20	4	16
Operator benefits	150	295	(145)
Maintenance	10	6	4
Office supplies	20	14	6
Postage	20	11	9
Other office	75	71	4
Computer maintenance	15	16	(1)
Telephone	50	36	14
Meetings/training	25	134	(109)
Equipment service	20	9	11
Property insurance	30	30	-
Liability insurance	75	48	27
Accounting	50	117	(67)
Legal	20	14	6
Directors' fees	50	40	10
Directors' benefits	125	110	15
CSB maintenance	20	-	20
Outside maintenance	20	1	19
Generator fuel	50	18	32
Generator maintenance	50	35	15
Vehicles	50	45	5
Uniforms	20	-	20
Propane	50	11	39
Total Expenditures	7,320	5,658	1,662
Excess (deficiency) of revenues over expenditures	$ (7,310)	$ 29	$ 7,339

See accompanying notes to financial statements.

SUPPLEMENTAL INFORMATION

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

Schedule of Detailed Statement of Revenues, Expenditures and Changes in Fund Balances-
Governmental Departments

Year Ended June 30, 2012

	Fire Department	Parks & Recreation	Mosquito Abatement	General	Toal
Revenues					
General revenues	$ 92,757	$ 25	$ 12	$ -	$ 92,794
Property taxes	21242	12,500	5,675	-	39,417
Total revenues	113,999	12,525	5,687		132,211
Expenditures					
Public protection	131,718	-	3,016	-	134,734
Support services	-	9,381	-	-	9,381
Services and supplies	58,889	1,814	2,642	-	63,345
Capital Outlay	-	-	-	56,352	56,352
Total expenditures	190,607	11,195	5,658	56,352	263,812
Excess (deficiency) of revenues over expenditures	$ (76,608)	$ 1,330	$ 29	$ (56,352)	(131,601)
Fund balance, beginning					80,025
Fund balance, ending					$ (51,576)

See accompanying notes to financial statements.

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

Schedule of Detailed Statement of Revenues, Expenditures and Changes in Net Assets - Proprietary Departments

Year ended June 30, 2012

	Cable	Electric	Housing	Propane	Removal	Solid-waste	Water	Waste-water	Total
Operating Revenues:									
Residential	$ 14,362	$ 2,974,843	$ -	$ 1,260,530	$ -	$ 120,697	$ 181,000	$ 361,433	$ 4,912,865
Business	-	-	-	-	-	-	111,961	280,220	392,181
Snow removal	-	-	-	-	423,155	-	-	-	423,155
Rental income	-	-	62,387	-	-	-	-	-	62,387
Other	13	5,728	212	671	2,830	273	12,189	2,692	24,608
Total Operating Revenues	14,375	2,980,571	62,599	1,261,201	425,985	120,970	305,150	644,345	5,815,196
Operating Expenses:									
Administrative and general	3,647	144,213	32,836	92,942	140,334	22,456	158,310	194,247	788,985
Depreciation and amortization	4,077	515,194	42,984	42,982	90,233	1,452	130,074	404,700	1,231,696
Pumping	-	-	-	-	-	-	6,660	17,120	23,780
Services and supplies	-	-	29,416	-	181,126	85,444	-	-	295,986
Transmission and distribution	-	2,637,553	-	959,111	-	-	23,186	-	3,619,850
Wastewater treatment	-	-	-	-	-	-	-	349,646	349,646
Water treatment	-	-	-	-	-	-	55,620	-	55,620
Total Operating Expenses	7,724	3,296,960	105,236	1,095,035	411,693	109,352	373,850	965,713	6,365,563
Operating Income (Loss)	6,651	(316,389)	(42,637)	166,166	14,292	11,618	(68,700)	(321,368)	(550,367)
Non-Operating Revenues/(Expenses):									
Property taxes	-	466,284	48,800	-	-	-	82,700	335,526	933,310
Interest expense	-	(145,936)	(6,117)	(77,844)	(3,233)	-	(14,000)	(14,000)	(261,130)
Total Non-Operating Revenues/ (Expenses)	-	320,348	42,683	(77,844)	(3,233)	-	68,700	321,526	672,180
Net Income	$ 6,651	$ 3,959	$ 46	$ 88,322	$ 11,059	$ 11,618	$ -	$ 158	121,813
Net Assets, beginning									14,701,572
Net Assets, ending									$ 14,823,385

See accompanying notes to financial statements.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

The following is a brief summary of the provisions of (i) the Trust Agreement and (ii) the Installment Sale Agreements relating to the Certificates. Reference is made to the actual documents (copies of which are available from the District) for the complete terms thereof.

DEFINED TERMS

The following terms have the following meanings, notwithstanding that any such terms may be elsewhere defined in this Official Statement. Any terms not expressly defined in this Summary but previously defined in this Official Statement have the respective meanings previously given.

"Board of Directors" means the Board of Directors as the legislative body of the District.

"Business Day" means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California, or in any state in which the Trust Office of the Trustee is located, are closed.

"Certificates" means the $5,095,000 aggregate principal amount of certificates of participation, designated the Tax and Enterprise Revenue Certificates of Participation, Series 2013, executed and delivered and at any time Outstanding hereunder.

"Certificate Year" means each twelve-month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, both dates inclusive; except that the first Certificate Year shall begin on the Closing Date and end on September 1, 2013.

"Closing Date" means April 3, 2013, being the day when the Certificates, duly executed by the Trustee, are delivered to the Original Purchaser.

"Corporation" means the KMPUD Public Facilities Corporation, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California.

"District" means the Kirkwood Meadows Public Utility District, a public municipal corporation formed under Division 7, Chapter 2 of the Public Utilities Code of the State of California.

"District Representative" means the Board President or Vice-President of the Board of Directors, the District Manager, District Secretary, Treasurer, or District Counselor any other person authorized by resolution of the Board of Directors of the District to act on behalf of the District under or with respect to the Installment Sale Agreements and this Trust Agreement.

"Electric Enterprise" means the entire electric supply, storage and distribution system of the District, including but not limited to all facilities, properties and improvements at any time owned, controlled or operated by the District for the supply of electricity to residents of the District and adjacent areas, and any necessary lands, rights, entitlements and other property

useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the District.

"Electric Enterprise Installment Sale Agreement" means the Installment Sale Agreement (Electric Enterprise), dated as of April 1, 2013, between the District and the Corporation, together with any duly authorized and executed amendments thereto.

"Enterprises" or "Enterprise" means, collectively or individually, the Water Enterprise, the Wastewater Enterprise, the Propane Enterprise, and the Electric Enterprise.

"Enterprise Funds" or "Enterprise Fund" means, collectively or individually, the Water Enterprise Fund, the Wastewater Enterprise Fund, or the Propane Enterprise Fund.

"Federal Securities" means direct obligations of, or obligations the interest on and principal of which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and including a receipt, certificate or any other evidence of any ownership interest in such an obligation, or in specified portions thereof (which may consist of specified portions of interest thereon).

"Federal Subsidy Payments" means any direct subsidy payments received or expected to be received from the federal government with respect to any direct pay tax credit obligations of the District.

"Fiscal Year" means the 12-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period selected by the District as its fiscal year.

"Installment Payments" or "Installment Payment" means all payments or any payment required to be paid by the District on any date under each of the Installment Sale Agreements, including any amounts payable upon delinquent installments.

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

"Installment Sale Agreements" or "Installment Sale Agreement" means, collectively or individually, the Water Enterprise Installment Sale Agreement, the Wastewater Enterprise Installment Sale Agreement, the Propane Enterprise Installment Sale Agreement, and the Electric Enterprise Installment Sale Agreement.

"Moody's" means Moody's Investors Service, its successors and assigns.

"Original Purchaser" means Stifel, Nicolaus & Company, Incorporated, as original purchaser of the Certificates.

"Outstanding", when used as of any particular time with respect to Certificates, means all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except (a) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Certificates paid and discharged in accordance with the Trust Agreement; and (c) Certificates in lieu of or in exchange for which other Certificates have been executed and delivered by the Trustee under the Trust Agreement.

"Owner" when used with respect to a Certificate, means the person in whose name the ownership of such Certificate will be registered on the Registration Books.

"Parity Documents" means, collectively, the indenture of trust, trust agreement, contract or other document that authorizes the issuance of any Parity Obligations or otherwise establishes or evidences Parity Obligations.

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

(a) Federal Securities;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) certificates of beneficial ownership of the Farmers Home Administration; (ii) Federal Housing Administration debentures; (iii) participation certificates of the General Services Administration; (iv) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (v) guaranteed Title XI financings of the U.S. Maritime Administration; and (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System.

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, and a rating by Moody's of Aaa, Aa1 or Aa2 (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).

(e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P and "Prime- 1" by Moody's, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market

deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF.

(g) An investment agreement which is a legal investment for proceeds of the Certificates at the time of the execution of such agreement, and which investment is made pursuant to an agreement between the District or the Trustee and a financial institution or governmental body whose long term debt obligations are rated in one of the top two rating categories by a nationally recognized rating service.

(h) Commercial paper rated "Prime-1" by Moody's or "A-1+" or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated by Moody's or S&P in one of the two highest rating categories assigned by such agencies.

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A- 1+" by S&P.

(k) The Local Agency Investment Fund that is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee.

(l) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended, including but not limited to the California Asset Management Program (CAMP).

"Prior Projects" means, collectively, all of the facilities, improvements and other property that were originally financed from the proceeds of the Prior Notes.

"Projects" or "Project" means, collectively, or individually, all of or any of the facilities, improvements and other property described more fully in Appendix B of each of the Installment Sale Agreements, as those Appendices may be amended from time to time in accordance with the Installment Sale Agreements.

"Project Costs" means, with respect to the Projects, all costs of the acquisition, construction and installation thereof that are paid from moneys on deposit in the Project Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition, construction and installation of the Projects;

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

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and installation of the Projects;

(d) all preliminary costs of the Projects, including but not limited to design, environmental, engineering and architectural services, costs for testing, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and costs for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Projects;

(e) any sums required to reimburse the District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction and installation of the Projects;

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

(g) the interest components of the Installment Payments during the period of acquisition, construction and installation of the Projects.

"Project Fund" means the fund by that name and the accounts therein established and held by the District under the Trust Agreement.

"Propane Enterprise" means the entire propane supply, storage and distribution system of the District, including but not limited to all facilities, properties and improvements at any time owned, controlled or operated by the District for the supply of propane to residents of the District and adjacent areas, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the District.

"Propane Enterprise Fund" means the fund or funds established and held by the District with respect to the Propane Enterprise for the deposit of Gross Revenues of the Propane Enterprise.

"Propane Enterprise Installment Sale Agreement" means the Installment Sale Agreement (Propane Enterprise), dated as of April 1, 2013, between the District and the Corporation, together with any duly authorized and executed amendments thereto.

"Registration Books" means the records maintained by the Trustee under the Trust Agreement for registration of the ownership and transfer of ownership of the Certificates.

"Reserve Funds" or "Reserve Fund" means the funds, or each of the funds, of that name established and held by the Trustee, which funds are established, held and maintained in accordance with the Installment Sale Agreements.

"Special Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code.

"S&P" means Standard & Poor's Corporation, and its successors and assigns.

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

"Trust Agreement" means the Trust Agreement, dated as of April 1, 2013, between the District, the Corporation, and the Trustee, together with any duly authorized and executed amendments thereto.

"Trust Office" means, with respect to the Trustee, the corporate trust office of the Trustee at its address set forth in the Trust Agreement; *provided, however*, that for purposes of the payment, cancellation, surrender, transfer or exchange of certificates, such term meant the corporate trust office of the Trustee located in San Francisco, California or at such other or additional offices as may be specified by the Trustee in writing to the District except that with respect to presentation of Certificates for payment or for registration of transfer and exchange such term will mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business will be conducted.

"Trustee" means Union Bank, N.A., or any successor thereto acting as Trustee under the Trust Agreement.

"Wastewater Enterprise" means the entire wastewater collection, treatment, storage and distribution system of the District, including but not limited to all facilities, properties and improvements at any time owned, controlled or operated by the District for the treatment of wastewater for residents of the District and adjacent areas, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the District.

"Wastewater Enterprise Fund" means the fund or funds established and held by the District with respect to the Wastewater Enterprise for the deposit of Gross Revenues of the Wastewater Enterprise.

"Wastewater Enterprise Installment Sale Agreement" means the Installment Sale Agreement (Wastewater Enterprise), dated as of April 1, 2013, between the District and the Corporation, together with any duly authorized and executed amendments thereto.

"Water Enterprise" means the entire water supply, storage and distribution system of the District, including but not limited to all facilities, properties and improvements at any time owned, controlled or operated by the District for the supply of water to residents of the District and adjacent areas, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the District.

"Water Enterprise Fund" means the fund or funds established and held by the District with respect to the Water Enterprise for the deposit of Gross Revenues of the Water Enterprise.

"Water Enterprise Installment Sale Agreement" means the Installment Sale Agreement (Water Enterprise), dated as of April 1, 2013, between the District and the Corporation, together with any duly authorized and executed amendments thereto.

TRUST AGREEMENT

Funds

The Trust Agreement creates the following funds to be held and administered under the Trust Agreement.

Installment Payment Funds. There will be deposited in the Installment Payment Fund, when received by the Trustee, all Installment Payments (except reimbursement for funds drawn from the Reserve Funds). Moneys on deposit in the Installment Payment Fund will be used to pay principal and interest represented by the Certificates when due and payable. Any earnings on investment of moneys in the Installment Payment Fund will remain therein. Any surplus remaining in the Installment Payment Fund after the payment of all Certificates, or provision for their payment has been made, will be paid to the District.

Costs of Issuance Fund. The Trustee will establish and maintain a Costs of Issuance Fund. The Trustee will disburse amounts in the Costs of Issuance Fund to pay costs of issuance relating to the Certificates from time to time upon the receipt of a written requisition of the District which states (i) the amounts to be disbursed for payment or reimbursement of costs of issuance, (ii) the name and address of the person or persons to whom said amounts are to be disbursed, and (iii) that all amounts to be disbursed are for costs of issuance properly chargeable to the Costs of Issuance Fund. The Trustee will withdraw any funds remaining in the Costs of Issuance Fund approximately 90 days following the Closing Date, and transfer those funds to the Project Fund.

Project Fund. The District will establish and maintain a separate fund to be known as the "Project Fund," and, within the Project Fund, a "Water Enterprise Account," a "Wastewater Enterprise Account," and a "Propane Enterprise Account." The District will disburse moneys in each account of the Project Fund from time to time to pay Project Costs or to reimburse the District for payment of Project Costs with respect to the applicable Enterprise. The District will maintain accurate records showing all disbursements from the Project Fund. Upon the determination by the District that no further amounts are intended to be paid or reimbursed from an account within the Project Fund, the District will withdraw all amounts remaining in the applicable account of the Project Fund and transfer such amounts to the Trustee for deposit in the applicable Installment Payment Fund to be applied, at the written direction of a District Representative, to pay the Installment Payments next coming due and payable.

Reserve Funds. The Reserve Funds will be initially funded from the proceeds of the Certificates, in an amounts equal to the Reserve Requirements. If on any Interest Payment Date, there are insufficient moneys in any Installment Payment Fund to pay principal and interest then due, the Trustee is required to transfer so much of the Reserve Fund established for the Water Enterprise (the "Water Enterprise Reserve Fund"), the Reserve Fund established for the Wastewater Enterprise (the "Wastewater Enterprise Reserve Fund"), the Reserve Fund established for the Propane Enterprise (the "Propane Enterprise Reserve Fund"), or the

Reserve Fund established for the Electric Enterprise (the "Electric Enterprise Reserve Fund"), whichever is applicable, as is necessary to make such payment. Amounts on deposit in each Reserve Fund in excess of the related Reserve Requirement will be transferred to the Water Installment Payment Fund, Wastewater Installment Payment Fund, Propane Installment Payment Fund, or Electric Installment Payment Fund, whichever is applicable. Any deficiency of Installment Payments paid from a given Reserve Fund and thereafter reimbursed by the District will be deposited in the same Reserve Fund. Amounts on deposit in each respective Reserve Fund will be applied to make the final Installment Payments on behalf of the District or will be transferred to the District to be used for any lawful purposes.

Investment of Funds

The Trustee is required to invest and reinvest all moneys held under the Trust Agreement, at the written direction of the District, in Permitted Investments maturing not later than the date moneys are expected to be required for expenditure. In the absence of any written request of the District directing the investment of uninvested moneys held by the Trustee, the Trustee will invest such moneys in Permitted Investments constituting money market funds, which mature not later than the date such moneys are required or estimated by the Trustee to be required to be expended. Such investments, if registrable, will be registered in the name of the Trustee, as trustee or in the name of its nominee, and will be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. Such investments and reinvestments will be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. For purposes of acquiring any investments under the Trust Agreement, the Trustee may in its sole discretion commingle funds held by it.

All earnings on the investment of amounts on deposit in the funds and accounts established under the Trust Agreement will be deposited in such funds and accounts, except that all earnings on the investment of amounts in a Reserve Fund will be transferred to the applicable Installment Payment Fund, to the extent not required to be retained in such Reserve Fund to maintain the applicable Reserve Requirement, all as set forth in the Installment Sale Agreements.

Amendment of Agreements

Amendments Permitted With Owners' Consent. The Trust Agreement and the rights and obligations of the Owners of the Certificates and the Installment Sale Agreements and the rights and obligations of the parties thereto, may be modified or amended at any time with the written consent of the Owners of a majority in aggregate principal amount of the Certificates then outstanding. No such modification or amendment may (a) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Certificate, or (b) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Installment Sale Agreements, or (c) modify any of the rights or obligations of the Trustee without its written consent.

Amendments Permitted Without Owners' Consent. The Trust Agreement and the rights and obligations of the Owners of the Certificates and the Installment Sale Agreements and the rights and obligations of the respective parties thereto, may be modified or amended at any time

by a supplemental agreement, without the consent of any of the Certificate Owners, only to the extent permitted by law and only for one of more of the following purposes:

(a) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved to the Corporation or the District;

(b) to cure, correct or supplement any ambiguous or defective provision contained therein;

(c) in any respect whatsoever in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable and which do not, in the opinion of Special Counsel, materially adversely affect the interests of the Owners of the Certificates;

(d) to provide for matters relating to the issuance of Parity Obligations; or

(e) if and to the extent permitted in the opinion of Special Counsel filed with the Trustee, the District and the Corporation, to delete or modify any of the provisions thereof relating to the exclusion from gross income for federal income tax purposes of interest represented by the Certificates.

Remedies Upon Event of Default

Remedies Generally. If an event of default occurs under and as defined in the Installment Sale Agreements (an "Event of Default"), then and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Certificates then outstanding the Trustee will, exercise any and all remedies available pursuant to law or granted pursuant to the Installment Sale Agreements. The Trustee must immediately notify the Certificate Owners upon the occurrence of any Event of Default of which the Trustee has knowledge in accordance with the Trust Agreement.

Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement or the Installment Sale Agreements will be applied by the Trustee in the order following upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid -

First, to the payment of the fees, costs and expenses of the Trustee and of the Certificate Owners in declaring and enforcing such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel; and

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the respective rates represented by the outstanding Certificates (but such interest on overdue installments of interest will be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys are insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest 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, ratably to the aggregate of such principal and interest.

Institution of Legal Proceedings. If one or more Events of Default occur and are continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement or in aid of the execution of any power granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee deems most effectual in support of any of its rights or duties under the Trust Agreement.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy will be cumulative and will be in addition to every other remedy given under the Trust Agreement or at any time existing, at law or in equity or by statute or otherwise.

Power of Trustee to Control Proceedings. If the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Trust Agreement, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Certificates then outstanding, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action.

Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless: (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Certificates then outstanding have made written request upon the Trustee to exercise its powers or to institute such action, suit or proceeding in its own name; (c) said Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Defeasance

Upon payment of the outstanding Certificates in whole, or upon the deposit of cash or non-callable Federal Securities with the Trustee sufficient with other available funds to retire the obligations represented by such Certificates at or before maturity, all rights thereunder of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the District with respect to the Certificates ceases and terminates, except only the obligation of the Trustee to pay or cause to be paid, from Installment Payments paid by or on behalf of the District from funds so deposited, all sums represented thereby when due.

INSTALLMENT SALE AGREEMENT

Acquisition and Construction of the Projects

The Corporation agrees to supervise the acquisition, construction and installation of each of (i) the Projects attributable to the Water Enterprise, as such are set forth on Appendix B of the Water Enterprise Installment Sale Agreement (the "Water Projects"), (ii) the Projects attributable to the Wastewater Enterprise, as such are set forth on Appendix B of the Wastewater Enterprise Installment Sale Agreement (the "Wastewater Projects"), (iii) the Projects attributable to the Propane Enterprise, as such are set forth on Appendix B of the Propane Enterprise Installment Sale Agreement (the "Propane Projects"), and (iv) the Projects attributable to the Electric Enterprise, as such are set forth on Appendix B of the Propane Enterprise Installment Sale Agreement (the "Electric Projects") in accordance with plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the District under all applicable requirements of law. The failure of the Corporation to complete each of (i) the Water Projects, (ii) the Wastewater Projects, (iii) the Propane Projects, and (iv) the Electric Projects by the expected completion dates thereof does not constitute an Event of Default or a grounds for termination of, respectively, the Water Enterprise Installment Sale Agreement, the Wastewater Enterprise Installment Sale Agreement, the Propane Enterprise Installment Sale Agreement or the Electric Enterprise Installment Sale Agreement, nor will such failure result in the diminution, abatement or extinguishment of the obligation of the District to pay the Installment Payments when due.

The Corporation appoints the District as its agent to carry out all phases of the acquisition, construction and installation of the Water Projects, the Wastewater Projects, the Propane Projects, and the Electric Projects under and in accordance with the provisions of the Water Enterprise Installment Sale Agreement, the Wastewater Enterprise Installment Sale Agreement, the Propane Enterprise Installment Sale Agreement, and the Electric Enterprise Installment Sale Agreement. As agent of the Corporation, the District will enter into, administer and enforce all purchase orders or other contracts relating to the Water Projects, the Wastewater Projects, and the Propane Projects. The District will establish and maintain three separate accounts within the Project Fund to be known, respectively, as the "Water Enterprise Account," the "Wastewater Enterprise Account," the "Propane Enterprise Account," and the "Electric Enterprise Account." Payment of Water Project Costs, the Wastewater Project Costs, the Propane Project Costs and the Electric Project Costs will be made by the District from amounts held by the Trustee in, as applicable, the Water Enterprise Account, the Wastewater Enterprise Account, the Electric Enterprise Account or the Propane Enterprise Account in accordance with the provisions, respectively, of the Water Enterprise Installment Sale Agreement, the Wastewater Enterprise Installment Sale Agreement, the Propane Enterprise Installment Sale Agreementand the Electric Enterprise Installment Sale Agreement.

The District has the right, in its sole discretion, to specify the exact scope, nature and identification of the Water Projects, the Wastewater Projects, the Propane Projects and the Electric Projects and the respective components thereof. The District may from time to time amend any plans and specifications for the Water Projects, the Wastewater Projects, the Propane Projects or the Electric Projects, and thereby change or modify the description of the Water Projects, the Wastewater Projects, the Propane Projects or the Electric Projects, or any component thereof.

Not later than 60 days following the final acceptance of the Water Projects, the Wastewater Projects, the Propane Projects and the Electric Projects, a District Representative

will execute and deliver to the Corporation and the Trustee, for each set of such projects, a written certificate which (a) states that the acquisition and construction of, as applicable, the Water Projects, the Wastewater Projects, the Propane Projects or the Electric Projects has been substantially completed, (b) identifies the total Water Project Costs, Wastewater Project Costs, the Propane Project Costs or Electric Project Costs thereof, as applicable, and (c) identifies the amounts, if any, to be reserved in the Water Enterprise Account, the Wastewater Enterprise Account, the Propane Enterprise Account or the Electric Enterprise Account, as applicable, for payment of future, Water Project Costs, Wastewater Project Costs, Propane Project Costs and Electric Project Costs, respectively. Any amounts remaining on deposit in each of the Water Enterprise Account, the Wastewater Enterprise Account, the Propane Enterprise Account and the Electric Enterprise Account and not required for payment of, respectively, future Water Project Costs, Wastewater Project Costs, Propane Project Costs and Electric Project Costs will be transferred to the Trustee for deposit in, as applicable, the Water Installment Payment Fund, the Wastewater Installment Payment Fund, the Propane Installment Payment Fund and the Electric Installment Payment Fund, to be applied, at the written direction of a District Representative, to pay, as applicable, the Installment Payments next coming due and payable.

Sale of Projects and Prior Projects; Term of Agreement

The Corporation agrees to sell, in the case of each of the Water Enterprise, the Wastewater Enterprise, the Propane Enterprise, and the Electric Enterprise as applicable (i) the Water Projects and the Prior Projects attributable to the Water Enterprise (the "Water Prior Projects"), (ii) the Wastewater Projects and the Prior Projects attributable to the Wastewater Enterprise (the "Wastewater Prior Projects"), and (iii) the Propane Projects and Prior Projects attributable to the Propane Enterprise (the "Propane Prior Projects"), and in the case of the Electric Enterprise, (iv) the Electric Projects and the Prior Projects attributable to the Electric Enterprise (the "Electric Prior Projects"), to the District under each respective Installment Sale Agreements. The Installment Sale Agreements terminate on the dates on which the District has paid all of the Installment Payments and all other amounts due and payable thereunder. Title to each of the Water Prior Projects, the Wastewater Prior Projects, the Propane Prior Projects, and the Electric Prior Projects, and each component thereof, will be deemed conveyed by the Corporation to and vested in the District upon the execution and delivery of each Installment Sale Agreement on its respective Closing Date. Title to each of the Water Projects, the Wastewater Projects, the Propane Projects and the Electric Projects, and each component thereof, will be deemed conveyed by the Corporation to and vested in the District upon the completion of the acquisition, construction and installation thereof.

Installment Payments

The District agrees to pay Installment Payments:

(i) for the Water Enterprise, in the aggregate principal amount of $660,000, together with interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, as the purchase price of the Water Projects and Prior Water Projects;

(ii) for the Wastewater Enterprise, in the aggregate principal amount of $955,000, together with interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, as the purchase price of the Wastewater Projects and Prior Wastewater Projects;

(iii) for the Propane Enterprise, in the aggregate principal amount of $1,700,000, together with interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, as the purchase price of the Propane Projects and Prior Propane Projects; and

(iv) for the Electric Enterprise, in the aggregate principal amount of $1,780,000, together with interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, as the purchase price of the Prior Electric Projects only.

The Installment Payments are payable semiannually in the amounts and on the Interest Payment Dates specified in Appendix A of each respective Installment Sale Agreement. The Installment Payments coming due and payable on any Interest Payment Date will be deposited by the District with the Trustee, as assignee of the Corporation under the Trust Agreement, on the related Installment Payment Date in an amount which, together with amounts then held by the Trustee in the Installment Payment Fund, is equal to the full amount of such Installment Payments. The Installment Payments are secured by and payable:

(1) First, from Tax Revenues;

(2) Second, with respect to the Water, Wastewater and Propane Enterprises, for amounts due under the respective Installment Sale Agreement and to the extent Tax Revenues are not sufficient to pay all required amounts, from the respective Net Revenues; and

(3) Third, to the extent Tax Revenues and respective Net Revenues are not sufficient to pay all required amounts, from the respective Reserve Fund for each Installment Sale Agreement.

Issuance of Parity Obligations

The District may issue or incur any Parity Obligations upon satisfaction of all of the conditions set forth in each of the Installment Sale Agreements. Such conditions are summarized above in this Official Statement.

Sale or Eminent Domain

Except as provided in each Installment Sale Agreement, the District covenants that no Enterprise will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the District to pay the Installment Payments, or would:

(i) in the case of each of the Water Enterprise, the Wastewater Enterprise and the Propane Enterprise, materially impair the ability of the District to pay the principal of or interest on any Parity Obligations, or materially adversely affect its ability to comply with the terms of this the Enterprise's respective Installment Sale Agreement or any Parity Documents; the District may not enter into any agreement that impairs the operation of such Enterprise or any part of it necessary to secure adequate the Net Revenues attributable to such Enterprise to pay the Installment Payments

or any Parity Obligations, or which otherwise would impair the rights of the Certificate Owners or the Trustee with respect to the Gross Revenues attributable to such Enterprise, and if any substantial part of such Enterprise is sold, the payment therefor must either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied on a pro rata basis to defease the Installment Payments and to defease or prepay any Parity Obligations on the next available prepayment date;

(ii) in the case of the Electric Enterprise, materially adversely affect the District's ability to comply with the terms of the Electric Enterprise Installment Sale Agreement.

Any amounts received as awards as a result of the taking of all or any part of the Water Enterprise, the Wastewater Enterprise, or the Propane Enterprise by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the District, will either (a) be used for the acquisition or construction of improvements and extension of the respective taken Enterprise, or (b) be applied on a pro rata basis to defease the Installment Payments and to defease or prepay any Parity Obligations on the next available prepayment date.

Assignment and Amendment of Installment Sale Agreement

The District may assign no Installment Sale Agreement, in whole or in part. Each Installment Sale Agreement may be amended by the District and the Corporation, but only (a) for the purpose of providing for the issuance of any Parity Obligations in accordance with such Installment Sale Agreement, or (b) otherwise under the circumstances and to the extent permitted under the Trust Agreement. See "TRUST AGREEMENT – Amendment of Agreements" above.

Events of Default

The following events constitute Events of Default under and as defined in the Installment Sale Agreements:

(a) Failure by the District to pay any Installment Payment when due and payable;

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clause (a), for a period of 60 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation or the Trustee; *provided, however,* that if the District notifies the Corporation and the Trustee that, in its reasonable opinion, the failure stated in the notice can be corrected, but not within the 60-day period, such failure will not constitute an Event of Default if the District commences to cure such failure within the 60-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time;

(c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted; and

(d) In the cases of the Water Enterprise Installment Sale Agreement, the Wastewater Enterprise Installment Sale Agreement, and the Propane Enterprise Installment Sale Agreement (but not in the case of the Electric Enterprise Installment Sale Agreement), the acceleration of any the indebtedness which is evidenced by any Parity Obligations under and in accordance with the provisions of the related Parity Documents.

Remedies on Default

Whenever any Event of Default has happened and is continuing, the Trustee as assignee of the Corporation has the right, at its option and without any further demand or notice, to:

(a) declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the respective rates of interest per annum represented by the outstanding Certificates from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same will immediately become due and payable;

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the term of the applicable Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under the applicable Installment Sale Agreement; and

(c) as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Certificate Owners, cause the

appointment of a receiver or receivers of, as applicable, (i) the Gross Revenues and Tax Revenues (for each of the Water Enterprise, Wastewater Enterprise, or Propane Enterprise as then in default) or (ii) the Electric Tax Revenues (for the Electric Enterprise as then in default) and other amounts pledged, with such powers as the court making such appointment may confer.

No remedy conferred upon or reserved to the Corporation under any Installment Sale Agreement is intended to be exclusive and every such remedy will be cumulative and will be in addition to every other remedy given under that Installment Sale Agreement or at any time existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

If any agreement contained in any Installment Sale Agreement is breached by a party thereto and is thereafter waived by the other party, such waiver is limited to the particular breach so waived and will not be deemed to waive any other breach thereunder.

Such rights and remedies as are given to the Corporation under each Installment Sale Agreement have been assigned by the Corporation to the Trustee under the Trust Agreement, and will be exercised by the Trustee and the Owners of the Certificates as provided in the Trust Agreement.

APPENDIX C

THE KIRKWOOD AND SOUTH LAKE TAHOE AREA GENERAL INFORMATION

The following information regarding the District and the surrounding area is presented as general background data. The Certificates are payable solely from the sources described in this Official Statement (see "SECURITY FOR THE CERTIFICATES"). The taxing power of the District or any of the Counties included within the District's service area, the State of California or any political subdivision thereof is not pledged to the payment of the Certificates.

General and Location

The District. The District is located at an elevation of 7,800 feet in the Sierra Nevada mountains, 35 miles southwest of South Lake Tahoe, California and 90 miles east of Sacramento, California. Access is provided via Scenic State Route 88. The District is also located approximately a three hour drive from Silicon Valley and the South San Francisco Bay area, or a one and one-half hour drive from Reno, Nevada. The District serves and is located within a small portion of each of Alpine, Amador and El Dorado Counties (the "**Counties**"), near the point common to these three counties. Kirkwood Mountain Resort (the "**Ski Resort**"), together with the homes and developments built in connection with it, are the primary users of services of the District. Kirkwood, California, as a resort-oriented community, consists of approximately 110 to 150 full-time residents, whom are mainly employees of either the Ski Resort or the District. The number of part-time residents is difficult to determine, as many homeowners drive from the Bay Area and elsewhere to enjoy weekends and holidays in the Kirkwood Valley.

Tourists travel to the District from South Lake Tahoe, the San Francisco Bay Area, Silicon Valley, southern California elsewhere, generally, via road and air travel. Three major highways (U.S. 4, U.S. 88 and U.S. 89) intersect Alpine County, along with U.S. 395 running north-south on the eastern edge of the Sierras. Two major highways (U.S. 49 and U.S. 88) intersect Amador County and two major highways (U.S. 49 and U.S. 50) intersect El Dorado County. Interstate 5 and Interstate 80 also run to the west and north and serve as connectors to the District. Commercial air service is provided to the eastern portion of the Counties and the District by the Reno-Tahoe International Airport, located thirty miles northeast of South Lake Tahoe, and to the western portion of the Counties and to the District by the Sacramento International Airport, located 50 miles west of the City of Placerville, California. San Francisco International Airport is just under a 4-hour drive to Kirkwood. .

The Ski Resort, established in 1972 and located in Kirkwood, California, is a year-round resort that focuses on skiing and snowboarding in winter and hiking and mountain-biking in summer, along with many other activities and special events. The Ski Resort is one of the Tahoe area's larger resorts, and is well known for having the highest base elevation in the region, one of the highest average snowfalls in North America, and a broad selection of advanced skiing terrain along with a dedicated area for beginners. The mountain is unique in that it has a 2-mile long (3.2 km) ridgeline along the top. The Ski Resort is reported to consistently rank among the top ten for snow quality and on-mountain experience.

Tourism has long been a major component of each of the Counties' economies. Lake Tahoe, bordering El Dorado County on its southern and western rims, is a world-class destination attraction with a varied offering of both winter and summer sports, activities and entertainment. Alpine County is located in the "California Alps" along the crest of the central Sierra Nevada, south of South Lake Tahoe and north of Yosemite and is home to three main

tourism zones: Bear Valley and Lake Alpine, Kirkwood and Hope Valley, and Markleeville and Woodfords (which serve nearby Grover Hot Springs State Park). One of their most well known events is the Tour of the California Alps, known as the Death Ride, attracting competitors from all over the country. Cyclists attempt five mountain passes in one day; many of the competitors stay at Kirkwood in preparation for the grueling event. Though not as well known as the Napa Valley or Sonoma Valley, Amador County is home to 37 wineries; the Shenandoah Valley was once the principal viticultural region of California and is renowned for its Zinfandel. Amador County is situated in the heart of California's historic Gold Rush country and many century-old gold-mining towns are now popular tourist destinations. Large portions of the Counties lie in and near national forests and State Parks, including the Humboldt-Toiyable and Eldorado National Forests, the Mokelumne Wilderness Area and Calaveras Big Trees State Park. The Counties provide ample opportunities for skiing, golfing, hiking, camping, fishing, horseback riding, kayaking, rock climbing, hunting and other outdoor recreation.

City of South Lake Tahoe. The City of South Lake Tahoe (the "**City**") is part of a broader South Shore community that includes California's El Dorado County and Nevada's Douglas County at Stateline/Zephyr Cove. It is both the nearest large municipality and commercial center to the District, geographically, and also a major tourism destination itself.

The population of South Lake Tahoe was 21,343 as of January 1, 2012, not including the Nevada portion of the City and the surrounding unincorporated areas. The City is located on the South Shore of America's largest alpine lake. As the only incorporated community in the Lake Tahoe Basin, the City takes great pride in being a central hub to a world renowned destination attraction known for its mountain and lake scenery year-round. The east end of the City, on the California-Nevada state line, is geared towards tourism, with shops, restaurants, hotels and Heavenly Mountain Resort, also a Vail Associates property, and large hotel casinos located just across the street in Stateline, Nevada. The City extends about five miles west-southwest along U.S. Highway 50, also known as Lake Tahoe Blvd. The western end of town is mainly residential and commercial, and clusters around "The Y" intersection of U.S. 50 and State Route 89. Highways provide year-round access from Reno, Carson City, and Sacramento. Lake Tahoe is home to a number of ski resorts, summer outdoor recreation opportunities, both on the water and off, as well as numerous other tourist attractions. All represent a significant part of the area's economy and reputation.

According to the United States Census Bureau, the city has a total area of 16.5 square miles (42.7 km²), of which, 10.1 square miles (26.1 km²) of it is land and 6.4 square miles (16.7 km²) of it (39.03%) is water. Elevation is 6260 ft.

Population

The historic population estimates for the City and the State of California as of January 1 of the years 2008 through 2012 are listed below.

CITY OF SOUTH LAKE TAHOE, COUNTIES OF ALPINE, AMADOR, AND EL DORADO AND STATE OF CALIFORNIA
Population Estimates

Calendar Year	City of South Lake Tahoe	State of California
2008	21,737	36,704,375
2009	21,517	36,966,713
2010	21,407	37,223,900
2011	21,328	37,427,946
2012	21,343	37,678,563

Source: California State Department of Finance

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the State and the United States for the period 2007 through 2011.

CITY OF SOUTH LAKE TAHOE, STATE OF CALIFORNIA, AND UNITED STATES
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2007	City of South Lake Tahoe	$444,055	$37,565
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of South Lake Tahoe	$435,045	$36,117
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of South Lake Tahoe	$441,938	$37,029
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of South Lake Tahoe	$411,485	$34,705
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of South Lake Tahoe	$385,058	$34,487
	California	814,578,458	47,062
	United States	6,438,704,663	41,253

Source: *The Nielson Company Inc.*

Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 is not comparable to that of prior years.

A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following tables. Annual figures are not yet available for 2011.

Total taxable sales reported during the first three quarters of calendar year 2011 in the City were reported to be $233,287,000, a 6.28% increase over the total taxable sales of $219,495,000 reported during the first three quarters of calendar year 2010. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City is presented in the following table.

CITY OF SOUTH LAKE TAHOE
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2006	495	296,204	900	357,095
2007	486	296,970	874	354,514
2008	497	287,306	860	339,826
2009 (1)	533	237,130	796	284,840
2010 (1)	523	55,409	784	66,943

(1) Data not comparable to prior years.
Source: California State Board of Equalization, Taxable Sales in California.

Employment and Industry

The following chart presents the major employers in the City as of January 1, 2013. Ski Resort and District employees are not counted as employees in the City.

CITY OF SOUTH LAKE TAHOE
Major Employers
January 2013

Employer Name	Location	Industry
Heavenly Mountain Resort	South Lake Tahoe	Recreation
Montbleu Resort Hotel & Casino	Stateline	Recreation
Harrah's Hotel & Casino	Stateline	Recreation
City of South Lake Tahoe	South Lake Tahoe	Government
Harvey's Hotel & Casino	Stateline	Recreation
Lake Tahoe Unified School District	South Lake Tahoe	Education

Source: The District.

Construction Trends

Provided below are the building permits and valuations for the City for calendar years 2006 through 2010.

CITY OF SOUTH LAKE TAHOE
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2006	2007	2008	2009	2010
Permit Valuation					
New Single-family	$17,974.3	$12,728.9	$6,050.4	$5,965.9	$2,577.2
New Multi-family	2,459.0	0.0	262.2	0.0	1,306.3
Res. Alterations/Additions	4,244.3	4,263.5	4,090.6	5,727.4	2,412.3
Total Residential	24,677.6	16,992.4	10,403.2	11,693.3	6,295.8
New Commercial	4,252.3	18,349.0	3,362.6	0.0	0.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	465.7	480.0	931.8	660.9	323.2
Com. Alterations/Additions	5,665.9	5,684.4	2,039.3	4,730.4	1,417.4
Total Nonresidential	$10,383.9	$24,513.3	$6,333.8	$5,391.3	$1,740.7
New Dwelling Units					
Single Family	72	52	27	23	12
Multiple Family	24	0	2	0	5
TOTAL	96	52	29	23	17

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX D

FORM OF SPECIAL COUNSEL OPINION

April 3, 2013

Kirkwood Meadows Public Utility District
33540 Loop Road
Kirkwood, California 95646

OPINION: $5,095,000 Kirkwood Meadows Public Utility District Tax and Enterprise Revenue Certificates of Participation, Series 2013

Members of the District Board:

We have acted as special counsel in connection with the delivery by the Kirkwood Meadows Public Utility District (the "District"), of four separate Installment Sale Agreements, each dated as of April 1, 2013 (the "Installment Sale Agreements"), and each between the District and the KMPUD Public Facilities Corporation (the "Corporation"). Under the Trust Agreement dated as of April 1, 2013 (the "Trust Agreement"), between the District, the Corporation and Union Bank, N.A., as trustee (the "Trustee"), the Trustee has executed and delivered $5,095,000 aggregate principal amount of Tax and Enterprise Revenue Certificates of Participation, Series 2013 (the "Certificates") evidencing the direct, undivided fractional interests of the owners thereof in installment payments to be made by the District under the Installment Sale Agreements (the "Installment Payments"), which have been assigned by the Corporation to the Trustee under the Trust Agreement. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Installment Sale Agreements, the Trust Agreement and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The District is a public municipal corporation duly organized and validly existing under the under the laws of the State of California, with power to enter into the Installment Sale Agreements and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Installment Sale Agreements and the Trust Agreement have been duly authorized, executed and delivered by the District and constitute valid and binding obligations of the District in accordance with their respective terms.

3. The Certificates have been validly executed and delivered by the Trustee under the Trust Agreement and, by virtue of the assignment made under the Trust Agreement, the owners of the Certificates are entitled to the benefits of the Installment Sale Agreements.

4. The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the delivery of the Certificates in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Certificates in gross income for federal income tax purposes to be retroactive to the date of issuance of the Certificates. We express no opinion regarding other federal tax consequences arising with respect to the Certificates.

5. The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Certificates and the enforceability of the Certificates, the Trust Agreement and the Installment Sale Agreements may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Kirkwood Meadows Public Utility District (the "District") in connection with the issuance of the $5,095,000 aggregate principal amount of Kirkwood Meadows Public Utility District Tax and Enterprise Revenue Certificates of Participation, Series 2013 (the "Certificates"). The Certificates are being issued under a Trust Agreement dated as of April 1, 2013 (the "Indenture") between the District and Union Bank, N.A., as trustee (the "Trustee"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, 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 Agreement unless otherwise defined in this Section, the following capitalized terms have the following meanings:

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

"*Annual Report Date*" means the date that is nine months after the end of the District's Fiscal Year (currently April 1 based on the District's Fiscal Year end of June 30).

"*Dissemination Agent*" means Goodwin Consulting Group, Inc. , or any other Dissemination Agent designated in writing by the District and which has filed with the District and the Trustee a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Agreement.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Certificates.

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

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District will, or will cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2014, with the report for the Fiscal Year ending June 30, 2013, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement, with a copy to the Trustee and the Participating Underwriter. Not later than 15 Business Days prior to the Annual Report Date, the District will provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent will contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's Fiscal Year changes, it will give notice of such change in the same manner as for a Listed Event under Section 5(c). The District will provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder. The Dissemination Agent and the Trustee may conclusively rely upon such certification of the Issuer and will have no duty or obligation to review such Annual Report.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District will provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Trustee and the Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent will:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District, with a copy to the Trustee and the Participating Underwriter, certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report will contain or incorporate by reference the following:

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding Fiscal Year, in form and content substantially similar to that provided in the corresponding tables in the Official Statement:

(i) Principal amount of Certificates outstanding.

(ii) Balance in each Reserve Fund and a statement of each Reserve Requirement.

(iii) Information presented in Tables 1, 3, 4, 13, 19, and 23 of the Official Statement.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District will provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District will clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District will give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Certificates:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults, if material.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(vii) Modifications to rights of security holders, if material.

(viii) Certificate calls, if material, and tender offers.

(ix) Defeasances.

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

(xi) Rating changes.

(xii) Bankruptcy, insolvency, receivership or similar event of the District.

(xiii) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District will, or will cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

(c) The District acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a Certificate call), (a)(x), (a)(xiii), and (a)(xiv) of this Section 5 contain the qualifier "if material." The District will cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the event's occurrence is material for purposes of U.S. federal securities law.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Agreement will be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement will terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District will give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee. Initially, the Dissemination Agent shall be Goodwin Consulting Group, Inc. .

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement, and any provision of this Disclosure Agreement 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 Special 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 for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of the Trustee or nationally recognized Special Counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

The Dissemination Agent will agree to any amendment so requested by the District; provided neither the Trustee nor the Dissemination Agent will be obligated to enter into any amendment increasing or affecting its duties or obligations.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information will 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 will 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 will include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison will be quantitative. A notice of the change in the accounting principles will be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Agreement will be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District will have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Agreement any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement will not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in

the event of any failure of the District to comply with this Disclosure Agreement will be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. Article VI of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent will be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent will have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which 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 District under this Section will survive resignation or removal of the Dissemination Agent and payment of the Certificates.

Section 13. Notices. Any notice or communications to be given under this Disclosure Agreement may be given as follows:

To the Issuer:	Kirkwood Meadows Public Utility District P.O. Box 247 Kirkwood, CA 95646 Attention: General Manager
To the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated One Ferry Building, Suite 275 San Francisco, CA 94111 Attention: Jim Cervantes
To the Trustee:	Union Bank, N.A. 350 California St., 11th Floor San Francisco, CA 94104 Attention: Corporate Trust Department
To the Dissemination Agent:	Goodwin Consulting Group, Inc. 555 University Ave Sacramento, CA 95825 Attention: Victor Irzyk

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Agreement will inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Certificates, and will create no rights in any other person or entity.

Date: April 3, 2013

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

By_____
General Manager

GOODWIN CONSULTING GROUP, INC.,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: Kirkwood Meadows Public Utility District

Name of Certificate Issue: Kirkwood Meadows Public Utility District Tax and Enterprise Revenue Certificates of Participation, Series 2013

Date of Issuance: April 3, 2013

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Agreement, dated April 1, 2013. The District anticipates that the Annual Report will be filed by _____.

Dated:_____

DISSEMINATION AGENT:

By: _____
Its: _____

cc: Trustee and Participating Underwriter

APPENDIX F

BOOK ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Certificates (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). On August 8, 2011, Standard & Poor's downgraded its rating of DTC from AAA to AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as prepayments, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Prepayment notices will be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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