

PALMDALE RECYCLED WATER AUTHORITY (PRWA)
HELD AT CITY OF PALMDALE
CITY HALL ADMINISTRATION TRAINING ROOM
38300 SIERRA HIGHWAY, SUITE A
PALMDALE, CALIFORNIA
REGULAR MEETING AGENDA NO. 42
AUGUST 20, 2018
7:00 P.M.
www.cityofpalmdale.org
www.palmdalewater.org.

WELCOME

NOTE: Materials related to an item on this Agenda submitted to the Palmdale Recycled Water Authority Board of Directors, or after distribution of the agenda packet, are available for public inspection at the City of Palmdale City Hall, located at 38300 Sierra Highway, Suite A, Palmdale, California, and at the Palmdale Water District, 2029 East Avenue Q, Palmdale, California during normal business hours and will also be available at the meeting. Those items provided by others at the meeting will be available at City Hall during normal business hours.

A **three-minute time limit** will be imposed on all speakers other than staff members.

In accordance with the Americans with Disabilities Act of 1990, if you require a disability-related modification or accommodation to attend or participate in this meeting, including auxiliary aids or services, please call the Palmdale Water District at least 48 hours prior to the meeting.

Your courtesy is requested to help our meeting run smoothly. If you'll be kind enough to follow these simple rules, we can make the best possible use of your time and ours:

- Please refrain from public displays or outbursts such as unsolicited applause, comments, cheering, foul language, or obscenities.
- Any disruptive activities that substantially interfere with the ability of the Board of Directors to carry out its meeting will not be permitted and offenders will be requested to leave the meeting.
- Please turn off or mute your cell phones and mobile devices.

CALL TO ORDER.

1. PLEDGE OF ALLEGIANCE.

3. ROLL CALL: CHAIR AUSTIN BISHOP AND DIRECTORS KATHY MAC LAREN, VINCENT DINO, JUAN CARRILLO, AND HELEN VELADOR

4. CONSENT CALENDAR – PUBLIC COMMENTS ONLY: If you wish to comment on any item(s) listed on the Consent Calendar on this agenda, please come forward to the podium and state the item number(s) and your comments. **PLEASE NOTE: A three-minute time limit** will be imposed on each speaker other than staff members.

5. CONSENT CALENDAR:

NOTICE: All matters listed under the Consent Calendar will be enacted by one motion unless an item(s) is pulled by the Board, in which case the item(s) will be removed from the Calendar and will be considered separately following this portion of the Agenda.

5.1 Approve the Minutes from the previous meeting held on July 16, 2018 (7pm). (Staff Reference: Authority Secretary Smith)

5.2 Approve receipt and filing of the Treasurer's Report for the six months ending June 30, 2018. (Staff Reference: Treasurer-Auditor Williams)

5.3 Approve receipt and filing of the annual basic financial statements with independent auditors' report for year ended December 31, 2017. (Staff Reference: Treasurer-Auditor Williams)

Staff Recommendation: Move to approve the recommendations and findings on all items listed under this Consent Calendar. (Voice Vote - Requires a majority to approve.)

6. ACTION ITEM:

- 6.1 RESOLUTION NO. PRWA 2018-004, A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE RECYCLED WATER AUTHORITY IN SUPPORT OF PROPOSITION 3 – THE WATER SUPPLY AND WATER QUALITY ACT OF 2018. (Staff Reference: Executive Director LaMoreaux)

Additional Information:

- | | |
|--------------|--|
| Attachment 1 | Benefits for Southern California from Water Bond Initiative |
| Attachment 2 | Potential Major Benefits of the Water Supply and Water Quality Bond Act Initiative for State Water Contractors |
| Attachment 3 | Official Endorsement List for the Water Supply and Water Quality Act of 2018 |

Call for Public Comments

Staff Recommendation: Move to Adopt Resolution No. PRWA 2018-004. (Vote by Roll Call – requires a majority to adopt and/or approve.)

7. SPECIAL REPORT:

- 7.1 Review of the Palmdale Recycled Water Authority Master Plan. (Staff Reference: Palmdale Water District Engineering/Grant Manager Riley)

There is no staff report for this item.

8. **NON-AGENDA ITEMS - PUBLIC COMMENTS:** This portion of the Agenda allows an individual the opportunity to address the Board of Directors on any subject regarding Palmdale Recycled Water Authority business. Under state legislation, no action can be taken on items not specifically referenced on the Agenda. **PLEASE NOTE: A three-minute time limit** will be imposed on each speaker other than staff members.

9. REQUESTS FOR NEW AGENDA ITEMS:

10. **INFORMATIONAL REPORT OF THE BOARD OF DIRECTORS, EXECUTIVE DIRECTOR, AND ASSISTANT EXECUTIVE DIRECTOR.**

11. **ADJOURNMENT** to September 17, 2018 at 7:00 p.m. at the City of Palmdale City Hall Administration Training Room located at 38300 Sierra Highway, Suite A, Palmdale, California.

Complete packets can be viewed at City Hall, located at 38300 Sierra Highway, Suite A, Palmdale, California; Palmdale Water District, 2029 East Avenue Q, Palmdale, California, and the Main Library, located at 700 East Palmdale Boulevard, Palmdale, California. You can also view the Agenda for the Palmdale Recycled Water Authority on the City's website at www.cityofpalmdale.org or the Palmdale Water District website at www.palmdalewater.org.

Thank you for attending your Palmdale Recycled Water Authority meeting. If you have any further questions, please contact the Secretary's Office at (661) 267-5151, Monday through Thursday, 7:30 a.m. to 6:00 p.m., closed every Friday.

**PALMDALE RECYCLED
WATER AUTHORITY
BOARD MEMORANDUM**

DATE: August 13, 2018 **August 20, 2018**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Michael Williams, Treasurer-Auditor, PRWA
VIA: Mr. Dennis LaMoreaux, Executive Director, PRWA

RE: AGENDA ITEM NO 5.2 – TREASURER’S REPORT FOR JUNE 30, 2018

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends the Board of Directors to receive and file the Treasurer’s Report for the six months ending June 30, 2018.

Background:

To comply with provisions required by Section 4.13 of the Joint Powers of Authority Agreement and responsibilities of Treasurer, a Financial Report is prepared and submitted to the Board of Directors who certifies the availability of funds for the reports presented. These reports are hereby submitted to the Board of Directors for ratification.

Financial Impact:

As of June 30, 2018, the PRWA has \$925,677.31 cash in the bank. PRWA earned \$151.44 in interest, received \$11,798.51 in receivables and there were \$2,735.21 in expenses and fees paid for the month.

Supporting Documents:

Treasurer’s Report for month ending June 30, 2018
Balance Sheet for period ending June 30, 2018.
Income Statement for period ending June 30, 2018.

**Palmdale Recycled Water Authority
Treasurer's Report
Month Ended June 30, 2018**

Cash/Funds Available and held at Bank of America:	
Bank Balance, beginning June 1, 2018	916,601.09
Less: Expenses Paid	(2,719.99)
Less: Bank Fees Paid (Credit Card Processing)	(15.22)
Add: Deposits Made	11,798.51
Add: Interest Earned	151.44
Add: Deposit in Transit	-
Outstanding Check (Ledger Tie-Out)	(138.52)
Bank Balance, ending June 30, 2018	925,677.31
Less: Accounts Payable	-
Less: Accrued Purchases	(7,382.51)
Less: Accrued Payroll Taxes	-
Less: Deposits - Customer	(3,000.00)
Add: Accounts Receivable	607,034.06
Adjusted Bank Balance, ending June 30, 2018	1,522,328.86

Outstanding Expenses (Prior Month(s)):

Director Pay - Meetings & Business Expense Reimbursement	138.52
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June Expenses:

Total Expenses

-
=====

**Palmdale Recycled Water Authority
Balance Sheet
For the Six Months Ending 6/30/2018**

	<u>YTD</u>
ASSETS	
Cash	\$925,677
Prepaid Memberships	
Accounts Receivable	
- Water	7,034
- Government Agency	600,000
Property, Plant and Equipment, net	<u>1,829,192</u>
Total Assets	<u><u>\$3,361,904</u></u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	
Accrued Expense	7,383
Deposits - Customer	<u>3,000</u>
Total Liabilities	<u>10,383</u>
FUND BALANCE	
Unassigned	<u>3,351,521</u>
Total Fund Balance	<u>3,351,521</u>
Total Liabilities and Fund Balance	<u><u>\$3,361,904</u></u>

**Palmdale Recycled Water Authority
Income Statement - Current and YTD
For the Six Months Ending 6/30/2018**

	June	YTD
REVENUES:		
Contributions - Palmdale Water District		\$300,000.00
Contributions - City of Palmdale		300,000.00
Grant Funds		
Water Sales	6,839.24	42,779.63
Interest Earnings	151.44	912.19
Total Revenue	\$6,990.68	\$643,691.82
 EXPEDITURES:		
General Government		
Public Representative - Payroll Tax Expense (Employer)		34.43
Public Representative - Travel & Meeting		450.00
Banking Fees	15.22	221.72
Provision for Bad Debt		
Memberships		2,996.00
Operating Supplies		
Marketing & Outreach		
Travel & Meeting		
Permits & Fees		
Utilities - Purchased Water		
Materials & Supplies		
Maint. & Repair - Water System		
	\$15.22	\$3,702.15
 Public Resource		
Contracted Services - Professional Svcs		5,500.00
Contracted Services - Audit		5,500.00
	\$15.22	\$9,202.15
 Non-Cash Operating Expense		
Depreciation	(1,785.11)	26,703.54
Non-Operating Revenue		
Capital Contribution		
	\$1,785.11	(\$26,703.54)
 Change in Net Position	 \$8,760.57	 \$607,786.13
 Net Position - Beginning of Year		 2,743,735.05
 Net Position - End of Year	 \$8,760.57	 \$3,351,521.18

PALMDALE RECYCLED WATER AUTHORITY

BOARD MEMORANDUM

DATE: August 13, 2018 August 20, 2018
TO: BOARD OF DIRECTORS Board Meeting
FROM: Michael Williams, Treasurer-Auditor, PRWA
VIA: Mr. Dennis LaMoreaux, Executive Director, PRWA

RE: AGENDA ITEM NO 5.3 – BASIC FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT AND REQUIRED SUPPLEMENTAL
INFORMATION FOR YEAR ENDED DECEMBER 31, 2017

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends the Board of Directors to receive and file the annual basic financial statements with independent auditors' report for year ended December 31, 2017.

Background:

To comply with provisions required by Section 5.4(b) of the Joint Powers of Authority Agreement and responsibilities of the Authority, a certified public accounting firm has completed the annual auditors' report and required supplemental information for the Board. These reports are hereby submitted to the Board of Directors for ratification.

Financial Highlights

- The Authority's net position at December 31, 2017 was \$2,743,735, an increase of \$193,073 from the prior year. The increase is primarily due to the recording of water system capital assets. The capital assets were contributed to the Authority from the City of Palmdale but were not recorded in the Authority's financial statements. A prior period adjustment was recorded to reflect the addition of the capital asset.
- The Authority's total liabilities at December 31, 2017 were \$42,132.
- The Authority's total revenues decreased by \$3,714 primarily as the result of lower usage on recycled water sales to the City of Palmdale and vendors (contractors) for construction use.
- The Authority's operating expenses decreased by \$15,274 during 2017. Primarily due to the recognition of depreciation expense and lower expenses related to professional services

The audit does contain findings of other matters that are required to be reported to the Board. Those findings, 2017-001 *a Material Weakness* and 2017-002 *a Material Weakness, Instance of Non-Compliance*, can be found on pages 19 through 21.

Finding 2017-001 is regarding the transfer and recording of the asset that did not take place as stated in the JPA agreement. That finding has been corrected.

Finding 2017-002 is regarding the 2017 budget approval that was overlooked. That finding has been corrected with the adoption of a subsequent budget on May 21, 2018.

Financial Impact:

None

Supporting Documents:

Basic Financial Statements with Independent Auditors' Report for Year Ended December 31, 2017.

**PALMDALE RECYCLED WATER AUTHORITY
PALMDALE, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AND REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2017

PALMDALE RECYCLED WATER AUTHORITY
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AND REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Palmdale Recycled Water Authority
Palmdale, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Palmdale Recycled Water Authority (Authority), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 6, the Authority recorded a prior period adjustment to properly record contributed capital assets. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Vavrinik, Trine, Day & Co. LLP

Rancho Cucamonga, California
August 7, 2018

**PALMDALE RECYCLED WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

The following is a brief discussion of the Palmdale Recycled Water Authority (Authority) activities and financial performance for the year ended December 31, 2017. Please read in conjunction with the Authority's basic financial statements and accompanying notes which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's net position at December 31, 2017 was \$2,743,735, an increase of \$193,073 from the prior year. The increase is primarily due to the recording of water system capital assets. The capital assets were contributed to the Authority from the City of Palmdale but were not recorded in the Authority's financial statements. A prior period adjustment was recorded to reflect the addition of the capital asset.
- The Authority's total liabilities at December 31, 2017 were \$42,132.
- The Authority's total revenues decreased by \$3,714 primarily as the result of lower usage on recycled water sales to the City of Palmdale and vendors (contractors) for construction use.
- The Authority's operating expenses decreased by \$15,274 during 2017. Primarily due to the recognition of depreciation expense and lower expenses related to professional services.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Authority's financial statements, prepared in accordance with generally accepted accounting principles (GAAP), offer key, high-level financial information about Authority's activities during the reporting period. The financial statements of the Authority consist of three interrelated statements designed to provide the reader with relevant information on the Authority's financial condition and operating results. These statements offer short-term and long-term financial information about the Authority's activities utilizing the full accrual basis of accounting.

The *Statement of Net Position* includes all the Authority's assets, less liabilities, and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities), with the difference being reported as net position. It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position*. This statement measures the Authority's operations over the past year and

**PALMDALE RECYCLED WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

can be used to determine whether the Authority has successfully recovered all its projected costs through its member contributions.

The final required financial statement is the *Statement of Cash Flows* which presents information about the Authority's cash receipts and cash payments during the reporting period classified as cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing and capital and related financing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY

Our analysis of the Authority begins on page 3 of the Management's Discussion and Analysis. One of the most important questions asked about the Authority's finances is: "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows report information about the Authority's activities in a way that will help answer this question. These three statements report the net position of the Authority and changes in them. You can think of the Authority's net position as the difference between assets and liabilities as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, changes in rates and charges and new or changed government legislation or accounting standards.

STATEMENT OF NET POSITION

The Statement of Net Position is the difference between assets and liabilities, and may serve over time as a useful indicator of a government's financial position. The following is a summary of the Authority's Statement of Net Position as of December 31.

Condensed Statement of Net Position

	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 926,807	\$ 717,540
Accounts Receivable	168	3,419
Prepaid Expenses	2,996	-
Capital assets, net	<u>1,855,896</u>	<u>1,909,303</u>
Total Assets	<u><u>\$ 2,785,867</u></u>	<u><u>\$ 2,630,262</u></u>
Total Liabilities	\$ 42,132	\$ 79,600
Net Investment in Capital Assets	1,855,896	1,909,303
Unrestricted Net Position	<u>887,839</u>	<u>641,359</u>
Total Liabilities and Net Position	<u><u>\$ 2,785,867</u></u>	<u><u>\$ 2,630,262</u></u>

As can be seen from the financial statement summary above the Authority's assets exceed liabilities by \$2,743,735 as of December 31, 2017. The Authority's Net Position increased by \$193,073 or 7.6 percent, primarily as the result of the annual contributions received from the Authority's members, receiving grant funds and water usage and meter revenues invoiced of \$51,560 while operating expenses decreased by \$15,274 compared to 2016.

**PALMDALE RECYCLED WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

While the Statement of Net Position shows the net position, the Statement of Revenues, Expenses, and Changes in Net Position provides information as to the nature and source of these changes. The Authority reported an increase in net position of \$193,073 for the year ended December 31, 2017 as compared to the prior year. The following is a summary of the change in the Authority's net position for the year ended December 31.

**Condensed Statement of Revenues,
Expenses, and Changes in Net Position**

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Membership Contributions	\$ 200,000	\$ 200,000
Water and Meter Sales	50,865	91,247
Miscellaneous	-	112
	<u>250,865</u>	<u>291,359</u>
Non-operating Revenue		
Grant Funds	55,582	19,418
Interest Revenue	1,667	1,051
Total Revenues	<u>308,114</u>	<u>311,828</u>
Expenses:		
Operating Expenses	<u>115,041</u>	<u>130,316</u>
Total Expenses	<u>115,041</u>	<u>130,316</u>
Change in Net Position	<u>193,073</u>	<u>181,512</u>
Net Position - January 1	2,550,662	459,847
Prior period adjustment	-	1,909,303
Net Position - December 31	<u>\$ 2,743,735</u>	<u>\$ 2,550,662</u>

The current year changes in net position is directly related to the Authority's member support to offset operating cost. The Authority received grant funds from a planning grant awarded by the State Water Resources Control Board. Also, during 2017 the Authority continued to provided water and billed vendors for construction activities. The Authority installed meters for various construction companies to utilize recycled water instead of using potable water for construction activities. This allowed the members of the Authority to further utilize recycled water and freeing up potable water usage.

CAPITAL ASSETS

At the end of 2017 the Authority had \$1,855,896 in capital assets and includes the recycled water pipeline and pumping facilities. This asset was transferred from the City of Palmdale to the Authority as part of the joint powers agreement.

**PALMDALE RECYCLED WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is intended to provide the Board of Directors, customers, taxpayers, creditors, and other interested parties with general overview of the Authority's financial operations and condition at the year ended December 31, 2017, and to demonstrate the Authority's accountability for the funds it receives. If you have any questions about this report or need additional information, you may contact Palmdale Water District, Finance Department, at 2029 E Avenue Q, Palmdale, CA 93550. (661) 947-4111. <http://www.cityofpalmdale.org/Your-City-Hall/Boards-and-Commissions/PRWA>

PALMDALE RECYCLED WATER AUTHORITY

Statement of Net Position

December 31, 2017

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 926,807
Accounts Receivable	168
Prepaid Memberships	2,996

Non-current Assets, net 1,855,896

Total Assets \$ 2,785,867

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 35,132
Customer Deposits	7,000

Total Liabilities 42,132

NET POSITION

Net Investment in Capital Assets 1,855,896

Unrestricted 887,839

Total Liabilities and Net Position \$ 2,785,867

See accompanying notes to the financial statements

PALMDALE RECYCLED WATER AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2017

OPERATING REVENUES

Member Agency Contributions	\$ 200,000
Water Sales	28,053
Meter Sales	22,812
	250,865
Total Operating Revenues	250,865

OPERATING EXPENSES

Depreciation	53,407
Contract Services-Engineering Services	22,647
Utilities-Water	14,789
Maintenance and Repairs	9,783
Contract Services-Auditing Services	9,000
Membership and Dues	2,408
Travel and Meetings	2,425
Banking Fees	424
Permits and Fees	76
Miscellaneous Expenses	82
	115,041
Total Operating Expenses	115,041
Total Operating Income	135,824

NON-OPERATING REVENUE

Grant Funds	55,582
Investment Income	1,667
	57,249
Total Non-Operating Revenue	57,249
Change in Net Position	193,073
Net Position-Beginning of Year, restated	2,550,662
Net Position-End of Year	\$ 2,743,735

See accompanying notes to the financial statements

PALMDALE RECYCLED WATER AUTHORITY

Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating Activities:

Cash Received from Member Agencies	\$ 200,000
Cash Received from Water Sales	44,332
Cash Payments to Suppliers	<u>(92,314)</u>

Net Cash Provided by Operating Activities 152,018

Cash Flows from Non-Capital Financing Activities:

Cash Received from Grant Funds	55,582
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Cash Flows from Investing Activities:

Investment Income	<u>1,667</u>
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Net increase in cash and cash equivalents 209,267

Cash and cash equivalents at the beginning of the year 717,540

Cash and cash equivalents at the end of the year \$ 926,807

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

Operating Income	\$ 135,824
Depreciation	53,407

Change in accounts receivable:

Decrease in accounts receivable	3,251
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Change in liabilities:

Decrease in water sales deposits	(2,500)
Decrease in accounts payable	<u>(37,964)</u>

Net cash provided by operating activities \$ 152,018

See accompanying notes to the financial statements

PALMDALE RECYCLED WATER AUTHORITY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 1- Organization and Summary of Significant Accounting Policies

A. Reporting Entity

The Palmdale Recycled Water Authority (Authority) was formed under a Joint Exercise of Powers Authority on September 26, 2012, pursuant to Sections 6506 and 6507 of the Exercise of Powers Act, codified at California Government Code sections 6500, authorizes public agencies by agreement to exercise jointly any power common to the contracting parties. The Authority was formed between the City of Palmdale, a California Charter City (City) and the Palmdale Water District, an Irrigation District under Division 11 of the California Water Code (PWD). The Authority is an independent public agency separate from the Members. The Authority's board consists of two members each from the City and PWD and one public member appointed by the other four members.

The purpose of the Authority is to establish an independent public agency to study, promote, develop, distribute, construct, install, finance, use and manage recycled water resources created by the Los Angeles County Sanitation District Nos. 14 and 20 for any and all reasonable and beneficial uses, including irrigation and recharge, and to finance the acquisition and construction or installation of recycled water facilities, recharge facilities and irrigation systems.

B. Basic Financial Statements

The Authority's basic financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, and the Notes to the Basic Financial Statements.

C. Basis of Presentation

The Authority accounts for its activities as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Authority's basic financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The accounting policies of the Authority are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

PALMDALE RECYCLED WATER AUTHORITY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

D. Net Position

In the Statement of Net Position, net position is classified in the following categories:

- Investment in capital assets – This amount represents the valuation of the assets held by the Authority.
- Unrestricted net position – This amount is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted resources are available, it is the Authority's policy to use restricted resources first and then unrestricted resources as they are needed.

E. Operating and Non-Operating Revenues and Expenses

Operating revenues consist of charges for water sales to customers for recycled water and member contributions to defray the cost of the Authority's operation. Operating expenses include the cost of sales and services, maintenance of capital assets and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

F. Cash and Cash Equivalents

Cash and cash equivalents include demand deposits. For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term deposits with original maturities of three months or less from the date of acquisition.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

PALMDALE RECYCLED WATER AUTHORITY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

H. New Future Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The Authority has not determined its effect on the financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations* - In November 2016, GASB issued Statement No. 83, to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 and earlier application is encouraged. The Authority has not determined its effect on the financial statements.

GASB Statement No. 84, *Fiduciary Activities* - In January 2017, GASB issued Statement No. 84, with the objective of this Statement to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 and earlier application is encouraged. The Authority has not determined the effect of this statement.

GASB Statement No. 85, *Omnibus 2017* – In March 2017, GASB issued Statement No. 85, to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 and earlier application is encouraged. The Authority has not determined the effect on the financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* – In May 2017, GASB issued Statement No. 86, with the primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the

PALMDALE RECYCLED WATER AUTHORITY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 and earlier application is encouraged. The Authority has not determined the effect on the financial statements.

GASB Statement No. 87, *Leases* – In June 2017, GASB issued Statement No. 87, with the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The effective date is for the reporting periods beginning after December 15, 2019. The Authority has not determined the effect on the financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* – In April 2018, GASB issued Statement No. 88, with the primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The effective date is for the reporting periods beginning after June 15, 2018. The Authority has not determined the effect on the financial statements.

I. Stewardship, Compliance and Accountability

In accordance with the Joint Power Authority agreement, the Authority is required to adopt an annual budget for the Authority's activities by January 1 of each year. For the fiscal year ended December 31, 2017, the Board did not approve a budget. On May 21, 2018, the Authority's Board approved the 2017 budget.

PALMDALE RECYCLED WATER AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Note 2 – Cash and Investments

Cash and investments at December 31, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Cash Equivalents	<u>\$926,807</u>
---------------------------	------------------

Cash and investments as of December 31, 2017 consist of the following:

Deposits with financial institutions	<u>\$926,807</u>
--------------------------------------	------------------

A. Investment Policy and Authorized Investments

The Authority is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase of reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations as specified in Section 5366. The Authority does not have a formal policy for investments that is more restrictive than the noted Government Code.

B. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority does not have a policy of custodial credit risk for deposits. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Authority maintains cash balances in financial institutions which are insured up to \$250,000. At December 31, 2017, the amount in excess of Federal depository insurance coverages was approximately \$676,807.

PALMDALE RECYCLED WATER AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Note 3 - Contributions from Member Agencies

Section 5.2 of the Joint Exercise of Powers Agreement creating the Palmdale Recycled Water Authority provides that any member may make contributions of money or assets to the Authority; make or advance payments of public funds to defray the cost of Authority's operation; and contribute personnel, equipment or property instead of or in addition to other contributions or advances. Such contributions shall be paid to and disbursed by the Authority as set out in separate agreements between the Authority and the member and approved by the Board and the governing body of the member. During 2017, each member agency contributed \$100,000.

Note 4 - Related Party Transactions

The Board of the Authority has assigned staff from the Palmdale Water District and the City of Palmdale to serve in various administrative duties of the Authority. All payroll cost related to staff time while serving the Palmdale Recycled Water Authority is incurred by the respective agencies and none of the payroll costs are incurred by the Authority nor are they charged to the Authority for such services.

During 2017, the City of Palmdale purchased recycled water from the Authority in the amount of \$20,589. Additionally, the Authority purchased materials & supplies and paid for various permits and fees from the Palmdale Water District in the amount of \$12,479.

Note 5 – Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

Description	Balance January 1, 2017 (as restated)	Additions	Deletions/ Transfers	Balance December 31, 2017
Depreciable assets:				
Recycled water distribution system	\$ 2,136,283	\$ -	\$ -	\$ 2,136,283
Accumulated depreciation:				
Recycled water distribution system	(226,980)	(53,407)	-	(280,387)
Total capital assets, net	<u>\$ 1,909,303</u>	<u>\$ (53,407)</u>	<u>\$ -</u>	<u>\$ 1,855,896</u>

Depreciation expense was \$53,407 for the year ended December 31, 2017.

PALMDALE RECYCLED WATER AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

Note 6 – Prior Period Adjustment

<u>Description</u>	<u>Balance</u>
Net position as of December 31, 2016 - as previously reported	<u>\$ 641,359</u>
Addition of Capital Asset total cost as of October 2012	2,136,283
Accumulated depreciation through December 31, 2016 (51 months)	<u>(226,980)</u>
Total prior period adjustments	<u>1,909,303</u>
Net position as of December 31, 2016 - as restated	<u>\$ 2,550,662</u>

The City of Palmdale transferred the asset rights of the recycled water pipeline and pumping facilities to the Authority as part of the joint powers agreement. The assets were to be transferred at the point in time the Authority was created. The assets have been in place and in service since fiscal year 2012. As a result, the Authority recorded a prior period adjustment to record the historical cost of the assets and related accumulated depreciation.



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Palmdale Recycled Water Authority
Palmdale, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Palmdale Recycled Water Authority (Authority), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 7, 2018. Our report includes an emphasis of matter regarding a prior period adjustment for the correction of errors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2017-002.

Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinik, Trine, Day & Co. LLP

Rancho Cucamonga, California

August 7, 2018

PALMDALE RECYCLED WATER AUTHORITY

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Finding 2017-001

CAPITAL ASSETS

Criteria:

Generally accepted accounting principles (GAAP) requires that capital assets owned by the entity should be capitalized and depreciated over their estimated useful lives. The term capital assets includes land, improvements to land, construction in process, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Depreciation should be reported in the statement of revenues, expenses, and changes in fund net position. In addition, when capital assets are sold, retired or disposed of, the capital asset book value and related accumulated depreciation should be removed from the accounting system, and any resulting gain or loss should be recorded.

Condition:

Material Weakness – We noted at the time of the Authority’s formation, certain recycling water infrastructure was contributed to the Authority by the City of Palmdale. Per review of the Joint Powers Agreement between the City of Palmdale and the Palmdale Water District, Section 5.2 of the agreement noted that the City would contribute to the Authority the recycled water infrastructure installed to date (September 26, 2012). We further note the Authority never recorded the recycling water infrastructure contributed by the City. When we brought the matter to the attention of management, they agreed that the recycling water infrastructure should have been recorded. We noted the City of Palmdale was required to formally contribute the assets to the Authority through a City Council resolution, and the Authority formally accepted the assets, both of which occurred subsequent to the balance sheet date of December 31, 2017. As a result, the Authority was required to record a prior period adjustment for the correction of error, to record the historical cost of the recycling water infrastructure and related accumulated depreciation in the amount of \$2,136,283 and \$226,980, respectively. Additionally, current year depreciation expense was recognized and recorded in the amount of \$53,407.

Context:

A prior period adjustment to the beginning net position totaling \$2,136,283, less the accumulated depreciation of \$226,980 was recorded to properly state the Authority capital assets. In addition, an adjustment of \$53,407 was recorded to properly record current year depreciation expense.

Effect:

The Authority’s capital assets were materially understated (not recorded).

Cause:

The Authority did not follow through with the terms stated in Joint Powers Authority agreement that specifically stated the transfer of the water recycling infrastructure from the City of Palmdale to the Authority. This transfer should have been consummated on September 26, 2012, the date of the agreement.

PALMDALE RECYCLED WATER AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2017

Recommendation:

We recommend that the Authority implement a capital asset record keeping system to ensure that capital assets owned by the Authority are properly recorded in the financial accounting system and financial statements. The Authority should develop and capital assets sub-ledger, to accurately track the date the assets were placed in service, historical cost, useful lives, accumulated depreciation, and physical location of its capital assets. The Authority should also request from the City of Palmdale all supporting documentation that supports the historical cost of the contributed assets.

View of Responsible Officials and Planned Corrective Action:

The second paragraph of Section 5.2 of the Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority (Agreement) states the following: "It is hereby acknowledged that the City, at the time of the Authority's formation, has contributed the recycled water infrastructure installed to date know as Phase I which provides recycled water to McAdam Park, Palmdale, CA. The transfer was viewed as complete with the City of Palmdale's approval of the Agreement. PRWA staff subsequently operated and made required repairs to the infrastructure. An annual review of the Agreement is planned prior to January 1 of each year to ensure all agreed upon actions are completed.

Finding 2017-002

BUDGET APPROVAL

Criteria:

In accordance with the Joint Powers Authority agreement, Section 5.5 notes the following:

"The Board shall adopt an annual budget for the Authority's activities within ninety (90) days of the effective date of this Agreement and by January 1 of each succeeding year. Public funds may not be disbursed by the Authority without adoption of the approved budget and all receipts and disbursements shall be in strict accordance with the approved budget. The budget shall identify the programs of the Authority and allocate funds by the program. The budget and accounting system shall account for direct and overhead costs by program. The Board shall allocate these costs for each program with the adoption of the annual budget."

Condition:

Material Weakness, Instance of Non-Compliance – As a result of our audit, we noted that the Authority's budget for the year ended December 31, 2017 was never presented to the Board for approval in accordance with the Joint Powers Authority agreement. As a result of this noncompliance, the Authority disbursed public funds without an authorized and approved budget.

We noted the Authority's Board of Directors subsequently approved the 2017 budget on May 21, 2018.

Context:

Section 5.5 of the Joint Powers Authority agreement requires the adoption of an annual budget by January 1 of each year.

PALMDALE RECYCLED WATER AUTHORITY

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Effect:

The Authority disbursed public funds without an authorized and approved budget, resulting in noncompliance with the Joint Powers Authority agreement.

Cause:

The cause was due to a lack of oversight from Authority management and the Board.

Recommendation:

We recommend that the Authority implement policies and procedures to ensure the annual budget is presented and approved by the Board of Directors by January 1 of each year, as stipulated by the Joint Powers Authority agreement.

View of Responsible Officials and Planned Corrective Action:

PRWA staff acknowledges the 2017 Budget was overlooked and took corrective action as noted above. An annual review of the Agreement is planned prior to January 1 of each year to ensure all agreed upon actions are completed.

PALMDALE RECYCLED WATER AUTHORITY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

None noted.

RESOLUTION NO. PRWA 2018-004

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE
RECYCLED WATER AUTHORITY IN SUPPORT OF PROPOSITION 3 –
THE WATER SUPPLY AND WATER QUALITY ACT OF 2018

WHEREAS, the state of California has been in varying stages of drought for the past several years and faces a growing list of challenges associated with aging infrastructure, climate change, population growth and other factors; and

WHEREAS, the Water Supply and Water Quality Act of 2018 will appear as Proposition 3 on the November 6 ballot and will benefit individual water users, the environment, and agriculture will result in improved water supplies for every part of the state, and will provide much needed investment in California's sustainable water future; and

WHEREAS, if approved by the voters, Proposition 3 would make available \$8.9 billion dollars to fund projects for water supply and quality, watershed restoration, fish and wildlife protection, sustainable groundwater management, infrastructure repair, and the repair of existing dams and canals with \$500 million designated for safe drinking water for disadvantaged communities and \$640 million designated for sustainable groundwater management; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Palmdale Recycled Water Authority.

SECTION 1: The Board of Directors of the Palmdale Recycled Water Authority formally supports Proposition 3, the Water Supply and Water Quality Act of 2018 on the November ballot.

SECTION 2: The Secretary of the Authority shall certify to the adoption of this Resolution and enter it into the official records of the Authority.

PASSED, APPROVED and ADOPTED this 20th day of August, 2018, by the following vote:

AYES: _____

NOES: _____

ABSTAIN: _____ ABSENT: _____

PROPOSED

Austin Bishop, Chair

ATTEST:

Rebecca J. Smith,
Authority Secretary

Approved as to form:

Eric Dunn,
Authority Counsel

PRWA ITEM NO. 6.1

ADDITIONAL INFORMATION:

Attachment 1: Benefits for Southern California from Water Bond Initiative

Attachment 2: Potential Major Benefits of the Water Supply and Water Quality
Bond Act Initiative for State Water Contractors

Attachment 3: Official Endorsement List for the Water Supply and Water Quality
Act of 2018

Attachment 1

Benefits for Southern California from Water Bond Initiative

Southern California Counties: Imperial, Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, Santa Barbara, Ventura,

Safe Drinking Water and Wastewater treatment: \$750 million. There are several communities in Imperial and other Southern California counties that can apply for these funds.

Wastewater Recycling: \$400 million. Every county in Southern California will have a project eligible for these funds.

Groundwater Desalination: \$400 million. These funds will be especially useful in Riverside, San Bernardino, Ventura and other Southern California counties.

Water Conservation for urban areas: \$300 million. All Southern California counties will be eligible for these funds.

Water and Energy Technology program: \$15 million. Of great importance to help all water districts save energy and water.

Flood control reservoir repair: \$100 million. Corps of Engineers and other flood control reservoirs needing repair in Los Angeles, Riverside and other counties are eligible for these funds, which will allow increased water yield.

Improved water measurement and research: \$60 million. Every Southern California county will be eligible for these funds.

Stormwater management for water supply and water quality improvement: \$510 million. Of these funds, \$80 million are earmarked for Los Angeles County, and \$40 million for San Diego County. All southern California counties can compete for the State Water Resources Control Board allocation of \$400 million, and the coastal counties can compete for the \$40 million allocated to the Coastal Conservancy.

Integrated Regional Water Management: \$5 million. All IRWM agencies can compete for these funds, to continue IRWM coordination.

Allocations to regional agencies for better watershed management:

Coastal Conservancy: \$135 million. San Diego, Orange, Los Angeles, Ventura, and Santa Barbara Counties eligible.

Los Angeles and San Gabriel River and Mountain Conservancy: \$60 million

Santa Monica Mountains Conservancy: \$60 million

Santa Ana River (Coastal Conservancy): \$30 million

Baldwin Hills Conservancy: \$30 million

San Diego River Conservancy: \$40 million

Coachella Valley and Mountains Conservancy \$25 million

River Parkways: \$70 million all Southern California counties eligible.

The following are in addition to the statewide allocation:

Santa Clara River (Coastal Conservancy) \$10 million

Tijuana River (Coastal Conservancy): \$10 million

San Diego Bay (Coastal Conservancy) \$15 million

Santa Margarita River (Coastal Conservancy): \$15 million

Los Angeles River (Equally divided by River and Mountain Conservancy and Santa Monica Mountains Conservancy: \$150 million

Natural Community Conservation Plan implementation: \$60 million. All Southern California counties eligible.

Wildlife Conservation Board: \$240 million. All Southern California Counties eligible.

State Parks watershed restoration and water systems: \$150 million. All Southern California Counties eligible.

Department of Conservation watershed restoration and ag land program \$60 million. All Southern California Counties eligible.

Ocean Protection \$100 million. San Diego, Orange, Los Angeles, Ventura and Santa Barbara counties eligible.

Salton Sea habitat and dust control \$200 million. This directly benefits Imperial, Riverside, San Bernardino, Los Angeles, and San Diego Counties due to the dust control elements.

Urban Streams \$50 million. All Southern California Counties eligible.

Urban Forestry \$20 million. All Southern California Counties eligible.

Non motorized river and lake access \$20 million. All Southern California Counties eligible.

Matilija Dam Removal \$80 million. Benefits Ventura County.

UC Natural Reserves \$25 million. All Southern California Counties eligible.

Sierra Nevada Conservancy fire and watershed mitigation \$50 million. Kern County eligible.

Cal Fire fire and watershed mitigation \$50 million. All Southern California Counties eligible.

Land management for water supply. \$100 million. All Southern California Counties eligible.

Conservation Corps \$40 million. All Southern California Counties eligible.

Sustainable Groundwater Management Act implementation \$640 million. There are a number of areas throughout Southern California that do not have adjudicated groundwater basins. All these areas would be eligible for funding in this category.

Borrego Groundwater stabilization \$35 million. San Diego County.

Waterfowl enhancement \$280 million. There are waterfowl areas in all Southern California Counties that would be eligible for these funds.

Friant Kern Canal restoration \$750 million. Kern County would be a major beneficiary of these funds.

Use of fees paid pursuant to AB 32 (greenhouse gas reduction) Fees currently paid by Metropolitan Water District, Kern County Water Agency and other southern California State Water Project contractors would be used for water and energy conservation projects within Southern California. This will amount to as much as \$50 million per year in future years.

There are additional funds which would be spent north of Southern California, but which would be of major benefit to Southern California. These include

Oroville Dam Repair \$200 million. To the extent that these costs end up falling on State Water Project contractors, 80% of these costs would fall on the Kern County Water Agency, Metropolitan Water District of Southern California and the other State Water Project contractors in Southern California.

Fisheries restoration \$1.15 billion. Export of water to Southern California from the Delta is restricted due to fish flow requirements, largely for rare and endangered species. Fisheries habitat restoration in tributaries to the Delta, and in the Delta itself, should increase populations of these fish, thus relieving pressure to reduce Delta exports.

Sierra Nevada Conservancy and Department of Forestry and Fire Protection. \$300 million. These funds will go to improving watershed health and water productivity of the watersheds which are the source of a third of Southern California's water.

Potential Major Benefits of the Water Supply and Water Quality Bond Act Initiative for State Water Contractors

The Bond act will appear on the November, 2018 California statewide ballot. It is not in conflict with the legislative park and environmental bond, which will appear on the June California statewide ballot. The two measures are complementary.

The following provisions are of particular interest to the agencies who are State Water Project contractors.

Oroville Dam Spillway Repairs

The initiative includes \$200,000,000 for this purpose. These funds are justified, because the flood control facilities at Oroville were paid for by the federal government. If the State Water Project contractors have to pay this amount, it will probably be in proportion to the Table A amounts for each contractor.

AB 32: Greenhouse Gas Reduction

The State Water Project must make payments due to emission of greenhouse gases as a result of energy used to pump water throughout the state. At present the payments are allocated by the Legislature for a variety of programs and projects. A provision of the initiative requires use of these payments for water and energy conservation in SWP system, and by the contractors. At present these payments are about \$20,000,000 per year. They could go as high as \$50,000,000 per year in future years.

Water Supply Categories

The initiative includes a variety of traditional water supply categories, which will be available to many SWP contractors. These include the following:

- Wastewater recycling: \$400,000,000
- Desalting inland supplies: \$400,000,000
- Urban Water Conservation: \$300,000,000

Increased Delta inflow from agricultural water conservation

Agricultural water conservation which leaves water in streams tributary to the Delta will improve Delta water quality, help restore fisheries, and will allow for increased exports. The initiative includes \$50,000,000 for agricultural water conservation in watersheds tributary to the Delta, if the conserved water is allowed to remain instream.

Fish Habitat

Reduced diversion of water from the Delta to the California Aqueduct is caused in part by regulations protecting endangered fish species.

Recent science demonstrates that improved fish habitat can result in more and healthier fish production. If successful, this should lead to increased fish numbers, and reduced pressure on exports. The initiative makes a major investment in fish restoration, focused mainly on listed species

Delta Conservancy: \$100,000,000

Fish Screens, Delta Tributaries: \$100,000,000

Fish habitat restoration: \$383,000,000

Watershed Restoration

Increasing scientific evidence from the Sierra Nevada demonstrates that healthier forests mean improved water quantity and water quality downstream. This is vital to the State Water Project, which derives export water from the entire watershed, not just the Feather River. The initiative funds restoration of forest watersheds, including post fire recovery.

Sierra Nevada Conservancy Watershed Restoration: \$250,000,000

Oroville: response to local concerns.

During the Oroville spillway event, Butte County officials found it hard to communicate. The initiative includes funding for **Butte County Emergency Communications Equipment: \$1,000,000**

Sediment in Feather River causing wildlife and flow problems. Massive amounts of material below Oroville Dam were washed into the Feather River channel and wildlife areas. The initiative includes funds to remove these sediments. This is done through grants to the

Sutter Butte Flood Management Agency

\$15 million for sediment removal Feather River

\$6 million Oroville Wildlife Area Improvement

and the Wildlife Conservation Board. Feather River improvements: \$7 million

Changing diversion point for North Bay Aqueduct

Water quality in Barker Slough must be maintained through storage releases from Shasta, Oroville, and Folsom Reservoirs, because of the North Bay Aqueduct diversions to State Water Project Solano and Napa County water users from this dead end slough, which is in the middle of delta Smelt habitat. A grant to the **Solano County Water Agency of \$5,000,000** will allow for the study of the relocation of this diversion to the Sacramento River. Relocation would relieve pressure on Delta Smelt, and on maintaining drinking water quality in Barker slough.

**Official Endorsement List for the
Water Supply and Water Quality Act of 2018**

Senator Dianne Feinstein

Fiona Ma, candidate for state Treasurer

Conservation Groups

- American River Conservancy
- American River Parkway Foundation
- American Woodland Conservancy
- Amigos de Bolsa Chica
- Anza-Borrego Desert Natural History Association
- Anza Borrego Foundation
- Arroyo Seco Foundation
- Arroyos and Foothills Conservancy
- Bear-Yuba Land Trust
- California Invasive Plant Council
- California Native Plant Society
- California Urban Streams Partnership
- California Waterfowl Association
- California Watershed Network
- California Wildlife Foundation/California Oaks Fund
- Carmel River Watershed Conservancy
- Carrizo Plain Conservancy
- Catalina Islands Conservancy
- CLEAN South Bay
- Climate Resolve
- Community Conservation Solutions
- Conservation Corps of Long Beach
- Delta Waterfowl
- Dry Creek Conservancy
- Ducks Unlimited
- Eastern Sierra Land Trust
- Endangered Habitats League
- Freshwater Trust
- Friends of the Los Angeles River
- Friends of Orinda Creeks

- Friends of San Leandro Creek
- Friends of the Napa River
- Friends of the Santa Clara River
- Friends of Wild Cherry Canyon
- Glendora Community Conservancy
- Inland Empire Waterkeeper
- Lake Tahoe Bicycle Coalition
- Landpaths
- Land Conservancy of San Luis Obispo County
- Lower Putah Creek Coordinating Committee
- Marin Agricultural Land Trust
- Mattole Salmon Group
- Midpeninsula Regional Open Space District
- National Wildlife Federation
- National Wildlife Refuge Association
- National Wild Turkey Foundation
- Natural Heritage Institute
- Nor-Cal Guides & Sportsmens Association
- Northcoast Regional Land Trust
- Noyo Headlands Urban Design Group, Fort Bragg
- Orange County Coastkeeper
- Pheasants Forever
- Planning and Conservation League
- Putah Creek Council
- Quail Forever
- Sacramento River Watershed Program
- Sacramento Urban Creeks Council
- Salmonid Restoration Federation
- San Gabriel Mountains Regional Conservancy
- Sanctuary Forest
- Santa Barbara Urban Creeks Council
- Santa Clara River Conservancy
- Save our Shores
- Save the Bay (formerly Save San Francisco Bay Association)
- Save the Waves

- Sequoia Riverlands Trust
- Sierra Foothill Conservancy
- Sierra Fund
- Sierra Nevada Alliance
- Sonoma Ecology Center
- Sustainable Conservation
- Sutter-Buttes Regional Land Trust
- Tomales Bay Watershed Council Foundation
- Transition Habitat Conservancy
- TreePeople
- Truckee Donner Land Trust
- Tubb Canyon Desert Conservancy
- Tuolumne River Preservation Trust
- Valley Foothill Watershed Collaborative
- Wildcat San Pablo Creeks Watershed Council
- Wildcoast
- Worth a Dam

Agricultural organizations

- Agricultural Council of California
- California Agricultural Aircraft Association
- California Association of Pest Control Advisers
- California Citrus Mutual
- California Cotton Ginners and Growers Association
- California Dairies, Inc.
- California Farm Bureau Federation
- California Fresh Fruit Association
- American Pistachio Growers
- California Rice Commission
- California Rice Industry Association
- Fresno County Farm Bureau
- Tulare County Farm Bureau
- Western Growers

Resource Conservation Districts

- California Association of Resource Conservation Districts
 - Fall River Resource Conservation District
 - Honey Lake Resource Conservation District
 - Marin Resources Conservation District
 - Mariposa County Resource Conservation District
 - Northwest Kern Resource Conservation District
 - Pit Resource Conservation District
 - San Mateo County Resource Conservation District
 - Sierra Resource Conservation District
 - Sonoma County Resource Conservation District
 - Suisun Resource Conservation District

Environmental Justice Organizations

- California Greenworks
- Center for Sustainable Neighborhoods
- Community Water Center
- Grassroots Ecology
- Leadership Counsel for Justice and Accountability
- Urban Tilth
- The Watershed Project

Social Justice Organizations

Community Housing Improvement Systems and Planning Association, Inc. (CHISPA)

Water agencies and organizations

- Alameda County Water District
- Arvin Edison Water Storage District
- Association of California Water Agencies
- Bear Valley Basin Groundwater Sustainability Agency
- Beaumont-Cherry Valley Water District
- Big Bear City Community Services District
- Big Bear Municipal Water District
- Borrego Water District
- Calaveras County Water District

- CalDesal
- California Water Alliance
- Calleguas Municipal Water District
- Casitas Municipal Water District
- City of Big Bear Lake, Department of Power and Water
- Coachella Valley Water District
- Colusa Groundwater Authority
- Contra Costa Water District
- Delano-Earlimart Irrigation District
- Fresno Irrigation District
- Friant Water Authority
- Glenn Groundwater Authority
- Imperial Irrigation District
- Irvine Ranch Water District
- Kern-Tulare Water District
- Kings Basin Water Authority Integrated Regional Water Management Group.
- Las Virgenes Municipal Water District
- Lindmore Irrigation District
- Lindsay-Strathmore Irrigation District
- Madera Irrigation District
- Marina Coast Water District
- Monterey Peninsula Water Management District
- Mountain Counties Water Resources Association
- Northern California Water Association
- Orange Cove Irrigation District
- Pajaro Valley Water Management Agency
- Petaluma Valley Groundwater Sustainability Agency
- Porterville Irrigation District
- Port Hueneme Water Agency
- Salton Sea Authority
- San Joaquin River Exchange Contractors Water Authority
- Santa Rosa Plain Groundwater Sustainability Agency
- Saucelito Irrigation District
- Scotts Valley Water District
- Shandon-San Juan Water District

- Solano County Water Agency
- Solano Irrigation District
- Sonoma County Water Agency
- Sonoma Valley Groundwater Sustainability Agency
- Soquel Creek Water District
- South Valley Water Association
- Southern California Water Coalition
- Tulare Irrigation District
- Tuolumne Utilities District
- Upper Ventura River Groundwater Sustainability Agency
- Valley of the Moon Water District
- Water Association of Kern County
- Wheeler Ridge/Maricopa Water Storage District
- Yolo County Flood Control and Water Conservation District
- Yuba County Water Agency

Labor

- Contra Costa Building and Construction Trades Council

Individuals

- Bryce and Jill Lundberg
- Linda Adams, former Director, California Department of Water Resources
- Luis Alejo, Chair, Monterey County Board of Supervisors
- Phil Angelides, former State Treasurer
- Edwin Camp
- Michael Frantz, Director, Turlock Irrigation District
- Brigadier General Gerald Galloway, United States Army (Retired)
- Ron Gastelum, Former CEO and GM of the Metropolitan Water District of Southern California
- Brian Jordan, Vice President, Tetra Tech
- Fred Keeley, former Speaker Pro Tem, California State Assembly
- Yoriko Kishimoto, Former Mayor of Palo Alto and Board Member, Midpeninsula Regional Open Space District

- Richard Morrison, former Senior Vice President and head of Environmental Policies and Programs for Bank of America. (retired.)
- Peter B Moyle, Distinguished Professor Emeritus, University of California, Davis
- Mel Nutter, former chair, California Coastal Commission
- Tosha Panches, Watershed Educator, Central Coast Salmon Enhancement
- Ann L. Riley, Ph.D.
- Dyan Whyte, water quality scientist (Past Assistant Executive Officer of the San Francisco Bay Regional Water Quality Control Board)

Local Government

- California Special Districts Association

Cities

- Dinuba
- Farmersville
- Firebaugh
- Huron
- Livingston
- Ojai
- Orange Cove
- Parlier
- San Francisco
- Truckee

Counties

- Rural County Representatives of California (formerly Regional Council of Rural Counties)
- Contra Costa
- Fresno
- Imperial
- Plumas
- San Francisco
- Tulare

Local elected officials

Vinnie Bacon, Vice Mayor, City of Fremont

Bruce Gibson, San Luis Obispo County Supervisor, District 2
John Gioia, Contra Costa County Board of Supervisors
Susan Gorin, Sonoma County Board of Supervisors
Dave Pine, President, San Mateo County Board of Supervisors
Greg Scharff, Council Member, City of Palo Alto
Kate Sears, Marin County Board of Supervisors

Business

- American Council of Engineering Companies- California
- Bakersfield Chamber of Commerce
- Bay Area Council
- Bay Planning Coalition
- Biz Fed Los Angeles County
- California Building Industry Association
- California Business Properties Association
- California Chamber of Commerce
- DM Camp & Sons
- ESA (Environmental Science Associates)
- Fresno Chamber of Commerce
- Kern Machinery Inc
- Madera Chamber of Commerce
- Oxnard Chamber of Commerce
- Sierra Business Council
- Silicon Valley Leadership Group
- Tahoe Mountain Sports
- Valley Industry and Commerce Association
- Visalia Chamber of Commerce
- Western Power Products, Inc.

- Northern California Water Association Water Bond Support (November 2017),
and members:
Anderson-Cottonwood Irrigation District

B&B Ranch
Brophy Water District
Browns Valley Irrigation District
City of Colusa
City of Redding
Crain Orchards, Inc.
Danna & Danna Inc.
Edwards Ranch
Feather Water District
Fedora Farms
G&K Farms, LLC.
Garden Highway Mutual Water Co.
Garner, Garner & Stoy
Glenn Colusa Irrigation District
Hallwood Irrigation District
Henle Family Limited Partnership
Hershey Land Row Crop, LLC.
J.A. Driver
Joint Water Districts Board
 Biggs-West Gridley Water District
 Butte Water District
 Richvale Irrigation District
 Sutter Extension Water District
Knaggs Ranch
Larry Pires Farms
Lindauer River Ranch, Inc.
Llano Seco Rancho
M&T Ranch
Maxwell Irrigation District
Meridian Farms Water Co.
Natomas Mutual Water Co.
North Yuba County Water District
Oji Brothers Farms, Inc.
Pacific Farms & Orchards
Pacific Gold Agriculture
Paul Bertagna

Pelger Mutual Water Company
Pleasant Grove-Verona Mutual Water Co.
Plumas Mutual Water Co.
Princeton-Codora-Glenn Irrigation Dist.
Provident Irrigation District
R. Gorrill Ranch Enterprises
Ramirez Water District
Reclamation District 1004
Reclamation District 108
Reclamation District 2035
Richter Brothers, Inc.
Rising Eagle Ranch
River Garden Farms
Riverview Land & Equipment, Inc.
South Sutter Water District
South Yuba Water District
Sutter Bypass-Butte Slough WUA
Sutter Mutual Water Company
Sycamore Trust
Taylor Brothers Farms
Tehama Angus Ranch, Inc.
Thermalito Irrigation District
Tudor Mutual Water Co.
Tuttle Ranches
Western Canal Water District
William P. Locket
Yolo County Flood Control & WCD
Yuba County Water Agency

Members of Congress

Jim Costa
John Garamendi

Member of the State Legislature

Assemblymember Phil Ting
Senator Scott Wiener

**THERE IS NO
STAFF REPORT
FOR THIS ITEM**

