



PALMDALE WATER DISTRICT

A CENTURY OF SERVICE

July 22, 2020

BOARD OF DIRECTORS

ROBERT E. ALVARADO

Division 1

DON WILSON

Division 2

GLORIA DIZMANG

Division 3

KATHY MAC LAREN

Division 4

VINCENT DINO

Division 5

DENNIS D. LaMOREAUX

General Manager

ALESHIRE & WYNDR LLP

Attorneys



AGENDA FOR REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT

to be held at the District's office at 2029 East Avenue Q, Palmdale

VIA TELECONFERENCE ONLY FOR THE PUBLIC

DIAL-IN NUMBER: 571-748-4021 ATTENDEE PIN: 144-591-385#

Submit Public Comments at: <https://www.gomeet.com/144-591-385>

MONDAY, JULY 27, 2020

6:00 p.m.

NOTES: To comply with the Americans with Disabilities Act, to participate in any Board meeting please contact Dawn Deans at 661-947-4111 x1003 at least 48 hours prior to a Board meeting to inform us of your needs and to determine if accommodation is feasible.

Additionally, an interpreter will be made available to assist the public in making comments under Agenda Item No. 4 and any action items where public input is offered during the meeting if requested at least 48 hours before the meeting. Please call Dawn Deans at 661-947-4111 x1003 with your request. (PWD Rules and Regulations Section 4.03.1 (c))

Adicionalmente, un intérprete estará disponible para ayudar al público a hacer comentarios bajo la sección No. 4 en la agenda y cualquier elemento de acción donde se ofrece comentarios al público durante la reunión, siempre y cuando se solicite con 48 horas de anticipación de la junta directiva. Por favor de llamar Dawn Deans al 661-947-4111 x1003 con su solicitud. (PWD reglas y reglamentos sección 4.03.1 (c))

Agenda item materials, as well as materials related to agenda items submitted after distribution of the agenda packets, are available for public review at the District's office located at 2029 East Avenue Q, Palmdale (Government Code Section 54957.5). Please call Dawn Deans at 661-947-4111 x1003 for public review of materials.

PUBLIC COMMENT GUIDELINES: The prescribed time limit per speaker is three-minutes. Please refrain from public displays or outbursts such as unsolicited applause, comments, or cheering. Any disruptive activities that substantially interfere with the ability of the District to carry out its meeting will not be permitted, and offenders will be requested to leave the meeting. (PWD Rules and Regulations, Appendix DD, Sec. IV.A.)

Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance to take action on any item.

- 1) Pledge of Allegiance/Moment of Silence.
- 2) Roll Call.
- 3) Adoption of Agenda.

- 4) Public comments for non-agenda items.
- 5) Presentations:
 - 5.1) None at this time.
- 6) Action Items - Consent Calendar (The public shall have an opportunity to comment on any action item on the Consent Calendar as the Consent Calendar is considered collectively by the Board of Directors prior to action being taken.)
 - 6.1) Approval of minutes of regular meeting held July 13, 2020.
 - 6.2) Payment of bills for July 27, 2020.
 - 6.3) Approval of Resolution No. 20-9 Approving the Antelope Valley State Water Contractors Association Budget for Fiscal Year 2020/2021. (\$14,386.00 – Budgeted – Budget Item No. 1-02-5070-011 – Resource and Analytics Director/AVSWCA General Manager Thompson II)
 - 6.4) Approval of Statement of Work between the District and Ernst & Young for 2020-2021 State Water Project Procedures to be performed related to the Department of Water Resources' 2021 Statement of Charges. (\$9,192.00 not-to-exceed – Budgeted – Budget Item No. 1-02-4150-000 – General Manager LaMoreaux)
- 7) Action Items – Action Calendar (The public shall have an opportunity to comment on any action item as each item is considered by the Board of Directors prior to action being taken.)
 - 7.1) Presentation, consideration, and possible action on receiving and filing of 2019 Annual Financial Report. (Finance Manager Williams/Paul Kaymark, Nigro & Nigro/Finance Committee)
 - 7.2) Discussion and review of Palmdale Water District's Rules and Regulations Article 8.07: Water Conservation, B.1 – Rebate Programs – Water-wise Landscape Conversion Program. (No Budget Impact – Director Alvarado/Resource and Analytics Supervisor Bolanos)
 - 7.3) Consideration and possible action on authorization of the following conferences, seminars, and training sessions for Board and staff attendance within budget amounts previously approved in the 2020 Budget:
 - a) Building Industry Association 2020 Southern California Water Conference to be held August 14, 2020 online.
- 8) Information Items:
 - 8.1) Financial Reports:
 - a) Status report on Cash Flow Statement and Current Cash Balances as of June 2020. (Financial Advisor Egan/Finance Committee)
 - b) Status report on Financial Statements, Revenue, and Expense and Departmental Budget Reports for June 2020. (Finance Manager Williams/Finance Committee)

- c) Status report on Committed Contracts issued. (Finance Manager Williams/Finance Committee)
- d) Other financial reports. (Finance Manager Williams/Finance Committee)
 - a) The effect of COVID-19 event.
 - b) Rate Assistance Program status.
 - c) Billing and collection statistics.
 - d) Revenue projections.
 - e) Accounts receivable aging report.
 - f) Payment transactions by type.
- 8.2) Reports of Directors:
 - a) Meetings; Standing Committee/Assignment Reports; General Report.
- 8.3) Report of General Manager.
 - a) July 2020 written report of activities through June 2020.
- 8.4) Report of General Counsel.
- 9) Board members' requests for future agenda items.
- 10) Adjournment.



DENNIS D. LaMOREAUX,
General Manager

DDL/dd

P A L M D A L E W A T E R D I S T R I C T
B O A R D M E M O R A N D U M

DATE: July 21, 2020 **July 27, 2020**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Peter Thompson II, Resource and Analytics
Director/AVSWCA General Manager
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 6.3 – APPROVAL OF RESOLUTION NO. 20-9
APPROVING THE ANTELOPE VALLEY STATE WATER
CONTRACTORS ASSOCIATION BUDGET FOR FISCAL YEAR
2020/2021. (\$14,386.00 – BUDGETED – BUDGET ITEM NO. 1-02-5070-
011 – RESOURCE AND ANALYTICS DIRECTOR/AVSWCA GENERAL
MANAGER THOMPSON II)***

Recommendation:

Staff recommends the Board approve Resolution No. 20-9 being a Resolution of the Board of Directors of the Palmdale Water District approving the Antelope Valley State Water Contractors Association (AVSWCA) budget for fiscal year 2020/2021.

Background:

The Board of Commissioners for the AVSWCA approved the 2020/21 General Program Funds budget at their July 9, 2020 meeting. The Restricted Funds budget for the USGS/CASGEM Program and for the Big Rock Creek Groundwater Recharge Project were not approved as the Commissioners determined the USGS/CASGEM Program is better suited for the Antelope Valley Watermaster, and the Big Rock Creek Groundwater Recharge Project was deemed to not be an adequate recharge source. Per the Joint Powers Agreement that created the AVSWCA, the governing body of each member agency must also approve the budget. The budget is then deemed effective upon receipt by the AVSWCA of certified copies of the approving resolution from each member agency

The budget has two categories: General Operating Funds and Restricted Funds (USGS Groundwater Monitoring Program and the Antelope Valley Integrated Regional Water Management Plan).

Per the bylaws of the Association, the first \$30,000.00 of member agency contributions is split evenly to cover General Operating Costs. It is recommended that each of the three member agencies contribute \$10,000.00 in Fiscal Year 2020/2021 to the Association's General Operating Fund to cover the proposed 2020/2021 General Operating Costs.

Funding for the Smart Water Expo/Home & Garden Show and AV Fair Conservation Garden are based on State Water Project Table "A" amounts split among the member agencies. The District's contribution for 2020/2021 is \$4,386.00.

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT

VIA: Mr. Dennis D. LaMoreaux, General Manager

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July 21, 2020

Strategic Plan Initiative/Mission Statement:

This item is under Strategic Initiative No. 5 – Regional Leadership.

This item is directly related to the District's Mission Statement.

Budget:

The District's contribution to the AVSWCA is from Account 1-02-5070-011 (Memberships).

Supporting Documents:

- Resolution No. 20-9
- AVSWCA budget for fiscal year 2020/2021

RESOLUTION NO. 20-9

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE PALMDALE WATER DISTRICT
APPROVING ANTELOPE VALLEY
STATE WATER CONTRACTORS ASSOCIATION
BUDGET FOR FISCAL YEAR 2020/2021**

WHEREAS, the Palmdale Water District, along with the Antelope Valley-East Kern Water Agency and the Littlerock Creek Irrigation District, is a member agency of the Antelope Valley State Water Contractors Association formed by a Joint Powers Agreement dated May 26, 1999; and

WHEREAS, said Joint Powers Agreement provides for the formulation and adoption of a budget for the Antelope Valley State Water Contractors Association and approval of said budget by its members; and

WHEREAS, the Antelope Valley State Water Contractors Association unanimously adopted a budget for fiscal year 2020/21 at their regular meeting held July 9, 2020 which included an allocation among the member agencies.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Palmdale Water District hereby approves the 2020/21 budget and allocation of budgeted funds adopted by the Antelope Valley State Water Contractors Association.

I certify that this is a true copy of Resolution No. 20-9 as passed by the Board of Directors of the Palmdale Water District at its meeting held July 27, 2020 in Palmdale, California.

Date: July 27, 2020

Vincent Dino, President,
Board of Directors

ATTEST:

Don Wilson, Secretary, Board of Directors

APPROVED AS TO FORM:

BY: _____
Aleshire & Wynder, LLP, General Counsel

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION

Proposed Budget - FY 2020/21

General Program Funds

	FY 2015/16 ACTUAL	FY 2016/17 ACTUAL	FY 2017/18 ACTUAL	FY 2018/19 ACTUAL	FY 2019/20 PROPOSED BUDGET	FY 2019/20 PROJECTED YTD	FY 2020/21 PROPOSED BUDGET
Revenues:							
Member Contributions - General	\$ 24,000.00	\$ 64,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00
Member Contributions - Smart Water Expo/H&G Show				12,413.00	\$ 18,000.00	\$ 18,000.00	\$ 13,000.00
Member Contributions - AV Fair Conservation Garden				25,000.00	\$ 25,000.00	25,000.00	25,000.00
Interest Earnings	50.00	11.66	27.04	271.02	75.00	256.44	250.00
Revenue - Refund/Misc		5.00	-	-		-	
Total Revenue	<u>\$ 24,050.00</u>	<u>\$ 64,016.66</u>	<u>\$ 30,027.04</u>	<u>\$ 67,684.02</u>	<u>\$ 73,075.00</u>	<u>\$ 73,256.44</u>	<u>\$ 68,250.00</u>
Expenditures:							
Insurance (ACWA/JPIA)	\$ 2,182.92	\$ 2,183.10	\$ 2,182.98	\$ 2,183.00	\$ 2,350.00	\$ 2,183.01	\$ 2,350.00
Memberships (ACWA)	2,385.22	2,510.00	2,635.00	3,165.00	3,500.00	3,680.00	3,750.00
Outreach (Web Site, Community Activities)	4,231.63	30,257.79	5,187.40	15,544.30	5,000.00	369.00	5,000.00
Miscellaneous (Bank Fees, Refreshments, Etc.)	75.00	-	-	-	500.00	-	500.00
Contract Services - Administration	13,712.77	17,046.49	13,413.28	18,518.43	15,000.00	8,400.00	12,000.00
Contract Services - General Projects	-	-	-	-			
(A.V. Fair - Conservation Garden)					25,000.00	25,000.00	25,000.00
(Home & Garden Show/WaterSmart Expo)					18,000.00	10,000.00	13,000.00
Contract Services - Financial Audit	2,000.00	2,000.00	2,000.00	2,500.00	2,500.00	3,000.00	3,500.00
Total Expenditures	<u>\$ 24,587.54</u>	<u>\$ 53,997.38</u>	<u>\$ 25,418.66</u>	<u>\$ 41,910.73</u>	<u>\$ 71,850.00</u>	<u>\$ 52,632.01</u>	<u>\$ 65,100.00</u>
Net Income (Loss)	<u>\$ (537.54)</u>	<u>\$ 10,019.28</u>	<u>\$ 4,608.38</u>	<u>\$ 25,773.29</u>	<u>\$ 1,225.00</u>	<u>\$ 20,624.43</u>	<u>\$ 3,150.00</u>
					Member Contribution (General):		10,000.00
Additional Expenditures					AVEK Contribution =		\$ 32,566.00
					PWD Contribution =		4,902.00
					LCID Contribution =		532.00
					Secondary Member Contribution (Table A basis):		<u>\$ 38,000.00</u>

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION

Proposed Budget - FY 2020/21

Restricted Funds - USGS/CASGEM Program

	FY 2015/16 ACTUAL	FY 2016/17 ACTUAL	FY 2017/18 ACTUAL	FY 2018/19 ACTUAL	FY 2019/20 ADOPTED BUDGET	FY 2019/20 YTD	FY 2020/21 PROPOSED BUDGET
Revenues:							
Member Contributions - USGS	\$ 90,050.00	\$ 31,000.00	\$ 61,100.00	\$ 61,100.00	\$ 32,450.00	\$ 32,450.00	\$ 34,000.00
Contributions - Others (AVIRWMG/AV Watermaster)	-	-	-	15,900.00	32,450.00	32,450.00	34,000.00
Member Contributions - CASGEM	-	-	-	-	-	-	-
Total Revenue	<u>\$ 90,050.00</u>	<u>\$ 31,000.00</u>	<u>\$ 61,100.00</u>	<u>\$ 77,000.00</u>	<u>\$ 64,900.00</u>	<u>\$ 64,900.00</u>	<u>\$ 68,000.00</u>
Expenditures:							
Contract Services - USGS	\$ 69,483.33	\$ 50,283.33	\$ 52,166.66	\$ -	\$ -	\$ -	\$ -
Contract Services - USGS (Prior Year)	-	-	-	48,241.66	48,675.00	64,900.00	16,375.00
Contract Services - USGS (New Year)	-	-	-	16,225.00	49,125.00	32,750.00	68,000.00
Contract Services - CASGEM	-	-	-	-	-	-	-
Total Expenditures	<u>\$ 69,483.33</u>	<u>\$ 50,283.33</u>	<u>\$ 52,166.66</u>	<u>\$ 64,466.66</u>	<u>\$ 97,800.00</u>	<u>\$ 97,650.00</u>	<u>\$ 84,375.00</u>
Net Income (Loss)	<u>\$ 20,566.67</u>	<u>\$ (19,283.33)</u>	<u>\$ 8,933.34</u>	<u>\$ 12,533.34</u>	<u>\$ (32,900.00)</u>	<u>\$ (32,750.00)</u>	<u>\$ (16,375.00)</u>
					AVEK Contribution =		\$ 29,138.00
					PWD Contribution =		4,386.00
					LCID Contribution =		476.00
							<u>\$ 34,000.00</u>

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION

Proposed Budget - FY 2020/21

Restricted Funds - Big Rock Creek Groundwater Recharge Project

	FY 2018/19 PROPOSED BUDGET	FY 2018/19 PROJECTED	FY 2019/20 PROPOSED BUDGET	FY 2020/21 PROPOSED BUDGET
Revenues:				
Member Contributions - Big Rock Creek	\$ 236,951.00	\$ 236,951.00	\$ -	\$ -
Contributions - Others	-	-	-	-
Total Revenue	<u>\$ 236,951.00</u>	<u>\$ 236,951.00</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Contract Services - Big Rock Creek	\$ 236,951.00	\$ 53,459.63	\$ 183,491.37	\$ 183,491.37
W.M. Lyles Invoice (LCID Submitted)		6,945.55		
Total Expenditures	<u>\$ 236,951.00</u>	<u>\$ 60,405.18</u>	<u>\$ 183,491.37</u>	<u>\$ 183,491.37</u>
Net Income (Loss)	<u>\$ -</u>	<u>\$ 176,545.82</u>	<u>\$ (183,491.37)</u>	<u>\$ (183,491.37)</u>
AVEK Contribution =		\$ 115,975.50		
PWD Contribution =		115,975.50		
LCID Contribution =		5,000.00		
		<u>\$ 236,951.00</u>		

P A L M D A L E W A T E R D I S T R I C T
B O A R D M E M O R A N D U M

DATE: July 21, 2020 **July 27, 2020**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 6.4 – APPROVAL OF STATEMENT OF WORK BETWEEN THE DISTRICT AND ERNST & YOUNG FOR 2020-2021 STATE WATER PROJECT PROCEDURES TO BE PERFORMED RELATED TO THE DEPARTMENT OF WATER RESOURCES’ 2021 STATEMENT OF CHARGES. (\$9,192.00 NOT-TO-EXCEED – BUDGETED – BUDGET ITEM NO. 1-02-4150-000 – GENERAL MANAGER LaMOREAUX)***

Recommendation:

Staff recommends approval of the Statement of Work between the District and Ernst & Young for 2020-2021 State Water Project Procedures to be performed related to the Department of Water Resources’ Statement of Charges in the not-to-exceed amount of \$9,192.00.

Alternative Option:

The alternative option would be to not participate in the Ernst & Young contract.

Impact of Taking No Action:

The District will not be involved in auditing activities for State Water Project procedures.

Background:

The Palmdale Water District is a member of the State Water Contractors Independent Audit Association (IAA) and has been involved in these auditing activities for several years. The IAA hires an accounting/auditing firm on an annual basis to review the billings and financial statements prepared by the Department of Water Resources for State Water Project costs. The IAA has reviewed Ernst & Young’s audit procedures and recommends IAA members approve the 2020-2021 Statement of Work.

The cost to the District will range from \$6,839.00 to \$8,549.00 depending upon how many members of the IAA approve the Statement of Work for core services (Exhibit “A”). Additional services may be requested for an amount not-to-exceed \$643.00 (Exhibit “B”).

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT
VIA: Mr. Dennis D. LaMoreaux, General Manager

July 21, 2020

Strategic Plan Initiative/Mission Statement:

Strategic Initiative No. 1 – Water Resource Reliability

This item directly relates to the District's Mission Statement.

Budget:

These services are under Administration budget line item 1-02-4150-000 – Accounting Services.

Supporting Documents:

- July 10, 2020 letter from Ernst & Young regarding Statement of Work.



Ernst & Young LLP
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July 10, 2020

Mr. Dennis Lamoreaux
Palmdale Water District
2029 East Avenue "Q"
Palmdale, California 93550

Dear Mr. Lamoreaux:

In coordination with the Independent Audit Association (IAA), we have developed the Statement of Work (SOW) for the 2020-2021 Procedures to be performed related to the 2021 Statement of Charges. This SOW is pursuant to the Master Services Agreement (MSA) by and between EY and Palmdale Water District dated May 31, 2017, which describes the annual approval process of each SOW performed under the MSA.

Please return the signed SOW to EY via mail at 2901 Douglas Boulevard, Suite 300, Roseville, CA 95661 (Attn. Scott Enos) or email to scott.enos@ey.com. We have also enclosed your copy of the support letter from Chantal Ouellet, IAA Secretary, recommending the approval of the SOW by Palmdale Water District.

If you have any questions about the enclosed SOW, please feel free to call me at (916) 218-1960.

Very truly yours,

Joe Pirnik
Managing Director

Enclosures



MEMORANDUM

Date: July 6, 2020
To: Members of the Independent Audit Association (IAA)
From: Chantal Ouellet, IAA Secretary
Subject: Ernst and Young 2020/2021 State Water Project Professional Services Contract –

Enclosed is the 2020/21 Statement of Work (SOW) which includes the State Water Project procedures to be performed in relation to the Department of Water Resources' (DWR) Statement of Charges.

The Exhibit B budget limit is only billed by Ernst and Young if additional work is reviewed and approved by the IAA and remains at \$50,000. Exhibit C allows individual IAA Members to request Ernst and Young to undertake additional services beyond those included in Exhibit A of the SOW.

The IAA team has reviewed Ernst and Young's proposed procedures and recommends that IAA Members approve and execute the 2020/2021 SOW. If you have any questions, please contact me at (559) 992-4127 or couellet@tlbwsd.com.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Chantal Ouellet', is placed above the printed name.

Chantal Ouellet
Tulare Lake Basin Water Storage District

CC: Joe Pirnik, EY

Statement of Work

This Statement of Work with the attached Exhibits, dated July 10, 2020 (this SOW) is made by Ernst & Young LLP (“we” or “EY”) and Palmdale Water District on behalf of itself (“you” or “Client”), pursuant to the Master Services Agreement, dated May 31, 2017 (MSA), between EY and Palmdale Water District (the Agency).

The additional terms and conditions of this SOW shall apply only to the Services covered by this SOW and not to Services covered by any other SOW pursuant to the MSA. Capitalized terms used, but not otherwise defined, in this SOW shall have the meanings defined in the MSA, including references in the Agreement to “you” or “Client” shall be deemed references to you.

Scope of services

Except as otherwise set forth in this SOW, this SOW incorporates by reference, and is deemed to be a part of, the MSA. This SOW sets forth the terms and conditions on which EY will perform certain professional services as described in Exhibit A (the Services) for Agency, a member of the State Water Contractors (the “Contractors” or “SWC”) Independent Audit Association (IAA), for the twelve months ending June 30, 2021.

Any changes to the above scope of work will be agreed upon in writing and signed by both parties and will amend this original SOW.

The Services are advisory in nature and will not constitute an audit performed in accordance with Generally Accepted Accounting Principles. EY will perform the Services in accordance with the Statement of Standards for Consulting Services (CS100) of the American Institute for Certified Public Accountants (AICPA). As part of your review of the terms of this Agreement, please refer to the enclosed letter from Chantal Ouellet of the IAA Audit Contract Negotiating Committee.

Your specific obligations

You will not, and you will not permit others to, quote or refer to the Reports, any portion, summary or abstract thereof, or to EY or any other EY Firm, in any document filed or distributed in connection with (i) a purchase or sale of securities to which the United States or state securities laws (Securities Laws) are applicable, or (ii) periodic reporting obligations under Securities Laws. You will not contend that any provisions of Securities Laws could invalidate any provision of this agreement.

We also draw your attention to the reservations set out in paragraph 5 of the General Terms and Conditions of the MSA, as well as your management responsibilities under paragraph 6, your obligations under paragraphs 11 and 12, and your representation, as of the date hereof, under paragraph 26 thereof.

Specific additional terms and conditions

The Services are advisory in nature. EY will not render an assurance report or opinion under the Agreement, nor will the Services constitute an audit, review, examination, or other form of attestation as those terms are defined by the American Institute of Certified Public Accountants. None of the Services or any Reports will constitute any legal opinion or advice. We will not conduct a review to detect fraud or illegal acts, nor will we test compliance with the laws or regulations of any jurisdiction.

Notwithstanding anything to the contrary in the Agreement or this SOW, we do not assume any responsibility for any third-party products, programs or services, their performance or compliance with your specifications or otherwise.

We will base any comments or recommendations as to the functional or technical capabilities of any products in use or being considered by you solely on information provided by your vendors, directly or through you. We are not responsible for the completeness or accuracy of any such information or for confirming any of it.

Where our written consent under the MSA is required for you to disclose to a third party any of our Reports (other than Tax Advice), we will also require that third party to execute a letter substantially in the form of Exhibit D to this SOW. To the extent the Agency is permitted to disclose any written Report as set forth herein, it shall disclose such Report only in the original, complete and unaltered form provided by EY, with all restrictive legends and other agreements intact.

Unless prohibited by applicable law, we may provide Client Information to other EY firms, EY Persons and external third parties, who may collect, use, transfer, store or otherwise process such information in various jurisdictions in which they operate in order to provide support services to any EY Firm and/or assist in the performance of the Services.

After the Services under this SOW have been completed, we may disclose or present to prospective clients, or otherwise in our marketing materials, that we have performed the Services for you, and we may use your name solely for that purpose, in accordance with applicable professional obligations. In addition, we may use your name, trademark, service mark and logo as reasonably necessary to perform the Services and in correspondence, including proposals, from us to you.

Compliance with U.S. immigration requirements may require EY to provide certain information to the U.S. Citizenship and Immigration Services ("USCIS") to confirm that EY employees on certain visas are, in fact, EY employees and not employees of the Client or other clients of EY. This will include providing certain information regarding work locations to support compliance with the visa requirements. As such, EY may disclose to USCIS information regarding this SOW, including the Client's identity and location, as well as a redacted copy of this SOW. Upon providing this information, EY will request that USCIS keep any such information confidential. In further support of these legal requirements, the U.S. Department of Labor (DOL) regulations, at 20 CFR § 655.734(a)(1)(ii)(A), require the posting of notice of a Labor Condition Application (LCA) in instances where individuals holding H-1B visas will be working on the Client's premises. EY and the

Client will work together to develop an appropriate notice as required. The Client acknowledges that EY resources will be operating at all times as an employee of and under the direction and control of Ernst & Young U.S. LLP's management, and all activities including supervision, hiring and firing decisions, and performance evaluations are controlled by Ernst & Young U.S. LLP. The Client will not have the right to control EY resources. At all times, EY resources will receive direction from an EY manager while on-site at the Client premises.

You shall not, while we are performing the Services hereunder and for a period of 12 months after they are completed, solicit for employment, or hire, any EY personnel involved in the performance of the Services, provided, that you may generally advertise available positions and hire EY personnel who either respond to such advertisements or who come to you on their own initiative without direct or indirect encouragement from you.

The Agency shall, among other responsibilities with respect to the Services, (i) make all management decisions and perform all management functions, including applying independent business judgment to EY work products, making implementation decisions and determining further courses of action in connection with any Services; (ii) assign a competent employee within senior management to make all management decisions with respect to the Services, oversee the Services and evaluate their adequacy and results; and (iii) accept responsibility for the implementation of the results or recommendations contained in the Reports or otherwise in connection with the Services. The Agency hereby confirms that management of the Agency accepts responsibility for the sufficiency of the Services. In performing the Services neither EY nor EY's partners or employees will act as an employee of the Agency.

The Agency represents and warrants to EY that the Agency's execution and delivery of this Agreement has been authorized by all requisite corporate or other applicable entity action and the person signing this Agreement is expressly authorized to execute it on behalf of, and to bind, the Agency.

The performance of the Services and the parties' obligations in connection therewith are subject to the additional terms and conditions set forth in the MSA.

It is understood that the Agency is not bound by our findings in any controversy or disagreement between the Agency and the Department of Water Resources (the "Department") should the Agency disagree with our findings.

We would also request that, if any IAA member discovers discrepancies in billings or other financial statements relative to their State Water Project costs, in addition to your working with the Department to correct the error, please notify EY for potential future inclusion as part of their procedures related to all IAA members.

Fees and billing

The General Terms and Conditions of the Agreement address our fees and expenses generally.

The total fees for these Services to be rendered to the Agency, as well as an allocation of the total fees for each member Agency of the IAA, appear in Exhibits A and B attached (no procedures or fees have been allocated to Exhibit B in this contract). Our total fees pursuant to Exhibit A to be charged to all members of the IAA entering into agreements with us shall not exceed \$532,000 for the twelve months ending June 30, 2021. This agreement will not be effective unless, in addition to the Agency, a sufficient number of other IAA agencies enter into agreements with us for such Services whose combined allocated fee would represent not less than 80% of \$532,000 based on the 100% participation fee allocation (see column 2 at A-4). If all agencies who are presently participating in the Services rendered by our firm enter into agreements with us for this twelve-month period, the maximum fees for our Services to your Agency will not exceed \$6,839 for Exhibit A. However, if not all of the participating agencies enter into agreements with us for services during the twelve-month period ending June 30, 2021, the maximum fees to your Agency will vary between the above-mentioned amount and \$8,549, which represents the maximum fees should sufficient agencies enter into agreements with us with a combined allocated fee of not less than 80%, as stated above.

In addition to the maximum fees under Exhibit A, maximum fees under Exhibit B shall not exceed a total of \$50,000 or \$643 for the Agency unless agreed to by the IAA. As noted above, no procedures have been allocated to Exhibit B. Prior to any expenditures under Exhibit B, said work must be specifically requested in writing in advance of any work being performed. Areas of potential focus for Exhibit B projects could include procedures agreed to by EY and the IAA in advance related to one or more of the items identified in Exhibit A. In prior years Exhibit B special projects have included projects such as assessing implementation and billing issues relating to the new SAP-based Cost Allocation and Repayment Analysis System (CARA), and studies to evaluate a pay-as-you-go system for funding conservation related operating costs incurred by the Department.

We have also included Exhibit C as part of this contract, which provides the opportunity for individual Contractors to enter into separate agreements for additional services with EY. There are currently no fees related to Exhibit C included herein.

The results of our procedures will include a presentation of our findings, observations and recommendations to be held in Sacramento, California for any interested Contractors. Any presentations requested at individual Contractor locations will be negotiated with the individual Contractor under Exhibit C and will be paid for by that Contractor.

Invoices for time and expenses will be billed monthly and are due upon receipt.



In witness whereof, the parties have executed this SOW as of the date set forth above.


Palmdale Water District

Ernst & Young, LLP

Representative

Representative

Signature



Signature

Printed Name

Joe Pirnik

Printed Name

Title

Authorized Signatory

Title

Address

Ernst & Young LLP
Suite 300
2901 Douglas Boulevard
Roseville, CA 95661

Address

Date

July 10, 2020

Date

EXHIBIT A

I. SCOPE OF ENGAGEMENT

- A-1 EY will work with the IAA, the SWC Audit/Finance Committee, and any subcommittees thereof, and the Department during the twelve months ending June 30, 2021 relating to matters currently being discussed between the SWC and the Department.

EY's Services to be rendered as described in this Exhibit shall be determined by the IAA at its discretion. These Services shall include:

1. Completion of the 2020/2021 procedures as outlined further below
2. Participation in all meetings of the SWC Audit/Finance Committee, which is a basic forum for communications between the State Water Project Contractors and the Department's staff on financial and accounting matters.
3. Cooperation with any subcommittees of the IAA assigned to study and resolve specific problem areas, such as the dispute resolution work group.
4. Review of reports and other documents prepared by the Department and disseminated at these meetings.
5. Provide an annual report setting forth the findings and recommendations related to our Services.

Report definitions

The assessment of risk of future occurrence, included in the findings summary tables in the report, provides the IAA with a meaningful measurement of the likelihood of similar findings in subsequent years if this issue is not addressed by the appropriate parties. This assessment of risk of future occurrence is based on knowledge obtained during discussions with the Department personnel and performance of procedures under this Exhibit A. Below are the definitions used in the report of findings and recommendations for the twelve months ending June 30, 2021 and we concur with these definitions.

Risk of Future Occurrence:

- A. High – it is highly likely (or probable) that the error or process failure will be repeated
- B. Medium – it is more likely than not that the error or process failure will be repeated
- C. Low – it is possible that the error or process failure will be repeated

During the twelve months ending June 30, 2021, the Services will include the following procedures.

2020/2021 Procedures

The procedures for the fiscal year ended June 30, 2021 were designed using estimated budgeted hours of 3,000. We will perform all procedures included in items 1-6 below. We will perform the procedures in items 7-8 if time permits. As a part of these procedures, we will regularly meet with the IAA to discuss the progress under this engagement. We will also submit the Report to each Agency setting forth the findings, observations, and recommendations related to our Services.

The following items represent the risks, risk factors, and procedures requested and determined by the IAA for the Contractors to be performed for the 2021 Statement of Charges (SOC) engagement:

Primary Procedures (Items 1-6)

1. Statement of Charges Testing

Risk:

- Incorrect amounts billed to Contractors for each component by the Department.

Risk Factors:

- Manual adjustments made to SAP data to arrive at amounts billed. Manual processes create opportunities for errors.
- High importance of accurate Contractor bills.
- Actual costs reported in the bills can be misstated.

Areas of Focus:

- Determine that all SOC amounts are internally consistent and agree to the Bulletin 132-20 for the Contractors selected for testing (to be provided by the IAA).
- Agree the debt service amounts in the SOC Attachments to the appropriate debt service schedule.
- Comparison of the current year SOC Attachments to the prior year SOC Attachments.
- Assessment of manual adjustments.
- Assess the actual costs charged to various areas of the project.
- Assess the factors for distributing reach capital and minimum costs among the Contractors.

2. Delta Water Charge

Risk:

- Incorrect amounts charged to Contractors for conservation based on actual and estimated costs.

Risk Factors:

- Calculation of Delta Water Charge is a manual process.
- Tracking of Oroville Spillway costs and reimbursement and segregation between response and recovery costs is a manual process.
- Potential for high dollar impact (\$290 million in Delta Water Charge in 2018 per Table B-21)

Areas of Focus:

- Recalculate the Delta Water Charge used in the SOC.
- For prior year actual costs included in the calculation, compare costs in SAP to the Department's calculation and investigate variances.
- Obtain an understanding of future estimates included in the calculation and perform appropriate procedures to assess such estimates.
- Assess the Hyatt-Thermalito credit to the Delta Water Charge.

3. Alpha Allocation Cycles

Risk:

- Incorrect Contractor charged and/or incorrect allocation of costs between Contractors.

Risk Factors:

- The F-series and SAA alpha allocation cycles update performed on an annual basis is a manual process. Manual processes create opportunities for errors.
- Potential for errors in determining work performed that falls under direct to reach, field division, and state-wide allocations.
- Potential for high dollar impact (\$266 million allocated by alpha allocation cycles in 2018).

Areas of Focus:

- Examine all cost centers from SAP to determine which cost centers represent alpha cost centers.
- Select alpha cost centers with the largest total annual costs.
- Review costs being posted to selected alpha cost centers based on activities charged to the alpha cost center through examination of invoices posted and discussions with the project managers, as necessary.
- Review the current year alpha standardization activity performed by the Department.
- Review the current year alpha update performed by the Department.
- Review the F-series and S-series updates performed by the Department.

4. Transportation Minimum and Capital Direct and Indirect Analysis

Risk:

- Incorrect amounts billed to Contractors for the transportation minimum and capital component by the Department.

Risk Factors:

- Direct and indirect costs may be allocated incorrectly through corresponding reaches.
- Judgment involved in selecting internal orders and work breakdown structures for billing to the Contractors create opportunities for incorrect allocations.
- Project manager's and employee's lack of understanding of importance of accurate time charging to correct internal orders and work breakdown structures create opportunities for incorrect allocations.

Areas of Focus:

- Obtain a listing of internal orders associated with costs for selected reaches and group like internal orders to perform a fluctuation analysis to the prior year.
- Assess or obtain the Department's grouping of like internal orders to assess if the Department is able to group information for managerial reporting. This could include internal order hierarchies in SAP that could be used to group like internal orders.
- Assess a sample of internal orders with the largest increase in costs from group like internal orders for direct and indirect cost allocations.
- Obtain supporting documentation to assess the work was performed for the selected reaches.

5. Reconciliation between PR5 and UCABS and SWRDS Fund Analysis

Risk:

- Costs and revenues are not accurately billed to the Contractors based on inconsistencies between PR5 and UCABS.

Risk Factors:

- Costs and revenues do not accurately match between both systems.
- Manual process of moving costs between systems create opportunities for errors.
- Potential for movement of costs and revenues outside the SWRDS funds used for the state water project.

Areas of Focus:

- Gain an understanding of the reconciliation process performed by the Department.
- Reconcile all SWRDS PR5 costs and revenues included in the Bond Fund (0502), the Construction Fund (0506), and the Revenue Fund (0507) to the UCABS System.
- Identify, document, and investigate all variances between the two systems (PR5 and UCABS).
- Assess and classify all variances into two categories, (1) Valid Variance – cost/revenue data should not be included in the cost recovery system and (2) Errant Variance – cost/revenue data should be included in the cost recovery system.
- Provide final assessment on the Department's recovery of all SWRDS costs. Is the Department either (1) including the SWRDS cost in a customer invoice or (2) receiving an appropriation to pay for the cost or (3) including in the 51(e) Revenue/Rate Management Credit Calculation which would disclose that the cost is using 51(e) Revenues as a funding source.
- Perform an analysis of the movement of costs and revenues outside the SWRDS funds used for the state water project.

6. System Power Costs – Variable Transportation

Risk:

- Incorrect Contractor charged and/or incorrect allocation of costs between Contractors.

Risk Factors:

- Calculation of the power allocation factors is a manual process. Manual processes create opportunities for errors.
- Estimated Table 2 projected costs (invoicing rate) may not reflect actual costs incurred.
- Potential for high dollar impact (\$230 million net system power costs in 2018 per Table B-3).

Areas of Focus:

- Vouch power costs and power revenues from SAP and assess the classification of costs.
- Reconcile the 2019 Preliminary Allocation of Power Costs (PALPOC) to UCABS (SAP). Recalculate appropriate inputs to the 2019 PALPOC (e.g., Value of Recovery Generation credits, direct-to-plant transmission, etc.).
- Recalculate the 2019 calendar year power allocation factors used in UCABS (SAP) to allocate net power costs.
- Recalculate the billed amounts for the transportation variable cost component for 2019 for the Contractors selected (to be provided by the IAA).

Other Procedures (Items 7-8)

These procedures will only be performed as time permits after completion of items 1-6 above and consideration of the estimated 3,000 hour time budget.

7. Rate Management Calculation Including Revenue and Cost Data

Risk:

- Rate Management Credits are improperly allocated among the Contractors.
- Rate Management Credits are improperly calculated based on the revenue and expenditure data in the funds available for rate management credits statement prepared by the Department.

Risk Factors:

- Calculation of Rate Management Credits is a manual process.
- Lack of review and approval process for the Rate Management Credit calculation.
- Outdated information used to calculate credits due to the Contractors.

Areas of Focus:

- Obtain the rate management allocation schedule used for the 2021 SOC and review the allocation methodology for sample selected.
- Obtain the most recent funds available data schedule for the rate management credits and assess a sample of the largest balances.
- Compare the figures selected to the future forecasts and investigate any significant differences.
- Perform a review of revenues including systems revenue and 51e (amount in excess of Rate Management Credits).
- Perform a review of revenues and related cash funds.
- Assess the impact of audit findings on the revenues available for Rate Management Credits.

8. Debt Service Procedures

Risk:

- Incorrect bond debt service charged to the Contractors.

Risk Factors:

- Water System Revenue Bond (WSRB) Surcharge calculation is a manual process. Manual processes create opportunities for errors.
- Cost/debt reconciliation project ongoing adjustments to the calculation creates opportunities for errors.
- WSRB Surcharge currently does not reflect the results of the cost/debt reconciliation project.

Areas of Focus:

- Reconcile any new bond offerings to the debt service schedules.
- Assess changes made to the cost/debt reconciliation project from previous versions.

II. FEES FOR EY SERVICES

- A-2. Total fees for Exhibit A services performed by EY will not exceed \$532,000, including reasonable and necessary out-of-pocket expenses, which represent an estimated 3,000 hours to be incurred.

III. ALLOCATION OF FEES

- A-3. The maximum aggregate fee set forth in paragraph A-2 shall be apportioned among the agencies named in paragraph A-4 based on a basis consistent with prior years.

IV. MAXIMUM AGGREGATE FEE FOR EACH AGENCY

A-4. The portion of the maximum aggregate fee set forth in paragraph A-2 applicable to each Agency in conformity with the methodology set forth in paragraph A-3 is shown below:

<u>Agency</u>	<u>Maximum fee for each Agency, provided all agencies listed below enter into agreements with EY</u>	<u>Maximum fee for each Agency, provided 80% of agencies listed below enter into agreements with EY</u>	<u>Percent of total</u>
Alameda County Flood Control and Water Conservation District, Zone No. 7	\$ 25,887	\$ 32,358	4.9%
Alameda County Water District	13,486	16,857	2.5
Antelope Valley-East Kern Water Agency	46,507	58,133	8.7
Casitas Municipal Water District	6,422	8,027	1.2
Central Coast Water Authority	14,605	18,255	2.7
City of Yuba City	3,082	3,853	0.6
Coachella Valley Water District	44,422	55,528	8.4
County of Kings	2,988	3,735	0.6
Crestline-Lake Arrowhead Water Agency	1,862	2,328	0.4
Desert Water Agency	17,901	22,376	3.4
Dudley Ridge Water District	14,561	18,201	2.7
Empire West Side Irrigation District	963	1,204	0.2
Kern County Water Agency	133,000	166,250	25.0
Littlerock Creek Irrigation District	738	923	0.1
Mojave Water Agency	27,549	34,436	5.2
Napa County Flood Control and Water Conservation District	9,320	11,650	1.8
Palmdale Water District	6,839	8,549	1.3
San Bernardino Valley Municipal Water District	32,943	41,179	6.2
San Gabriel Valley Municipal Water District	9,247	11,559	1.7
San Geronio Pass Water Agency	5,555	6,944	1.0
San Luis Obispo County Flood Control and Water Conservation District	8,027	10,034	1.5
Santa Clara Valley Water District	32,109	40,136	6.0
Santa Clarita Valley Water Agency	30,567	38,209	5.7
Solano County Water Agency	15,334	19,168	2.9
Tulare Lake Basin Water Storage District	28,086	35,108	5.3
Total	<u>\$ 532,000</u>		<u>100.0%</u>

V. PAYMENT SCHEDULE

This is the payment schedule for the Agency.

<u>August 10, 2020 Billing</u>	<u>September 10, 2020 Billing</u>	<u>October 9, 2020 Billing</u>	<u>November 10, 2020 Billing</u>	<u>December 10, 2020 Billing</u>	<u>Total Billing</u>
\$2,051	\$1,368	\$1,368	\$1,368	\$684	\$6,839

EXHIBIT B**I. OTHER CONSULTING SERVICES**

EY shall, during the twelve months ending June 30, 2021, perform other services if requested by the IAA. No such work shall be performed unless specifically authorized by the IAA in writing. Areas of potential focus for Exhibit B projects could include in depth procedures agreed to by EY and the IAA in advance related to one or more of the items identified in Exhibit A.

Total fees for such other consulting services shall 1) be agreed to prior to commencement of work, 2) be allocated among the agencies based on the same procedures included in the Exhibit A allocation, and 3) shall not exceed \$50,000, which represents an estimated 282 hours to be incurred, unless agreed to by the IAA, for the year ended June 30, 2021. Any part of the \$50,000 which is unused shall not be billed.

<u>Agency</u>	<u>Maximum fee for each Agency, provided all Agencies listed below enter into agreements with EY</u>	<u>Percent of total</u>
Alameda County Flood Control and Water Conservation District, Zone No.7	\$ 2,432	4.9%
Alameda County Water District	1,267	2.5
Antelope Valley-East Kern Water Agency	4,371	8.7
Casitas Municipal Water District	604	1.2
Central Coast Water Authority	1,373	2.7
City of Yuba City	290	0.6
Coachella Valley Water District	4,175	8.4
County of Kings	281	0.6
Crestline-Lake Arrowhead Water Agency	175	0.4
Desert Water Agency	1,682	3.4
Dudley Ridge Water District	1,369	2.7
Empire West Side Irrigation District	91	0.2
Kern County Water Agency	12,500	25.0
Littlerock Creek Irrigation District	69	0.1
Mojave Water Agency	2,589	5.2
Napa County Flood Control and Water Conservation District	876	1.8
Palmdale Water District	643	1.3
San Bernardino Valley Municipal Water District	3,096	6.2
San Gabriel Valley Municipal Water District	869	1.7
San Geronio Pass Water Agency	522	1.0
San Luis Obispo County Flood Control and Water Conservation District	754	1.5
Santa Clara Valley Water District	3,018	6.0
Santa Clarita Valley Water Agency	2,873	5.7
Solano County Water Agency	1,441	2.9
Tulare Lake Basin Water Storage District	2,640	5.3
Total	<u>\$ 50,000</u>	<u>100%</u>

EXHIBIT C**I. INDIVIDUAL CONTRACTOR AGREEMENTS**

EY may, during the twelve months ending June 30, 2021, perform other consulting services as requested by individual Contractors. These services will be performed and billed separately from the services outlined in Exhibits A and B.

The terms and conditions of any procedures performed under Exhibit C, including payment terms, will be outlined in a separate Statement of Work (SOW). These services, which will be agreed to by EY and the requesting Contractor in advance, will be documented in the example SOW attached to herein as Exhibit C-1. An Exhibit C-1 statement of work will be made available to any Contractor upon request. All other provisions of the Contractor's signed contract with EY for the twelve months ending June 30, 2021 will continue to be in effect.

Total fees for such other consulting services shall be agreed to with the individual Contractor prior to commencement of work. The fees for services provided under Exhibit C will be outside of those referenced in Exhibits A and B, and will be paid for directly by the requesting Contractor.

EXHIBIT C-1**Statement of Work**

This Statement of Work with the attached Exhibit, dated July 10, 2020 (this SOW) is made by Ernst & Young LLP (“we” or “EY”) and Palmdale Water District on behalf of itself (“you” or “Client”), pursuant to the Agreement, dated July 10, 2020 (the Agreement), between EY and Palmdale Water District (the Agency).

Except as otherwise set forth in this SOW, this SOW incorporates by reference, and is deemed to be a part of, the Agreement. The additional terms and conditions of this SOW shall apply only to the Services covered by this SOW and not to Services covered by any other Statement of Work pursuant to the Master Services Agreement (MSA) by and between EY and the Agency dated May 31, 2017. Capitalized terms used, but not otherwise defined, in this SOW shall have the meanings defined in the MSA, including references in the Agreement to “you” or “Client” shall be deemed references to you.

Scope of services

Except as otherwise set forth in this SOW, this SOW incorporates by reference, and is deemed to be a part of, the Agreement. This SOW sets forth the terms and conditions on which EY will perform certain professional services as described [INSERT DEFINITION OF SERVICES] (the Services) for Agency, a member of the State Water Contractors Independent Audit Association (IAA), for the twelve months ending June 30, 2021.

Any changes to the above scope of work will be agreed upon in writing and signed by both parties and will amend this original SOW.

The Services are advisory in nature and will not constitute an audit performed in accordance with Generally Accepted Accounting Principles. EY will perform the Services in accordance with the Statement of Standards for Consulting Services (CS100) of the American Institute for Certified Public Accountants (AICPA).

Your specific obligations

You will not, and you will not permit others to, quote or refer to the Reports, any portion, summary or abstract thereof, or to EY or any other EY Firm, in any document filed or distributed in connection with (i) a purchase or sale of securities to which the United States or state securities laws (Securities Laws) are applicable, or (ii) periodic reporting obligations under Securities Laws. You will not contend that any provisions of Securities Laws could invalidate any provision of this agreement.

We also draw your attention to the reservations set out in paragraph 5 of the General Terms and Conditions of the MSA, as well as your management responsibilities under paragraph 6, your obligations under paragraphs 11 and 12, and your representation, as of the date hereof, under paragraph 26 thereof.

Specific additional terms and conditions

The Services are advisory in nature. EY will not render an assurance report or opinion under the Agreement, nor will the Services constitute an audit, review, examination, or other form of attestation as those terms are defined by the American Institute of Certified Public Accountants. None of the Services or any Reports will constitute any legal opinion or advice. We will not conduct a review to detect fraud or illegal acts, nor will we test compliance with the laws or regulations of any jurisdiction.

Notwithstanding anything to the contrary in the Agreement or this SOW, we do not assume any responsibility for any third-party products, programs or services, their performance or compliance with your specifications or otherwise.

We will base any comments or recommendations as to the functional or technical capabilities of any products in use or being considered by you solely on information provided by your vendors, directly or through you. We are not responsible for the completeness or accuracy of any such information or for confirming any of it.

Where our written consent under the MSA is required for you to disclose to a third party any of our Reports (other than Tax Advice), we will also require that third party to execute a letter substantially in the form of Exhibit D to the Agreement. To the extent the Agency is permitted to disclose any written Report as set forth herein, it shall disclose such Report only in the original, complete and unaltered form provided by EY, with all restrictive legends and other agreements intact.

Unless prohibited by applicable law, we may provide Client Information to other EY firms, EY Persons and external third parties, who may collect, use, transfer, store or otherwise process such information in various jurisdictions in which they operate in order to provide support services to any EY Firm and/or assist in the performance of the Services.

After the Services under this SOW have been completed, we may disclose or present to prospective clients, or otherwise in our marketing materials, that we have performed the Services for you, and we may use your name solely for that purpose, in accordance with applicable professional obligations. In addition, we may use your name, trademark, service mark and logo as reasonably necessary to perform the Services and in correspondence, including proposals, from us to you.

Compliance with U.S. immigration requirements may require EY to provide certain information to the U.S. Citizenship and Immigration Services ("USCIS") to confirm that EY employees on certain visas are, in fact, EY employees and not employees of the Client or other clients of EY. This will include providing certain information regarding work locations to support compliance with the visa requirements. As such, EY may disclose to USCIS information regarding this SOW, including the Client's identity and location, as well as a redacted copy of this SOW. Upon providing this information, EY will request that USCIS keep any such information confidential. In further support of these legal requirements, the U.S. Department of Labor (DOL) regulations, at 20 CFR § 655.734(a)(1)(ii)(A), require the posting of notice of a Labor Condition Application (LCA) in instances where individuals holding H-1B visas will be working on the Client's premises. EY and the Client will work together to develop an appropriate notice as required. The Client acknowledges that EY resources will be operating at all times as an employee of and under the direction and control of Ernst & Young U.S. LLP's management, and all activities including supervision, hiring and firing decisions, and performance evaluations are controlled by Ernst & Young U.S. LLP. The Client will not have the right to control EY resources. At all times, EY resources will receive direction from an EY manager while on-site at the Client premises.

You shall not, while we are performing the Services hereunder and for a period of 12 months after they are completed, solicit for employment, or hire, any EY personnel involved in the performance of the Services, provided, that you may generally advertise available positions and hire EY personnel who either respond to such advertisements or who come to you on their own initiative without direct or indirect encouragement from you.

The Agency shall, among other responsibilities with respect to the Services, (i) make all management decisions and perform all management functions, including applying independent business judgment to EY work products, making implementation decisions and determining further courses of action in connection with any Services; (ii) assign a competent employee within senior management to make all management decisions with respect to the Services, oversee the Services and evaluate their adequacy and results; and (iii) accept responsibility for the implementation of the results or recommendations contained in the Reports or otherwise in connection with the Services. The Agency hereby confirms that management of the Agency accepts responsibility for the sufficiency of the Services. In performing the Services neither EY nor EY's partners or employees will act as an employee of the Agency.

The Agency represents and warrants to EY that the Agency's execution and delivery of this Agreement has been authorized by all requisite corporate or other applicable entity action and the person signing this Agreement is expressly authorized to execute it on behalf of, and to bind, the Agency.

The performance of the Services and the parties' obligations in connection therewith are subject to the additional terms and conditions set forth in the MSA.

It is understood that the Agency is not bound by our findings in any controversy or disagreement between the Agency and the Department of Water Resources should the Agency disagree with our findings.

We would also request that, if any IAA member discovers discrepancies in billings or other financial statements relative to their State Water Project costs, in addition to your working with the Department to correct the error, please notify EY for potential future inclusion as part of their procedures related to all IAA members.

Project deliverables

The matrix below lists the specific deliverables and related timelines that EY will provide to **(insert Contractor)**.

Deliverable	Timeline	Comments

Additional responsibilities

EY will provide **(insert Contractor)** with a timeline/schedule related to all project deliverables prior to the start of work on the project.

EY will notify **(insert Contractor)** in writing of any incremental changes to the original project estimate.

Production of all elements described in the "Project deliverables" section of this SOW is to be included in the cost breakdown under the "Pricing and payment terms" section below, agreed upon by **(insert Contractor)** and EY for this project.

Fees and billing

Below is a summary of the current cost estimates for this SOW. Due to the complexities and variable nature of this project, actual costs could vary from these estimates. In the event costs are expected to exceed the estimate, EY will contact **(insert Contractor)** before performing any additional work.

Out-of-pocket expenses incurred during this contract are not included in the above SOW estimated cost. Expenses include such items as travel, meals, accommodations, and other administrative expenses based on actual amounts incurred.

Invoices for time and expenses will be billed monthly and are due upon receipt.

IN WITNESS WHEREOF, the parties hereto have executed this SOW as of the day and year written below.

Palmdale Water District**Ernst & Young, LLP****Representative****Representative**

Signature

Signature

Printed Name

Printed Name

Title

Title

Address

Address

Date

Date

EXHIBIT D**FORM OF ACCESS LETTER**

[Letterhead of EY]

[Addressee (e.g., third party seeking access to EY Report)]

[Month XX, 20XX]

[Street Address]

[City, State Zip]

Dear [] :

[Client] (the “Client”) has informed Ernst & Young LLP (“EY”) that it wishes to disclose to [party seeking access] (the “Recipient”) EY’s[describe report(s)] , dated [] , relating to [describe subject] (the “Report(s)”). EY has not placed any limitations on the Client’s ability to disclose any contents of the Report relating to the tax aspects or structure of any transaction proposed by the Client.

EY performed Services only for the Client. EY did not undertake the Services on behalf of, or to serve the needs of, the Recipient or any other third party. As part of such services, EY did not audit the Client’s financial statements, subsequent to the date(s) of the Report(s).

EY prepared the Report(s) solely for the Client. The Report(s) address[es] only the issues identified by the Client, and [is/are] based solely on information obtained by EY using the procedures specified by the Client or otherwise provided by or on behalf of the Client. The Report(s) [is/are] subject to many limitations and [do/does] not provide any form of assurance with respect to any of the information referred to therein. The Recipient understands and accepts the scope and limitations of the Report(s).

Except (1) where compelled by legal process (of which the Recipient will immediately notify EY and tender to EY, if it so elects, the defense thereof), (2) with respect to any contents of the Report relating to the tax treatment and tax structure of the proposed transaction (including any facts that may be relevant to understanding the proposed tax treatment of the proposed transaction), or (3) with EY’s prior written consent, the Recipient will not, circulate, quote, disclose or distribute any of the Report(s) or any information contained therein, or any summary or abstract thereof, or make any reference thereto or to EY, to anyone other than the Recipient’s directors, officers or employees or legal advisors who, in each case, need to know its contents in order to _____ , and who have agreed to be bound by the terms and conditions of this agreement to the same extent as the Recipient.

The Recipient further agrees that it will not, and will not permit others to, quote or refer to the Report, any portion, summary or abstract thereof, or to EY, in any document filed or distributed in connection with (a) a purchase or sale of securities to which the United States or state securities laws ("Securities Laws") are applicable or (b) periodic reporting obligations under Securities Laws. The Recipient will not contend that any provisions of Securities Laws could invalidate any provision of this agreement.

In further consideration of EY allowing the Recipient access to the Report(s) and the information contained therein, the Recipient agrees that:

1. It does not acquire any rights against EY, and EY does not assume any duties or obligations to the Recipient or otherwise, as a result of such access.
2. It will not rely on the Report(s) or any portion thereof and will make no claim that it has done so.
3. It will make no claim against EY, its partners, employees or affiliates, or other members of the global Ernst & Young network (collectively, the "EY Parties" that relates in any way to the Report(s), any information contained therein, or the Recipient's access to the Report(s).
4. To the fullest extent permitted by applicable law, it will indemnify, defend and hold harmless the EY Parties from and against any claim or expense, including reasonable attorneys' fees, suffered or incurred by any EY Party relating to any breach by the Recipient of any of its representations or agreements contained herein or the use or disclosure of the Report(s) or any portion thereof by anyone who received it directly or indirectly from or at the request of the Recipient.

Very truly yours,

Ernst & Young LLP

Accepted by:

[Addressee]

By: _____

**PALMDALE
WATER DISTRICT
BOARD MEMORANDUM**

DATE: July 21, 2020 **July 27, 2020**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Michael Williams, Finance Manager/CFO
VIA: Mr. Dennis LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.1 – PRESENTATION, CONSIDERATION AND POSSIBLE ACTION ON RECEIVING AND FILING OF 2019 ANNUAL FINANCIAL REPORT. (FINANCE MANAGER WILLIAMS/PAUL KAYMARK, NIGRO & NIGRO)***

Recommendation:

Staff recommends the Board receive and file the annual basic financial statements with independent auditors' report (final draft) for year ended December 31, 2019.

This item will be considered by the Finance Committee at their July 23, 2020 meeting.

Financial Highlights:

- In 2019, the District's net position decreased 0.55%, or \$528,518, from the prior year's net position of \$95,708,297 to \$95,179,779, as a result of this year's operations (page 5).
- In 2019, the District's operating revenues increased by 1.13%, or \$281,570, from \$24,884,078 to \$25,165,648 from the prior year primarily due to a decrease in water sales – commodity charge of (\$478,837) and an increase in the monthly meter service charge of \$673,242 (page 6).
- In 2019, the District's operating expenses before overhead absorption and depreciation expense increased by 2.68%, or \$656,061, from \$24,435,835 to \$25,091,896, from the prior year, primarily due to an increase in administration expenses of \$636,616 and finance and customer care of \$160,836 (page 6).
- District cash flows for the year have been categorized into one of the following activities: operating, noncapital financing, capital and related financing, or investing. For 2019, the total of these categories represents a decrease in cash and cash equivalents of \$5,318,959, which is subtracted from the beginning cash and cash equivalents of \$15,385,854, to arrive at ending cash and cash equivalents of \$10,066,895 (page 14).

Conditions Affecting Current Financial Position:

- The District continued to see a good water usage trend for 2019. The District's customers continue to change their water habits after being required to meet the mandatory drought restrictions back in 2016.

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT

VIA: Mr. Dennis LaMoreaux, General Manager

-2-

July 21, 2020

- Billed water consumption for the year ended December 31, 2019 was at 15,871-acre feet compared to 16,769-acre feet for the year ended December 31, 2018.
- The District's assessed valuation has increased to \$1.91 billion for FY 2018/2019 from \$1.81 billion for FY 2017/2018.
- The District received \$1.783 million in ad valorem property tax revenue for 2019.
- The District received \$724,595 in successor agency component property taxes for 2019.

Strategic Plan Initiative/Mission Statement:

This item is under Strategic Initiative No. 4 – Financial Health and Stability.

This item directly relates to the District's Mission Statement.

Budget:

This item has no budget impact

Supporting Documents:

- Final draft 2019 Annual Financial Report prepared by Nigro & Nigro

**PALMDALE WATER DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Years Ended
December 31, 2019 and 2018**



PALMDALE WATER DISTRICT

For the Years Ended December 31, 2019 and 2018

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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Palmdale Water District
Palmdale, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of Palmdale Water District, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of revenue, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. 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 opinions.

Opinion

In our opinion, the December 31, 2019 and 2018 basic financial statements referred to above present fairly, in all material respects, the financial position of Palmdale Water District as of December 31, 2019 and 2018, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, and schedule of OPEB contributions, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Murrieta, California
June 15, 2020

PALMDALE WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2019 and 2018

Management's Discussion and Analysis (MD&A) offers readers of Palmdale Water District's financial statements a narrative overview of the District's financial activities for the years ended December 31, 2019 and 2018. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- In 2019, the District's net position decreased 0.55% or \$528,518 from the prior year's net position of \$95,708,297 to \$95,179,779, as a result of this year's operations.
- In 2018, the District's net position increased 0.83% or \$790,694 from the prior year's net position of \$94,917,603 to \$95,708,297, as a result of this year's operations due to a change in net position from operations of (\$1,524,354) and a \$2,315,048 prior period adjustment for the implementation of GASB No. 75.
- In 2019, the District's operating revenues increased by 1.13% or \$281,570 from \$24,884,078 to \$25,165,648, from the prior year, primarily due to a decrease in water sales – commodity charge of (\$478,837) and an increase in the monthly meter service charge of \$673,242.
- In 2018, the District's operating revenues increased by 5.03% or \$1,190,983 from \$23,693,095 to \$24,884,078, from the prior year, primarily due to an increase in water sales – commodity charge of \$579,682 and monthly meter service charge of \$584,268.
- In 2019, the District's operating expenses before overhead absorption and depreciation expense increased by 2.68% or \$656,061 from \$24,435,835 to \$25,091,896, from the prior year, primarily due to an increase in administration expenses of \$636,616 and finance and customer care of \$160,836.
- In 2018, the District's operating expenses before overhead absorption and depreciation expense increased by 6.00% or \$1,382,330 from \$23,053,505 to \$24,435,835, from the prior year, primarily due to an increase in operations and production costs of \$520,878 and facilities expense of \$774,671.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's financial statements. The District's basic financial statements reflect the combined results of the Operating and Capital Programs and include four components: (1) Balance Sheet; (2) Statement of Revenues, Expenses, and Changes in Net Position; (3) Statement of Cash Flows; and (4) Notes to the Financial Statements.

The financial statements accompanying this MD&A present the net position, results of operations, and changes in cash flow during the years ending December 31, 2019 and 2018. These financial statements have been prepared using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities. Each financial statement is identified and defined in this section, and analyzed in subsequent sections of this MD&A.

PALMDALE WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2019 and 2018

REQUIRED FINANCIAL STATEMENTS

Balance Sheets

The Balance Sheet presents information on the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other factors such as changes in economic conditions, population growth, zoning, and new or changed legislation or regulations also need to be considered when establishing financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflow of resources, resulting in a net position of \$95,179,779 and \$95,708,297 as of December 31, 2019 and 2018, respectively.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the year. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results of the District's operations for the year and can be used to determine if the District has successfully recovered all of its costs through user fees and other charges. Operating revenues and expenses are related to the District's core activities. Non-operating revenues and expenses are not directly related to the core activities of the District (e.g. interest income, interest expense, property taxes, gain or loss on sale of assets). For the year ended December 31, 2019, net position from operations decreased \$528,518. Also, for the year ended December 31, 2018, net position from operations decreased \$1.5 million along with a gain of \$2.3 million from a prior period adjustment for the implementation of GASB No. 75.

Statement of Cash Flows

The Statement of Cash Flows presents information regarding the District's use of cash during the year. It reports cash receipts, cash payments, and net changes in cash resulting from operations, financing and investing activities. The Statement of Cash Flows provides answers to such questions as: Where did cash come from? What was cash used for? What was the change in the cash balance during the reporting period?

District cash flows for the years have been categorized into one of the following activities: operating, noncapital financing, capital and related financing, or investing. For 2019, the total of these categories represents a decrease in cash and cash equivalents of \$5,318,959, which is subtracted from the beginning cash and cash equivalents of \$15,385,854, to arrive at ending cash and cash equivalents of \$10,066,895. For 2018, the total of these categories represents an increase in cash and cash equivalents of \$11,601,065, which is added to the beginning cash and cash equivalents of \$3,784,789, to arrive at ending cash and cash equivalents of \$15,385,854.

PALMDALE WATER DISTRICT

Management's Discussion and Analysis (Unaudited) For the Years Ended December 31, 2019 and 2018

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Balance Sheets

	Balance, Dec. 31, 2019	Balance, Dec. 31, 2018	Change	Balance, Dec. 31, 2017	Change
Assets:					
Current assets	\$ 20,032,372	\$ 19,590,071	\$ 442,301	\$ 22,153,999	\$ (2,563,928)
Non-current assets	6,324,308	13,374,737	(7,050,429)	1,371,867	12,002,870
Capital assets, net	162,706,256	155,765,727	6,940,529	153,742,324	2,023,403
Total assets	189,062,936	188,730,535	332,401	177,268,190	11,462,345
Deferred outflows of resources	5,101,099	5,530,101	(429,002)	5,158,974	371,127
Total assets and deferred outflows	\$ 194,164,035	\$ 194,260,636	\$ (96,601)	\$ 182,427,164	\$ 11,833,472
Liabilities:					
Current liabilities	9,212,469	8,225,820	986,649	8,077,898	147,922
Non-current liabilities	84,670,431	86,440,682	(1,770,251)	75,438,581	11,002,101
Total liabilities	93,882,900	94,666,502	(783,602)	83,516,479	11,150,023
Deferred inflows of resources	5,101,356	3,885,837	1,215,519	3,993,082	(107,245)
Net position:					
Net investment in capital assets	106,542,240	105,089,394	1,452,846	103,487,203	1,602,191
Restricted	1,958,222	1,668,290	289,932	1,371,867	296,423
Unrestricted	(13,320,683)	(11,049,387)	(2,271,296)	(9,941,467)	(1,107,920)
Total net position	95,179,779	95,708,297	(528,518)	94,917,603	790,694
Total liabilities, deferred inflows and net position	\$ 194,164,035	\$ 194,260,636	\$ (96,601)	\$ 182,427,164	\$ 11,833,472

The condensed statement above presents a summary of the District's statement of net position.

The District's Net Position as of December 31, 2019 totaled \$95,179,779 compared with \$95,708,297 as of December 31, 2018, a decrease of 0.55%.

The District's Net Position as of December 31, 2018 totaled \$95,708,297 compared with \$94,917,603 as of December 31, 2017, an increase of 0.83%.

Net position is accumulated from revenues, expenses, and contributed capital combined with the beginning balance of net position as presented in the Statement of Revenues, Expenses, and Changes in Net Position.

PALMDALE WATER DISTRICT*Management's Discussion and Analysis (Unaudited)**For the Years Ended December 31, 2019 and 2018***FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)****Analysis of Revenues and Expenses****Table A-2: Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	Balance, Dec. 31, 2019	Balance, Dec. 31, 2018	Change	Balance, Dec. 31, 2017	Change
Operating revenues	\$ 25,165,648	\$ 24,884,078	\$ 281,570	\$ 23,693,095	\$ 1,190,983
Operating expenses	(25,091,896)	(24,435,835)	(656,061)	(23,053,505)	(1,382,330)
Operating income before overhead absorption	73,752	448,243	(374,491)	639,590	(191,347)
Overhead absorption	1,049,246	103,353	945,893	46,276	57,077
Operating income before depreciation	1,122,998	551,596	571,402	685,866	(134,270)
Depreciation expense	(5,257,262)	(5,353,052)	95,790	(6,113,751)	760,699
Operating (loss) after depreciation	(4,134,264)	(4,801,456)	667,192	(5,427,885)	626,429
Non-operating revenues (expenses), net	2,972,460	3,122,489	(150,029)	3,195,252	(72,763)
Net loss before capital contributions	(1,161,804)	(1,678,967)	517,163	(2,232,633)	553,666
Capital contributions	633,286	154,613	478,673	1,132,074	(977,461)
Change in net position	(528,518)	(1,524,354)	995,836	(1,100,559)	(423,795)
Net position:					
Beginning of year	95,708,297	94,917,603	790,694	96,018,162	(1,100,559)
Prior period adjustment	-	2,315,048	(2,315,048)	-	2,315,048
End of year	\$ 95,179,779	\$ 95,708,297	\$ (528,518)	\$ 94,917,603	\$ 790,694

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, the District's net position decreased from operations by (\$528,518), (\$1,524,354), and (\$1,100,599), for the years ended December 31, 2019, 2018, and 2017 respectively.

PALMDALE WATER DISTRICT*Management's Discussion and Analysis (Unaudited)**For the Years Ended December 31, 2019 and 2018***FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)****Total Revenues**

	Balance, Dec. 31, 2019	Balance, Dec. 31, 2018	Change	Balance, Dec. 31, 2017	Change
Operating revenues:					
Water sales – commodity charge	\$ 8,583,797	\$ 9,062,634	\$ (478,837)	\$ 8,482,952	\$ 579,682
Water sales – wholesale	524,847	496,975	27,872	438,255	58,720
Monthly meter service charge	13,967,724	13,294,482	673,242	12,710,214	584,268
Water quality fees	760,377	803,306	(42,929)	845,526	(42,220)
Elevation fees	336,093	378,380	(42,287)	365,618	12,762
Other charges for services	992,810	848,301	144,509	850,530	(2,229)
Total operating revenues	25,165,648	24,884,078	281,570	23,693,095	1,190,983
Non-operating:					
Property taxes – ad valorem	1,783,332	2,032,216	(248,884)	1,665,812	366,404
Property tax assessment for State Water Project	4,790,480	4,811,735	(21,255)	5,102,773	(291,038)
Successor agency component of property taxes	724,595	403,992	320,603	623,525	(219,533)
Rental revenue – cellular towers	24,059	44,754	(20,695)	63,716	(18,962)
Investment earnings	451,831	292,316	159,515	56,054	236,262
Change in investment – PRWA	289,932	296,423	(6,491)	96,536	199,887
Legal and insurance refunds/settlements	54,050	132,256	(78,206)	11,812	120,444
Department of Water Resources – FCR	247,469	266,877	(19,408)	266,638	239
Other non-operating revenues	71,953	203,082	(131,129)	84,502	118,580
Total non-operating	8,437,701	8,483,651	(45,950)	7,971,368	512,283
Total revenues	\$ 33,603,349	\$ 33,367,729	\$ 235,620	\$ 31,664,463	\$ 1,703,266

In 2019, the District's operating revenues increased by 1.13% or \$281,570 from \$24,884,078 to \$25,165,648, from the prior year, primarily due to a decrease in water sales – commodity charge of (\$478,837) and an increase in the monthly meter service charge of \$673,242.

In 2018, the District's operating revenues increased by 5.03% or \$1,190,983 from \$23,693,095 to \$24,884,078, from the prior year, primarily due to an increase in water sales – commodity charge of \$579,682 and monthly meter service charge of \$584,268.

PALMDALE WATER DISTRICT*Management's Discussion and Analysis (Unaudited)**For the Years Ended December 31, 2019 and 2018***FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)****Total Expenses**

	Balance, Dec. 31, 2019	Balance, Dec. 31, 2018	Change	Balance, Dec. 31, 2017	Change
Operating expenses:					
Source of supply – water purchases	\$ 2,579,380	\$ 2,799,849	\$ (220,469)	\$ 3,090,801	\$ (290,952)
Operations and production	3,671,450	3,698,309	(26,859)	3,177,431	520,878
Facilities	7,249,738	7,355,368	(105,630)	6,580,697	774,671
Engineering	1,985,475	1,897,684	87,791	1,632,692	264,992
Water conservation	480,690	356,914	123,776	343,007	13,907
Administration	6,088,222	5,439,214	649,008	5,280,134	159,080
Finance and customer care	3,036,941	2,888,497	148,444	2,948,743	(60,246)
Operating expenses before overhead absorption	25,091,896	24,435,835	656,061	23,053,505	1,382,330
Overhead absorption	(1,049,246)	(103,353)	(945,893)	(46,276)	(57,077)
Operating expenses before depreciation	24,042,650	24,332,482	(289,832)	23,007,229	1,325,253
Depreciation	5,257,262	5,353,052	(95,790)	6,113,751	(760,699)
Total operating expenses	29,299,912	29,685,534	(385,622)	29,120,980	564,554
Non-operating expenses:					
Cost of debt issuance	-	308,867	(308,867)	-	308,867
State Water Project amortization expense	2,854,227	2,646,401	207,826	2,600,856	45,545
Interest expense – long-term debt	2,611,014	2,405,894	205,120	2,175,260	230,634
Total non-operating	5,465,241	5,361,162	104,079	4,776,116	585,046
Total expenses	\$ 34,765,153	\$ 35,046,696	\$ (281,543)	\$ 33,897,096	\$ 1,149,600

In 2019, the District's operating expenses before overhead absorption and depreciation expense increased by 2.68% or \$656,061 from \$24,435,835 to \$25,091,896, from the prior year, primarily due to an increase in administration expenses of \$636,616 and finance and customer care of \$160,836.

In 2018, the District's operating expenses before overhead absorption and depreciation expense increased by 6.00% or \$1,382,330 from \$23,053,505 to \$24,435,835, from the prior year, primarily due to an increase in operations and production costs of \$520,878 and facilities expense of \$774,671.

PALMDALE WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2019 and 2018

CAPITAL ASSETS

At the end of 2019, 2018 and 2017, the District's investment in capital assets was \$162,706,256, \$155,765,727, and \$153,742,324 net of accumulated depreciation respectively. Capital asset additions during the years ended December 31, 2019 and 2018 were \$10,815,897 and \$5,424,247, for various projects and equipment. (More detailed information about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year exceeded \$5.2 million and \$5.3 million as of December 31, 2019 and 2018, respectively.

Table A-5: Capital Assets at Year End, Net of Depreciation

	Balance, Dec. 31, 2019	Balance, Dec. 31, 2018	Balance, Dec. 31, 2017
Capital assets:			
Non-depreciable assets	\$ 20,107,192	\$ 12,562,526	\$ 7,996,662
Depreciable assets	315,711,756	308,204,404	302,972,181
Accumulated depreciation	<u>(173,112,692)</u>	<u>(165,001,203)</u>	<u>(157,226,519)</u>
Total capital assets, net	<u>\$ 162,706,256</u>	<u>\$ 155,765,727</u>	<u>\$ 153,742,324</u>

LONG-TERM DEBT

At year-end the District had \$62.5 million in capital leases, loan payables, and revenue bonds payables – an increase(decrease) of (\$2,009,370) and \$11,970,967 in 2019 and 2018 respectively – as shown in Table A-6. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-6: Outstanding Long-Term Debt at Year-End

	Balance, Dec. 31, 2019	Balance, Dec. 31, 2018	Balance, Dec. 31, 2017
Long-term debt:			
Capital leases payable	\$ 429,317	\$ 592,917	\$ 769,848
Loan payable – 2012	5,128,609	6,315,204	7,462,288
Revenue bonds payable, net – 2013	43,110,553	43,732,681	44,344,809
Revenue bonds payable, net – 2018	<u>13,870,063</u>	<u>13,907,110</u>	<u>-</u>
Total	<u>\$ 62,538,542</u>	<u>\$ 64,547,912</u>	<u>\$ 52,576,945</u>

PALMDALE WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2019 and 2018

CONDITIONS AFFECTING CURRENT FINANCIAL POSITION

- The District continued to see a good water usage trend for 2019. The District's customers continue to change their water habits after being required to meet the mandatory drought restrictions back in 2016.
- Billed water consumption for the year ended December 31, 2019 was at 15,871-acre feet compared to 16,769-acre feet for the year ended December 31, 2018.
- The District's assessed valuation has increased to \$1.91 billion for FY 2018/2019 from \$1.81 billion for FY 2017/2018.
- The District received \$1.783 million in ad valorem property tax revenue for 2019.
- The District received \$724,595 in successor agency component property taxes for 2019.

OTHER FACTORS AFFECTING THE DISTRICT'S FUTURE FINANCIAL POSITION

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the District's operations and investment earnings for the remainder of calendar year 2020 and beyond. However, the potential impact to the District is unknown at this time.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's ratepayer, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives and the stewardship of the facilities it owns and operates. If you have questions about this report or need additional information, please contact Palmdale Water District, Finance Department, 2029 East Avenue Q, Palmdale, California 93550 or (661) 947-4111.

PALMDALE WATER DISTRICT*Balance Sheets**December 31, 2019 and 2018*

ASSETS	2019	2018
Current assets:		
Cash and cash equivalents (Note 2)	\$ 5,700,809	\$ 3,679,407
Investments (Note 2)	6,720,309	8,105,601
Accrued interest receivable	36,583	34,079
Accounts receivable – water sales and services, net (Note 3)	1,701,748	1,783,819
Accounts receivable – property taxes and assessments	4,254,544	4,353,483
Accounts receivable – other	11,502	15,227
Materials and supplies inventory	1,020,587	1,022,601
Prepaid expenses	586,290	595,854
Total current assets	20,032,372	19,590,071
Non-current assets:		
Restricted – cash and cash equivalents (Note 2)	4,366,086	11,706,447
Investment in Palmdale Recycled Water Authority (Note 4)	1,958,222	1,668,290
Capital assets – not being depreciated (Note 5)	20,107,192	12,562,526
Capital assets – being depreciated, net (Note 5)	142,599,064	143,203,201
Total non-current assets	169,030,564	169,140,464
Total assets	189,062,936	188,730,535
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt defeasance, net (Note 7)	2,008,440	2,165,132
Deferred amounts related to net OPEB obligation (Note 8)	860,122	923,382
Deferred amounts related to net pension liability (Note 9)	2,232,537	2,441,587
Total deferred outflows of resources	5,101,099	5,530,101
Total assets and deferred outflows of resources	\$ 194,164,035	\$ 194,260,636

PALMDALE WATER DISTRICT*Balance Sheets (continued)**December 31, 2019 and 2018*

LIABILITIES	2019	2018
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,494,954	\$ 1,007,528
Customer deposits for water service	3,391,698	2,942,630
Construction and developer deposits	1,628,415	1,638,385
Accrued interest payable	635,529	648,625
Long-term liabilities – due within one year:		
Compensated absences (Note 6)	134,111	118,457
Capital lease payable (Note 7)	168,179	163,600
Loan payable (Note 7)	1,224,583	1,186,595
Revenue bonds payable (Note 7)	535,000	520,000
Total current liabilities	9,212,469	8,225,820
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 6)	402,332	355,371
Capital lease payable (Note 7)	261,138	429,317
Loan payable (Note 7)	3,904,026	5,128,609
Revenue bonds payable, net (Note 7)	56,445,616	57,119,791
Net other post-employment benefits obligation (Note 8)	12,965,981	13,598,136
Net pension liability (Note 9)	10,691,338	9,809,458
Total non-current liabilities	84,670,431	86,440,682
Total liabilities	93,882,900	94,666,502
DEFERRED INFLOWS OF RESOURCES		
Unearned property taxes and assessments	3,300,000	3,300,000
Deferred amounts related to net OPEB obligation (Note 8)	1,187,572	-
Deferred amounts related to net pension liability (Note 9)	613,784	585,837
Total deferred inflows of resources	5,101,356	3,885,837
NET POSITION		
Net investment in capital assets (Note 10)	106,542,240	105,089,394
Restricted – Palmdale Recycled Water Authority (Note 4)	1,958,222	1,668,290
Unrestricted (Deficit) (Note 11)	(13,320,683)	(11,049,387)
Total net position	95,179,779	95,708,297
Total liabilities, deferred inflows of resources and net position	\$ 194,164,035	\$ 194,260,636

PALMDALE WATER DISTRICT*Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2019 and 2018*

	2019	2018
Operating revenues:		
Water sales – commodity charge	\$ 8,583,797	\$ 9,062,634
Water sales – wholesale	524,847	496,975
Monthly meter service charge	13,967,724	13,294,482
Water quality fees	760,377	803,306
Elevation fees	336,093	378,380
Other charges for services	992,810	848,301
Total operating revenues	25,165,648	24,884,078
Operating expenses:		
Source of supply – water purchases	2,579,380	2,799,849
Operations and production	3,671,450	3,698,309
Facilities	7,249,738	7,355,368
Engineering	1,985,475	1,897,684
Water conservation	480,690	356,914
Administration	6,088,222	5,439,214
Finance and customer care	3,036,941	2,888,497
Total operating expenses	25,091,896	24,435,835
Operating income before overhead absorption	73,752	448,243
Overhead absorption	1,049,246	103,353
Operating income before depreciation expense	1,122,998	551,596
Depreciation expense	(5,257,262)	(5,353,052)
Operating (loss)	(4,134,264)	(4,801,456)
Non-operating revenues(expenses):		
Property taxes – ad valorem	1,783,332	2,032,216
Property tax assessment for State Water Project	4,790,480	4,811,735
Successor agency component of property taxes	724,595	403,992
Rental revenue – cellular towers	24,059	44,754
Investment earnings	451,831	292,316
Changes in investment – Palmdale Recycled Water Authority (Note 4)	289,932	296,423
Legal and insurance refunds/settlements	54,050	132,256
Department of Water Resources – fixed charge recovery	247,469	266,877
Other non-operating revenues	71,953	203,082
Cost of debt issuance (Note 7)	-	(308,867)
State Water Project amortization expense	(2,854,227)	(2,646,401)
Interest expense – long-term debt	(2,611,014)	(2,405,894)
Total non-operating revenue(expense), net	2,972,460	3,122,489
Net (loss) before capital contributions	(1,161,804)	(1,678,967)
Capital contributions:		
Capital improvement fees	624,101	106,947
Federal and state capital grants	9,185	47,666
Total capital contributions	633,286	154,613
Change in net position	(528,518)	(1,524,354)
Net position:		
Beginning of year, as previously reported	95,708,297	94,917,603
Prior period adjustment (Note 12)	-	2,315,048
End of year	\$ 95,179,779	\$ 95,708,297

The notes to financial statements are an integral part of this statement.

PALMDALE WATER DISTRICT*Statements of Cash Flows**For the Years Ended December 31, 2019 and 2018*

	2019	2018
Cash flows from operating activities:		
Cash receipts from water sales and services	\$ 25,686,817	\$ 24,942,148
Cash receipts from others	401,256	650,250
Cash paid to employees for salaries and wages	(8,413,708)	(7,462,928)
Cash paid to vendors and suppliers for materials and services	<u>(14,379,015)</u>	<u>(16,362,605)</u>
Net cash provided by operating activities	3,295,350	1,766,865
Cash flows from non-capital financing activities:		
Proceeds from property taxes	2,606,866	2,511,489
Proceeds from property tax assessment for State Water Project	4,790,480	4,811,735
Acquisition of State Water Project participation rights	<u>(4,236,121)</u>	<u>(4,598,609)</u>
Net cash provided by non-capital financing activities	3,161,225	2,724,615
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(10,815,897)	(5,424,247)
Proceeds from capital improvement fees and capital grants	633,286	154,613
Proceeds from issuance of revenue bonds	-	13,925,632
Cost of debt issuance	-	(308,867)
Principal paid on long-term debt	(1,870,195)	(1,816,229)
Interest paid on long-term debt	<u>(2,484,935)</u>	<u>(2,153,773)</u>
Net cash provided by (used in) capital and related financing activities	(14,537,741)	4,377,129
Cash flows from investing activities:		
Purchase of investments	(5,389,480)	(2,154,751)
Sales of investments	7,787,908	4,588,458
Investment earnings	<u>363,779</u>	<u>298,749</u>
Net cash provided by (used in) investing activities	2,762,207	2,732,456
Net increase (decrease) in cash and cash equivalents	(5,318,959)	11,601,065
Cash and cash equivalents:		
Beginning of year	<u>15,385,854</u>	<u>3,784,789</u>
End of year	<u><u>\$ 10,066,895</u></u>	<u><u>\$ 15,385,854</u></u>

PALMDALE WATER DISTRICT*Statements of Cash Flows (continued)**For the Years Ended December 31, 2019 and 2018*

	<u>2019</u>	<u>2018</u>
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating (loss)	<u>\$ (4,134,264)</u>	<u>\$ (4,801,456)</u>
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	5,257,262	5,353,052
Overhead absorption	(1,049,246)	(103,353)
Rental revenue – cellular towers	24,059	44,754
Legal and insurance refunds/settlements	54,050	132,256
Department of Water Resources – fixed charge recovery	247,469	266,877
Other non-operating revenues	71,953	203,082
Change in assets – (increase)decrease:		
Accounts receivable – water sales and services, net	82,071	(24,610)
Accounts receivable – other	3,725	3,281
Materials and supplies inventory	2,014	(207,506)
Prepaid expenses	9,564	(28,041)
Change in deferred outflows of resources – (increase)decrease		
Deferred amounts related to net OPEB obligation	63,260	(923,382)
Deferred amounts related to net pension liability	209,050	395,563
Change in liabilities – increase(decrease):		
Accounts payable and accrued expenses	487,426	(129,434)
Customer deposits for water service	449,068	70,111
Construction and developer deposits	(9,970)	12,569
Compensated absences	62,615	40,796
Net other post-employment benefits obligation	(632,155)	1,641,754
Net pension liability	881,880	(272,203)
Change in deferred inflows of resources – increase(decrease)		
Deferred amounts related to net OPEB obligation	1,187,572	-
Deferred amounts related to net pension liability	<u>27,947</u>	<u>92,755</u>
Total adjustments	<u>7,429,614</u>	<u>6,568,321</u>
Net cash provided by operating activities	<u><u>\$ 3,295,350</u></u>	<u><u>\$ 1,766,865</u></u>

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The Palmdale Water District (District) was formed as an Irrigation District under Division 11 of the California Water Code in 1918. The District provides potable water service to a portion of the City of Palmdale, California, and surrounding unincorporated areas of the County of Los Angeles. The District is operated under the direction of a five-member board of directors. The board members are elected by the public for staggered four-year terms.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity* (GASB Statement No. 61). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The Palmdale Water District Public Facilities Corporation (Corporation) was organized on August 22, 1991, pursuant to the Nonprofit Public Benefit Corporation Law of the State of California, solely for the purpose of acquiring and or constructing various public facilities and providing financial assistance to the District. Accordingly, this component unit is blended within the financial statements of the District.

The Palmdale Water District Public Financing Authority (Authority) was organized on April 10, 2013, pursuant to a Joint Exercise of Powers Agreement by and between the Palmdale Water District and the California Municipal Finance Authority, solely for the purpose of providing financing for District capital improvements. Accordingly, this component unit is blended within the financial statements of the District.

C. Basis of Presentation, Basis of Accounting

The Financial Statements (i.e., the balance sheet, the statement of revenues, expenses and change in net position, and statement of cash flows) report information on all of the activities of the primary government. The District accounts for its 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 Financial Statements are reported using the “*economic resources*” measurement focus and 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. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as *operating income* in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

3. Allowance for Doubtful Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

4. Prepaids

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Materials and Supplies Inventory

Materials and supplies consist primarily of water meters, pipe, and pipefittings for construction and repair to the District's water transmission and distribution system. Materials and supplies are valued at cost using a weighted average method. Materials and supplies are charged to expense at the time that individual items are consumed.

6. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. Estimated service lives for the District's classes of assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Capital Equipment	10 Years
Furniture	7-10 Years
Vehicles	5-10 Years
Small Equipment	3-5 Years

7. State Water Project – Participation Rights

The District participates in the State Water Project (the Project) entitling it to certain participation rights. The District's participation in the Project is through payments to the California Department of Water Resources from tax assessments collected from within the District's service area. Monies used for the construction of capital assets, such as pipelines, pumping facilities, storage facilities, etc., are recorded as participation rights and amortized over the life of the agreements. Certain projects also require payments for on-going maintenance; those payments are charged to expense as incurred.

8. Customer Deposits for Water Service

Based on a customer's credit, the District may require a deposit deemed reasonable by the District. These deposits are held to pay off close out bills or to cover delinquent payments.

9. Compensated Absences

The liability for compensated absences reported on the balance sheet consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

10. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at the CalPERS's website.

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

CalPERS	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018	July 1, 2016 to June 30, 2017

11. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Other Post-Employment Retiree Benefits Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

OPEB	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018	July 1, 2016 to June 30, 2017

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

12. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".
When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Property Taxes

Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent of county-wide assessed valuations. This one percent is allocated pursuant to state law to the appropriate units of local government. Tax levies are limited to 1% of full market value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. The County of Los Angeles bills and collects property taxes on behalf of the District. The County's tax year is July 1, to December 31. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and March 1, and become delinquent after December 10, and April 10.

F. Water Sales

Most water sales are billed on a monthly cyclical basis. Estimated unbilled water revenue through year-end has been accrued.

G. Capital Improvement Fees

Capital improvement fees represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that required capital expenditures or capacity commitment.

H. 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 expenditures during the reported period. Actual results could differ from those estimates.

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2019 and 2018***NOTE 2 – CASH AND INVESTMENTS**

Cash and investments were classified in the accompanying financial statements as follows:

Description	Balance, Dec. 31, 2019	Balance, Dec. 31, 2018
Cash and cash equivalents	\$ 5,700,809	\$ 3,679,407
Investments	6,720,309	8,105,601
Restricted – cash and cash equivalents	4,366,086	11,706,447
Total	\$ 16,787,204	\$ 23,491,455

Cash and investments consisted of the following:

Description	Balance, Dec. 31, 2019	Balance, Dec. 31, 2018
Cash on hand	\$ 5,700	\$ 5,700
Demand deposits held with financial institutions	1,080,727	764,750
Local Agency Investment Fund (LAIF)	12,434	12,130
Money-market funds	4,601,948	2,896,827
Money-market funds – restricted	4,366,086	11,706,447
Investments	6,720,309	8,105,601
Total	\$ 16,787,204	\$ 23,491,455

The table below identifies the investment types that are authorized by the California Government Code and the District's investment policy. The table also identifies certain provisions of the District's investment policy that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5-years	None	None
District issued bonds	5-years	None	None
Government sponsored agency securities	5-years	None	None
Certificates-of-deposit	5-years	35%	None
Money-market funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Investment contracts	None	None	None
Money-market funds	N/A	None	None

Demand Deposits with Financial Institutions

At December 31, 2019 and 2018, the carrying amount of the District's demand deposits were \$1,080,727 and \$764,750, respectively, and the financial institution's balance were 1,125,611 and \$742,338, respectively. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depositary Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Money-Market Funds

Money-market funds are an investment whose objective is to earn modest investment earnings while maintaining a net asset value (NAV) of \$1 per share (which is the funds main goal – preservation of principal). A money-market fund's portfolio is typically comprised of short-term, or less than one year, securities representing high-quality, liquid debt and monetary instruments with minimal credit risk. Money-market funds are Level 1 investments (with quoted prices in active markets for identical assets) that are Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers money-market funds a cash equivalent due to their highly liquid nature and NAV of \$1 per share. As of December 31, 2019, the District held \$4,601,948 in unrestricted money-market funds and \$4,366,086 in restricted money-market funds. As of December 31, 2018, the District held \$2,896,827 in unrestricted money-market funds and \$11,706,447 in restricted money-market funds.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of December 31, 2019, and 2018, the District held \$12,434 and \$12,130 in LAIF, respectively.

The investment policy of the District limits the amount that can be invested in an external investment pool (LAIF). A maximum limit has been set at \$500,000 that can be invested in LAIF at any point in time.

Investments

Investment maturities and credit ratings as of December 31, 2019, consisted of the following:

Type of Investments	Measurement Input	Credit Rating	Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. Treasury notes	Level 1	Exempt	\$ 3,191,370	\$ 1,750,473	\$ 1,440,897	\$ -
Certificates-of-deposit	Level 1	Not Rated	3,528,939	2,879,967	648,972	-
Total investments			\$ 6,720,309	\$ 4,630,440	\$ 2,089,869	\$ -

Investment maturities and credit ratings as of December 31, 2018, consisted of the following:

Type of Investments	Measurement Input	Credit Rating	Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. Treasury notes	Level 1	Exempt	\$ 4,846,128	\$ 4,846,128	\$ -	\$ -
Certificates-of-deposit	Level 1	Not Rated	3,259,473	2,314,095	784,714	160,664
Total investments			\$ 8,105,601	\$ 7,160,223	\$ 784,714	\$ 160,664

Investments – Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed five-years. The District's did not hold any investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments – Credit Risk

The District's investment policy limits investment choices to investment securities allowed by the California Government Code. At December 31, 2019 and 2018, all investments represented investment securities which were issued, registered and held by the District's agent in the District's name.

Investments – Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At December 31, 2019 and 2018, the District had the following investments that represented more than five percent of the Authority's net investment balance.

Investments greater than 5% for the year ended December 31, 2019, were as follows:

<u>Investments with Maturity Dates</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>
U.S. Treasury note - January 31, 2020	\$ 1,750,473	26.05%
U.S. Treasury note - March 31, 2021	1,440,897	21.44%
Total	<u>\$ 3,191,370</u>	<u>47.49%</u>

Investments greater than 5% for the year ended December 31, 2018, were as follows:

<u>Investments with Maturity Dates</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>
U.S. Treasury note - February 15, 2019	\$ 1,500,630	22.33%
U.S. Treasury note - February 28, 2019	998,570	14.86%
U.S. Treasury note - March 15, 2019	1,354,198	20.15%
U.S. Treasury note - December 31, 2019	992,730	14.77%
Total	<u>\$ 4,846,128</u>	<u>59.79%</u>

NOTE 3 – ACCOUNTS RECEIVABLE – WATER SALES AND SERVICES, NET

The balances consisted of the following;

<u>Description</u>	<u>Balance, Dec. 31, 2019</u>	<u>Balance, Dec. 31, 2018</u>
Accounts receivable – water sales and services	\$ 1,737,718	\$ 1,847,954
Allowance for doubtful accounts	<u>(35,570)</u>	<u>(64,135)</u>
Accounts receivable – water sales and services, net	<u>\$ 1,702,148</u>	<u>\$ 1,783,819</u>

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 4 – INVESTMENT IN PALMDALE RECYCLED WATER AUTHORITY

The Palmdale Recycled Water Authority (the Authority) was formed under a Joint Exercise of Powers Authority on September 26, 2012, pursuant to Section(s) 6506 and 6507 of the Exercise of Powers Act, codified by California Government Code section(s) 6500, which 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 (the City) and Palmdale Water District, an Irrigation District under Division 11 of the California Water Code (the District). The Authority is an independent public agency separate from its 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.

The governing body of the Authority is a Board of Directors, which consists of five directors. The governing body of each Member appoints and designates in writing two Directors who are authorized to act for and on behalf of the Member on matters within the powers of the Authority. The person(s) appointed and designated as Director(s) are member(s) of the Member's governing board. The fifth director is appointed jointly by both Members.

The Members share in the revenues and expenses of the Authority on a 50/50 pro-rata share basis. Therefore, the District accounts for its investment in the Authority as an equity interest on the statement of net position.

For 2019, the District reports its equity interest as of the date of the last audited financial statements of the Authority as of December 31, 2019, which was audited by our firm, whose report dated June 15, 2020 expressed an unmodified opinion on those financial statements.

For 2018, the District reports its equity interest as of the date of the last audited financial statements of the Authority as of December 31, 2018, which was audited by other auditors, whose report dated June 25, 2019 expressed an unmodified opinion on those financial statements.

PALMDALE WATER DISTRICT
Notes to Financial Statements
December 31, 2019 and 2018

NOTE 4 – INVESTMENT IN PALMDALE RECYCLED WATER AUTHORITY (continued)

The following is the condensed financial statement of the Authority for the year ended December 31, 2019:

Palmdale Recycled Water Authority
Condensed Balance Sheet
December 31, 2019

	Audited Total	City of Palmdale 50% Share	District 50% Share
Assets:			
Total assets	<u>\$ 3,929,426</u>	<u>\$ 1,964,713</u>	<u>\$ 1,964,713</u>
Liabilities:			
Total liabilities	<u>12,982</u>	<u>6,491</u>	<u>6,491</u>
Net position:			
Total net position	<u>3,916,444</u>	<u>1,958,222</u>	<u>1,958,222</u>
Total liabilities and net position	<u>\$ 3,929,426</u>	<u>\$ 1,964,713</u>	<u>\$ 1,964,713</u>

Palmdale Recycled Water Authority
Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2019

	Audited Total	City of Palmdale 50% Share	District 50% Share
Operating revenues:			
Total operating revenues	<u>\$ 652,911</u>	<u>\$ 326,456</u>	<u>\$ 326,455</u>
Operating expenses:			
Total operating expenses	<u>99,948</u>	<u>49,974</u>	<u>49,974</u>
Operating income	<u>552,963</u>	<u>276,482</u>	<u>276,481</u>
Non-operating revenues:			
Total non-operating revenue	<u>26,902</u>	<u>13,451</u>	<u>13,451</u>
Change in net position	<u>579,865</u>	<u>289,933</u>	<u>289,932</u>
Net position:			
Beginning of year	<u>3,336,579</u>	<u>1,668,289</u>	<u>1,668,290</u>
End of year	<u>\$ 3,916,444</u>	<u>\$ 1,958,222</u>	<u>\$ 1,958,222</u>

Palmdale Recycled Water Authority
Condensed Statement of Cash Flows
For the Year Ended December 31, 2019

	Audited Total	City of Palmdale 50% Share	District 50% Share
Cash flows from operating activities:			
Net cash provided by operating activities	<u>\$ 589,994</u>	<u>\$ 294,997</u>	<u>\$ 294,997</u>
Cash flows from investing activities:			
Net cash used in investing activities	<u>(691,658)</u>	<u>(345,829)</u>	<u>(345,829)</u>
Net decrease in cash and cash equivalents	<u>(101,664)</u>	<u>(50,832)</u>	<u>(50,832)</u>
Cash and cash equivalents:			
Beginning of year	<u>656,770</u>	<u>328,385</u>	<u>328,385</u>
End of year	<u>\$ 555,106</u>	<u>\$ 277,553</u>	<u>\$ 277,553</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 552,963	\$ 276,481	\$ 276,482
Depreciation	53,407	26,704	26,703
Change in assets	(623)	(312)	(311)
Change in liabilities	<u>(15,753)</u>	<u>(7,876)</u>	<u>(7,877)</u>
Net cash provided by operating activities	<u>\$ 589,994</u>	<u>\$ 294,997</u>	<u>\$ 294,997</u>

PALMDALE WATER DISTRICT
Notes to Financial Statements
December 31, 2019 and 2018

NOTE 4 – INVESTMENT IN PALMDALE RECYCLED WATER AUTHORITY (continued)

The following is the condensed financial statement of the Authority for the year ended December 31, 2018:

Palmdale Recycled Water Authority
Condensed Balance Sheet
December 31, 2018

	Audited Total	City of Palmdale 50% Share	District 50% Share
Assets:			
Total assets	<u>\$ 3,365,314</u>	<u>\$ 1,682,657</u>	<u>\$ 1,682,657</u>
Liabilities:			
Total liabilities	<u>28,735</u>	<u>14,368</u>	<u>14,367</u>
Net position:			
Total net position	<u>3,336,579</u>	<u>1,668,289</u>	<u>1,668,290</u>
Total liabilities and net position	<u>\$ 3,365,314</u>	<u>\$ 1,682,657</u>	<u>\$ 1,682,657</u>

Palmdale Recycled Water Authority
Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018

	Audited Total	City of Palmdale 50% Share	District 50% Share
Operating revenues:			
Total operating revenues	<u>\$ 675,963</u>	<u>\$ 337,981</u>	<u>\$ 337,982</u>
Operating expenses:			
Total operating expenses	<u>87,662</u>	<u>43,831</u>	<u>43,831</u>
Operating income	<u>588,301</u>	<u>294,150</u>	<u>294,151</u>
Non-operating revenues:			
Total non-operating revenue	<u>4,543</u>	<u>2,271</u>	<u>2,272</u>
Change in net position	<u>592,844</u>	<u>296,421</u>	<u>296,423</u>
Net position:			
Beginning of year	<u>2,743,735</u>	<u>1,371,868</u>	<u>1,371,867</u>
End of year	<u>\$ 3,336,579</u>	<u>\$ 1,668,289</u>	<u>\$ 1,668,290</u>

Palmdale Recycled Water Authority
Condensed Statement of Cash Flows
For the Year Ended December 31, 2018

	Audited Total	City of Palmdale 50% Share	District 50% Share
Cash flows from operating activities:			
Net cash provided by operating activities	<u>\$ 623,946</u>	<u>\$ 311,973</u>	<u>\$ 311,973</u>
Cash flows from investing activities:			
Net cash used in investing activities	<u>(893,983)</u>	<u>(446,992)</u>	<u>(446,991)</u>
Net decrease in cash and cash equivalents	<u>(270,037)</u>	<u>(135,019)</u>	<u>(135,018)</u>
Cash and cash equivalents:			
Beginning of year	<u>926,807</u>	<u>463,404</u>	<u>463,403</u>
End of year	<u>\$ 656,770</u>	<u>\$ 328,385</u>	<u>\$ 328,385</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 588,301	\$ 294,151	\$ 294,150
Depreciation	53,407	26,704	26,703
Change in assets	(4,365)	(2,183)	(2,182)
Change in liabilities	<u>(13,397)</u>	<u>(6,699)</u>	<u>(6,698)</u>
Net cash provided by operating activities	<u>\$ 623,946</u>	<u>\$ 311,973</u>	<u>\$ 311,973</u>

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2019 and 2018***NOTE 5 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended December 31, 2019, was as follows:

Description	Balance, Jan. 1, 2019	Additions	Deletions/ Transfers	Balance, Dec. 31, 2019
Non-depreciable assets:				
Land and land rights	\$ 1,784,357	\$ 12,010	\$ -	\$ 1,796,367
Construction-in-process	10,778,169	10,812,279	(3,279,623)	18,310,825
Total non-depreciable assets	12,562,526	10,824,289	(3,279,623)	20,107,192
Depreciable assets:				
Buildings, wells and distribution system	216,116,423	3,254,765	-	219,371,188
SWP – participation rights	80,580,387	4,236,121	-	84,816,508
Machinery and equipment	11,507,594	16,466	-	11,524,060
Total depreciable assets	308,204,404	7,507,352	-	315,711,756
Accumulated depreciation:				
Buildings, wells and distribution system	(122,677,431)	(4,894,522)	-	(127,571,953)
SWP – participation rights	(31,765,546)	(2,854,227)	-	(34,619,773)
Machinery and equipment	(10,558,226)	(362,740)	-	(10,920,966)
Total accumulated depreciation	(165,001,203)	(8,111,489)	-	(173,112,692)
Total depreciable assets, net	143,203,201	(604,137)	-	142,599,064
Total capital assets, net	\$ 155,765,727	\$ 10,220,152	\$ (3,279,623)	\$ 162,706,256

Capital asset activity for the year ended December 31, 2018, was as follows:

Description	Balance, Jan. 1, 2018	Additions	Deletions/ Transfers	Balance, Dec. 31, 2018
Non-depreciable assets:				
Land and land rights	\$ 1,784,357	\$ -	\$ -	\$ 1,784,357
Construction-in-process	6,212,305	5,383,101	(817,237)	10,778,169
Total non-depreciable assets	7,996,662	5,383,101	(817,237)	12,562,526
Depreciable assets:				
Buildings, wells and distribution system	215,384,643	731,780	-	216,116,423
SWP – participation rights	75,981,778	4,598,609	-	80,580,387
Machinery and equipment	11,605,760	126,603	(224,769)	11,507,594
Total depreciable assets	302,972,181	5,456,992	(224,769)	308,204,404
Accumulated depreciation:				
Buildings, wells and distribution system	(117,820,520)	(4,856,911)	-	(122,677,431)
SWP – participation rights	(29,119,145)	(2,646,401)	-	(31,765,546)
Machinery and equipment	(10,286,854)	(496,141)	224,769	(10,558,226)
Total accumulated depreciation	(157,226,519)	(7,999,453)	224,769	(165,001,203)
Total depreciable assets, net	145,745,662	(2,542,461)	-	143,203,201
Total capital assets, net	\$ 153,742,324	\$ 2,840,640	\$ (817,237)	\$ 155,765,727

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION (continued)

Construction-In-Process

The balance consists of the following projects:

Project Description	Balance Dec. 31, 2017	Balance Dec. 31, 2018	Balance Dec. 31, 2019
Sediment removal - Littlerock Dam	\$ 2,222,266	\$ 3,026,034	\$ 4,149,560
Littlerock Creek Groundwater Recharge Project	3,074,489	3,636,800	3,840,670
Grade control structure – Littlerock Dam	-	1,726,769	8,789,902
Meter Exchange Project	-	487,830	-
Spec 1703-ML Replacement 13th St E/Avenue R	-	229,174	-
Upper Armagosa Creek project	136,561	156,776	382,402
45th St Tank Site - Altitude Valve Replacement	-	123,584	123,584
Salt Silo Water Treatment Plant	-	106,679	-
Well 29 - Rehabilitation	-	105,783	-
Clearwell - Booster #2 Replacement	119,224	-	-
Various other minor projects <\$100,000	659,765	1,178,740	1,024,707
Total construction-in-process	<u>\$ 6,212,305</u>	<u>\$ 10,778,169</u>	<u>\$ 18,310,825</u>

State Water Project – Participation Rights

In 1963, the District contracted with the State of California (the State) for 1,620 acre-feet per year of water from the State Water Project (SWP). In subsequent years, the annual entitlement increased to 21,300 acre-feet. The SWP distributes water from Northern California to Southern California through a system of reservoirs, canals, pumps stations, and power generation facilities.

The District is one of many participants contracting with the State of California Department of Water Resources (DWR) for a system to provide water throughout California. Under the terms of the State Water Contract, as amended, the District is obligated to pay allocable portions of the cost of construction of the system and ongoing operations and maintenance costs through at least the year 2035, regardless of the quantities of water available from the project. The District and the other contractors may also be responsible to the State for certain obligations by any contractor who defaults on its payments to the State.

Management's present intention is to exercise the District's option to extend the contractual period to at least 2052, under substantially comparable terms. This corresponds to an estimated 80-year service life for the original facilities. The State is obligated to provide specific quantities of water throughout the life of the contract, subject to certain conditions.

In addition to system on-aqueduct power facilities, the State has, either on their own or through joint ventures financed certain off-aqueduct power facilities (OAPF). The power generated is utilized by the system for water transportation and distribution purposes. Power generated in excess of system needs is marked to various utilities and California's power market.

The District is entitled to a proportionate share of the revenues resulting from sales of excess power. The District and the other water providers are responsible for repaying the capital and operating costs of the OAPF regardless of the amount of power generated.

The District capitalizes its share of system construction costs as participation rights in the State water facilities when such costs are billed by the DWR. Unamortized participation rights essentially represent a prepayment for future water deliveries through the State system. The District's share of system operations and maintenance costs is charged to expenses as incurred.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION (continued)

The District amortizes a portion of capitalized participation rights each year using a formula that considers the total estimated cost of the project, estimated useful life and estimated production capacity of the assets based upon information provided by the State of California. The participation rights have been included with the District's capital assets as shown in the schedule of changes in capital assets.

NOTE 6 – COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended December 31, 2019, were as follows:

Balance, Jan. 1, 2019	Additions	Deletions	Balance, Dec. 31, 2019	Due Within One Year	Due in More Than One Year
\$ 473,828	\$ 662,722	\$ (600,107)	\$ 536,443	\$ 134,111	\$ 402,332

Summary changes to compensated absences balances for the year ended December 31, 2018, were as follows:

Balance, Jan. 1, 2018	Additions	Deletions	Balance, Dec. 31, 2018	Due Within One Year	Due in More Than One Year
\$ 433,032	\$ 578,137	\$ (537,341)	\$ 473,828	\$ 118,457	\$ 355,371

NOTE 7 – LONG-TERM DEBT

Changes in long-term debt for the year ended December 31, 2019, were as follows:

Long-Term Debt	Balance, Jan. 1, 2019	Additions/ Adjustments	Payments/ Amortization	Balance, Dec. 31, 2019	Current Portion	Non-Current Portion
Capital lease payable – 2017	\$ 592,917	\$ -	\$ (163,600)	\$ 429,317	\$ 168,179	\$ 261,138
Loan payable – 2012	6,315,204	-	(1,186,595)	5,128,609	1,224,583	3,904,026
Revenue bonds payable – 2013	41,205,000	-	(520,000)	40,685,000	535,000	40,150,000
Revenue bonds payable – discount	(106,443)	-	4,301	(102,142)	-	(102,142)
Revenue bonds payable – premium	2,634,124	-	(106,429)	2,527,695	-	2,527,695
Revenue bonds payable, net – 2013	43,732,681	-	(622,128)	43,110,553	535,000	42,575,553
Revenue bonds payable – 2018	12,805,000	-	-	12,805,000	-	12,805,000
Revenue bonds payable – premium	1,102,110	-	(37,047)	1,065,063	-	1,065,063
Revenue bonds payable, net – 2018	13,907,110	-	(37,047)	13,870,063	-	13,870,063
Total long-term debt	\$ 64,547,912	\$ -	\$ (2,009,370)	\$ 62,538,542	\$ 1,927,762	\$ 60,610,780

Changes in long-term debt for the year ended December 31, 2018, were as follows:

Long-Term Debt	Balance, Jan. 1, 2018	Additions/ Adjustments	Payments/ Amortization	Balance, Dec. 31, 2018	Current Portion	Non-Current Portion
Capital lease payable – 2017	\$ 769,848	\$ (17,786)	\$ (159,145)	\$ 592,917	\$ 163,600	\$ 429,317
Loan payable – 2012	7,462,288	-	(1,147,084)	6,315,204	1,186,595	5,128,609
Revenue bonds payable – 2013	41,715,000	-	(510,000)	41,205,000	520,000	40,685,000
Revenue bonds payable – discount	(110,744)	-	4,301	(106,443)	-	(106,443)
Revenue bonds payable – premium	2,740,553	-	(106,429)	2,634,124	-	2,634,124
Revenue bonds payable, net – 2013	44,344,809	-	(612,128)	43,732,681	520,000	43,212,681
Revenue bonds payable – 2018	-	12,805,000	-	12,805,000	-	12,805,000
Revenue bonds payable – premium	-	1,120,632	(18,522)	1,102,110	-	1,102,110
Revenue bonds payable, net – 2018	-	13,925,632	(18,522)	13,907,110	-	13,907,110
Total long-term debt	\$ 52,576,945	\$ 13,907,846	\$ (1,936,879)	\$ 64,547,912	\$ 1,870,195	\$ 62,677,717

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2019 and 2018*

NOTE 7 – LONG-TERM DEBT (continued)**A. Capital Lease Payable – 2018**

On January 18, 2019, the District entered into an \$830,000 installment purchase agreement in order to acquire, construct, equip, and furnish certain improvements to its facilities. Capital lease payments consisting of principal and interest in the amount of \$89,476.70 are due every six months beginning in July, 2019 until January, 2022 at an annual interest rate of 2.78%.

Annual debt service requirements for the capital lease payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 168,179	\$ 10,774	\$ 178,953
2021	172,886	6,067	178,953
2022	88,252	1,225	89,477
Total	429,317	<u>\$ 18,066</u>	<u>\$ 447,383</u>
Less: current	<u>(168,179)</u>		
Total non-current	<u>\$ 261,138</u>		

B. Loan Payable – 2012

In November 2012, the District issued \$12,765,208 in a private-placement Loan Payable-2012, with maturities from 2013 through 2023 and an interest rate of 3.10%. The net proceeds of the issuance were used to advance refund (an in-substance defeasance) \$12,505,000 of aggregate principal amount of the District's COPs-1998 with an average interest rate of 4.73%.

The initial escrow deposit was used to purchase government sponsored agency obligation securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the COPs-1998.

The advance refunding resulted in a difference between the reacquisition price and the net carrying value amount of the old debt of \$846,845. This difference is being amortized through 2023 (the life of the debt) using the straight-line method as a deferred loss on debt defeasance. The District completed the advance refunding to reduce its total debt service payments over the next 11 years by approximately \$1.293 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$1.154 million.

Annual debt service requirements for the refunding certificates of participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,224,583	\$ 149,569	\$ 1,374,152
2021	1,261,008	111,327	1,372,335
2022	1,300,396	71,933	1,372,329
2023	1,342,622	31,296	1,373,918
Total	5,128,609	<u>\$ 364,125</u>	<u>\$ 5,492,734</u>
Less: current	<u>(1,224,583)</u>		
Total non-current	<u>\$ 3,904,026</u>		

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 7 – LONG-TERM DEBT (continued)

C. Revenue Bonds Payable

Certificates of Participation – 2004

In August 2004, the District issued \$38,285,000 of Certificates of Participation-2004 (COPs-2004), with maturities from 2008 through 2034 and an average interest rate of 4.90%. The net proceeds are to be used to finance the acquisition, construction, and improvement of certain water facilities and to pay issuance costs of the debt. Issuance of the COPs-2004 resulted in a premium of \$328,767 which was being amortized over the life of the issue using the straight-line method. In 2013, the District advance refunded the remaining \$35,560,000 of the COPs-2004 into the revenue bonds payable issuance.

Revenue Bonds Payable – 2013

The Palmdale Water District Public Financing Authority (Authority) issued \$44,350,000 in Revenue Bonds Payable-2013 (Bonds-2013) with maturities from 2013 through 2043 with an interest rate range between 2.00% and 5.00% pursuant to an Indenture of Trust, dated as of May 1, 2013, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. The Bonds-2013 were issued: (i) to prepay the District's outstanding Certificates of Participation-2004; (ii) to finance certain improvements to the District's Water System; (iii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the Bonds-2013; (iv) to purchase a municipal bond debt service reserve insurance policy for deposit in the Reserve Fund; and (v) to pay the costs of issuing the Bonds-2013. The refunding resulted in a premium on the issuance of \$3,228,354 and a discount of (\$130,456) which are being amortized over the remaining debt service years. Principal and interest payments are due in April and October of each year.

The advance refunding resulted in a difference between the reacquisition price and the net carrying value amount of the old debt of \$2,278,663. This difference is being amortized through 2043 (the life of the debt) using the straight-line method as a deferred amount on debt defeasance.

Annual debt service requirements for the revenue bonds payable are as follows:

Year	Principal	Interest	Total
2020	\$ 535,000	\$ 1,810,225	\$ 2,345,225
2021	565,000	1,783,475	2,348,475
2022	595,000	1,755,225	2,350,225
2023	620,000	1,725,475	2,345,475
2024	2,145,000	1,706,375	3,851,375
2025-2029	12,220,000	7,042,875	19,262,875
2030-2034	15,195,000	4,069,225	19,264,225
2035-2039	4,505,000	1,416,000	5,921,000
2040-2043	4,305,000	438,800	4,743,800
Total	40,685,000	\$ 21,747,675	\$ 62,432,675
Less: current	(535,000)		
Total non-current	\$ 40,150,000		

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2019 and 2018***NOTE 7 – LONG-TERM DEBT (continued)****C. Revenue Bonds Payable (continued)****Deferred Amount on Debt Defeasance, Net**

Changes in the deferred amount on long-term debt defeasance, net for the year ended December 31, 2019, was as follows:

Description	Balance, Jan. 1, 2019	Additions	Amortization	Balance, Dec. 31, 2019
Deferred amount on debt defeasance, net	\$ 2,165,132	\$ -	\$ (156,692)	\$ 2,008,440

Changes in the deferred amount on long-term debt defeasance, net for the year ended December 31, 2018, was as follows:

Description	Balance, Jan. 1, 2018	Additions	Amortization	Balance, Dec. 31, 2018
Deferred amount on debt defeasance, net	\$ 2,321,824	\$ -	\$ (156,692)	\$ 2,165,132

Revenue Bonds Payable – 2018

The Palmdale Water District Public Financing Authority (Authority) issued \$12,805,000 in Water Revenue Bonds, Series 2018A (2018A Bonds) with maturities from 2022 through 2048 with an interest rate range between 3.125% and 5.00% pursuant to an Indenture of Trust, dated as of June 1, 2018, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. The 2018A Bonds are being issued: (i) to finance certain improvements to the District's water system, including Littlerock Dam; (ii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the 2018A Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy for deposit in the Reserve Fund; and (iv) to pay the costs of issuing the 2018A Bonds. Interest due on the 2018A Bonds is payable semiannually on April 1 and October 1 of each year, commencing October 1, 2018, while principal payments are payable on October 1 of each year, commencing October 1, 2022. The 2018A Bond issuance resulted in a \$1,120,632 premium which is being amortized over the remaining debt service years. Cost of the debt issuance was \$308,867 which was expensed in the year of issuance. Annual debt service requirements for the revenue bonds payable are as follows:

Year	Principal	Interest	Total
2020	\$ -	\$ 568,893	\$ 568,893
2021	-	568,894	568,894
2022	250,000	568,893	818,893
2023	265,000	556,394	821,394
2024	275,000	545,794	820,794
2025-2029	1,600,000	2,507,720	4,107,720
2030-2034	2,030,000	2,073,937	4,103,937
2035-2039	2,430,000	1,672,438	4,102,438
2040-2044	3,005,000	1,092,750	4,097,750
2045-2048	2,950,000	331,375	3,281,375
Total	12,805,000	\$ 10,487,088	\$ 23,292,088
Less: current	-		
Total non-current	\$ 12,805,000		

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2019 and 2018***NOTE 8 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION****Summary**

The following balances on the balance sheet will be addressed in this footnote as follows:

Description	2019	2018
OPEB related deferred outflows	\$ 860,122	\$ 923,382
Net other post-employment benefits obligation	12,965,981	13,598,136
OPEB related deferred inflows	1,187,572	-

Plan Description - Eligibility

The District administers its post-employment benefits plan, a single-employer defined benefit plan (the Plan). The following requirements must be satisfied in order to be eligible for post-employment medical, dental, and vision benefits: (1) Attainment of age 55, and 20 years for full-time service, and (2) retirement from the District (the District must be the last employer prior to retirement).

Plan Description - Benefits

The District offers post-employment medical, dental, and vision benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the ACWA-JPIA medical, dental, and vision programs. The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. The following is a description of the current retiree benefit plan:

	Participants
Benefit types provided	Medical, dental and vision
Duranton of benefits	Lifetime
Required service	CalPERS Retirement and 20 years service
Minimum age	55 years and CalPERS Retirement from District
Dependent coverage	Spouse and dependent up to cap
District contribution	Maximum up to \$1,850 cap
District cap on coverage	\$1,850

Employees covered by benefit terms

At December 31, 2019 and 2018, the following employees were covered by the benefit terms:

	Covered Participants	
Plan Members	2019	2018
Active members	87	82
Inactives entitled to but not yet receiving benefits	-	-
Inactives currently receiving benefits	17	16
Total plan members	104	98

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 8 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)

A. Total OPEB Liability

The District's total OPEB liability of \$12,965,981 and \$13,598,136 as of December 31, 2019 and 2018, respectively, were measured as of December 31, 2018 and 2017 (Measurement Dates), and were determined by an actuarial valuation as of those dates.

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2018 and 2017 (Measurement Dates) actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2019	2018
Discount Rate	4.09%	3.44%
Inflation	2.75%	2.75%
Salary Increases	3.0% per annum, in aggregate	3.0% per annum, in aggregate
Investment Rate of Return	4.09%	3.44%
Mortality Rate	CalPERS Membership Data	CalPERS Membership Data
Pre-Retirement Turnover	CalPERS Membership Data	CalPERS Membership Data
Healthcare Trend Rate	Non-Medicare 7.5% to Medicare 6.5%	Non-Medicare 7.5% to Medicare 6.5%

Mortality, Retirement & Turnover Assumptions

The mortality assumptions are based on the 1997-2015 Experience Study for CalPERS Active and Retiree Mortality for Miscellaneous and Safety Employees table created by CalPERS.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.44 percent. The projection of cash flows used to determine the discount rate assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. The Bond Buyer 20 Bond Index was used.

B. Changes in the Total OPEB Liability

The following table is based on the roll-forward of the December 31, 2018 (Measurement Date) actuarial valuation:

	Total OPEB Liability
Balance at January 1, 2019 (MD Jan. 1, 2018)	\$ 13,598,136
Changes for the year:	
Service cost	533,709
Interest	480,852
Assumption changes	(1,339,825)
Benefit payments	(307,191)
Net changes	(632,455)
Balance at December 31, 2019 (MD Dec. 31, 2018)	\$ 12,965,681

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2019 and 2018***NOTE 8 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)****B. Changes in the Total OPEB Liability (continued)**

The following table is based on the roll-forward of the December 31, 2017 (Measurement Date) actuarial valuation:

	Total OPEB Liability
Balance at January 1, 2018 (MD Jan. 1, 2017)	\$ 12,239,902
Changes for the year:	
Service cost	471,435
Interest	475,129
Assumption changes	695,190
Benefit payments	<u>(283,520)</u>
Net changes	<u>1,358,234</u>
Balance at December 31, 2018 (MD Dec. 31, 2017)	<u>\$ 13,598,136</u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate.

The following table is based on the December 31, 2018 (Measurement Date) actuarial valuation:

1% Decrease 3.09%	Discount Rate 4.09%	1% Increase 5.09%
<u>\$ 15,108,233</u>	<u>\$ 12,965,681</u>	<u>\$ 11,228,900</u>

The following table is based on the December 31, 2017 (Measurement Date) actuarial valuation:

1% Decrease 2.44%	Discount Rate 3.44%	1% Increase 4.44%
<u>\$ 15,969,365</u>	<u>\$ 13,598,136</u>	<u>\$ 11,688,801</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates.

The following table is based on the December 31, 2018 (Measurement Date) actuarial valuation:

1% Decrease	Healthcare Cost Current Trend	1% Increase
<u>\$ 10,999,479</u>	<u>\$ 12,965,681</u>	<u>\$ 15,474,034</u>

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2019 and 2018***NOTE 8 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)****B. Changes in the Total OPEB Liability (continued)****Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates (continued)**

The following table is based on the December 31, 2017 (Measurement Date) actuarial valuation:

<u>1% Decrease</u>	<u>Healthcare Cost Current Trend</u>	<u>1% Increase</u>
\$ 11,529,398	\$ 13,598,136	\$ 16,247,589

C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019 and 2018, the District recognized OPEB expense/(credit) of \$941,307 and \$1,025,563, respectively.

At December 31, 2019, the District reported \$860,122 of deferred outflows of resources and \$1,187,572 of deferred inflows of resources for related to the net OPEB obligation as follows:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date of the net OPEB liability	\$ 322,930	\$ -
Changes in assumptions	537,192	(1,187,572)
Total	<u>\$ 860,122</u>	<u>\$ (1,187,572)</u>

At December 31, 2019, the District reported \$322,930 of deferred outflows of resources for employer contributions made subsequent to the measurement date which will be used to reduce the net OPEB liability balance in the coming year. Amortization of the remaining deferred outflows/(inflows) of resources related to the net OPEB obligation is as follows:

	<u>Amount</u>
Year Ended June 30:	
2020	\$ (73,254)
2021	(73,254)
2022	(73,254)
2023	(73,254)
2024	(73,254)
Thereafter	(284,110)
Total	<u>\$ (650,380)</u>

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2019 and 2018***NOTE 8 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)****C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)**

At December 31, 2018, the District reported \$923,382 of deferred outflows/(inflows) of resources for related to the net OPEB obligation as follows:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date of the net OPEB liability	\$ 307,191	\$ -
Changes in assumptions	616,191	-
Total	<u>\$ 923,382</u>	<u>\$ -</u>

At December 31, 2018, the District reported \$307,191 of deferred outflows of resources for employer contributions made subsequent to the measurement date which will be used to reduce the net OPEB liability balance in the coming year. Amortization of the remaining deferred outflows/(inflows) of resources related to the net OPEB obligation is as follows:

	<u>Amount</u>
Year Ended June 30:	
2019	\$ 78,999
2020	78,999
2021	78,999
2022	78,999
2023	78,999
Thereafter	221,196
Total	<u>\$ 616,191</u>

NOTE 9 – PENSION PLAN**Summary**

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Pension related deferred outflows	\$ 2,232,537	\$ 2,441,587
Net pension liability	10,691,338	9,809,458
Pension related deferred inflows	613,784	585,837

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan". The net pension liability balances have a Measurement Date of June 30, 2019 and June 30, 2018, respectively, which are rolled-forward for the District's fiscal years ended December 31, 2019 and December 31, 2018.

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2019 and 2018***NOTE 9 – PENSION PLAN (continued)****A. General Information about the Pension Plan****The Plan**

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required member contribution rates	6.902%	6.250%
Required employer contribution rates – FY 2019	9.409%	6.533%
Required employer contribution rates – FY 2018	8.921%	6.842%

Plan Description, Benefits Provided and Employees Covered

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). The District contributes to the miscellaneous risk pool within the Plan. A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2018 Annual Actuarial Valuation Report. This report is a publicly available valuation report that can be obtained at CalPERS website under Forms and Publications.

The California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement benefits are applied, and places compensation limits on members. As a result of these changes since PEPRA's adoption in January 2013, the District now has two unique CalPERS plans to which it makes contributions within the miscellaneous risk pool: the "classic" plan, which includes covered employees who have established membership in a CalPERS plan prior to January 2013, as well as the "PEPRA/new" plan, which includes covered employees who have established membership in a CalPERS plan after January 2013. Each plan or membership contains unique benefits levels, which are enumerated in the June 30, 2019 and 2018 Annual Actuarial Valuation Reports.

At June 30, 2019, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	61	21	82
Transferred and terminated members	43	2	45
Retired members and beneficiaries	53	-	53
Total plan members	157	23	180

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2019 and 2018***NOTE 9 – PENSION PLAN (continued)****A. General Information about the Pension Plan (continued)****Plan Description, Benefits Provided and Employees Covered (continued)**

At June 30, 2018, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	65	17	82
Transferred and terminated members	41	2	43
Retired members and beneficiaries	52	-	52
Total plan members	158	19	177

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Contributions for the year ended December 31, 2019, (Measurement Date June 30, 2019) were as follows:

Contribution Type	Total
Contributions – employer	\$ 1,268,063
Contributions – members	489,579
Total contributions	\$ 1,757,642

Contributions for the year ended December 31, 2018, (Measurement Date June 30, 2018) were as follows:

Contribution Type	Total
Contributions – employer	\$ 1,251,195
Contributions – members	450,430
Total contributions	\$ 1,701,625

Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

For the years ended December 31, 2019 and 2018, the contributions recognized as part of pension expense for the Plan were \$1,268,063 and \$1,251,195.

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2019 and 2018***NOTE 9 – PENSION PLAN (continued)****B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)*****Proportionate Share of Net Pension Liability and Pension Expense***

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

Changes in the net pension liability for the year ended December 31, 2019, were as follows:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2018 (Measurement Date)	\$ 42,065,728	\$ 32,256,270	\$ 9,809,458
Balance as of June 30, 2019 (Measurement Date)	\$ 44,392,170	\$ 33,700,832	\$ 10,691,338
Change in Plan Net Pension Liability	\$ 2,326,442	\$ 1,444,562	\$ 881,880

Changes in the net pension liability for the year ended December 31, 2018, were as follows:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2017 (Measurement Date)	\$ 39,818,738	\$ 29,737,077	\$ 10,081,661
Balance as of June 30, 2018 (Measurement Date)	\$ 42,065,728	\$ 32,256,270	\$ 9,809,458
Change in Plan Net Pension Liability	\$ 2,246,990	\$ 2,519,193	\$ (272,203)

For the year ended December 31, 2019 and 2018 pension expense was 1,778,968 and \$969,297, respectively.

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation dates (June 30, 2018 and 2017). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2019 and 2018). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2019 and 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (FY 2018-2019 and FY 2017-2018).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 9 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Proportionate Share of Net Pension Liability and Pension Expense (continued)

- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

As of December 31, 2019 and 2018, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$10,691,338 and \$9,809,458, respectively.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of December 31, 2018 and 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 and 2016 rolled forward to December 31, 2018 and 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the June 30, 2019, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending December 31, 2019	Fiscal Year Ending December 31, 2018	
Measurement Date	June 30, 2019	June 30, 2018	
Percentage of Risk Pool Net Pension Liability	0.26698%	0.26029%	0.00669%
Percentage of Plan (PERF C) Net Pension Liability	0.10434%	0.10180%	0.00254%

The District's proportionate share of the net pension liability for the June 30, 2018, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending December 31, 2018	Fiscal Year Ending December 31, 2017	
Measurement Date	June 30, 2018	June 30, 2017	
Percentage of Risk Pool Net Pension Liability	0.26029%	0.25575%	0.00454%
Percentage of Plan (PERF C) Net Pension Liability	0.10180%	0.10166%	0.00014%

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2019 and 2018***NOTE 9 – PENSION PLAN (continued)****B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

The total amount of \$732,837 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Pension contributions made after the measurement date	\$ 732,837	\$ -
Difference between actual and proportionate share of employer contributions	-	(188,609)
Adjustment due to differences in proportions	247,330	-
Differences between expected and actual experience	742,558	(57,533)
Differences between projected and actual earnings on pension plan investments	-	(186,918)
Changes in assumptions	509,812	(180,724)
Total Deferred Outflows/(Inflows) of Resources	\$ 2,232,537	\$ (613,784)

The total amount of \$700,625 reported as deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended December 31, 2019. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Pension contributions made after the measurement date	700,625	-
Difference between actual and proportionate share of employer contributions	-	(183,684)
Adjustment due to differences in proportions	197,788	-
Differences between expected and actual experience	376,372	(128,077)
Differences between projected and actual earnings on pension plan investments	48,495	-
Changes in assumptions	1,118,307	(274,076)
Total Deferred Outflows/(Inflows) of Resources	\$ 2,441,587	\$ (585,837)

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2019 and 2018***NOTE 9 – PENSION PLAN (continued)****B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended December 31, 2019, will be amortized to pension expense in future periods as follows:

Amortization Period	Deferred
Fiscal Year Ended December 31	Outflows/(Inflows)
	of Resources
2020	\$ 821,164
2021	(81,052)
2022	108,033
2023	37,771
2024	-
Total	\$ 885,916

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended December 31, 2018, will be amortized to pension expense in future periods as follows:

Amortization Period	Deferred
Fiscal Year Ended December 31	Outflows/(Inflows)
	of Resources
2019	\$ 987,521
2020	568,084
2021	(312,250)
2022	(88,230)
2023	-
Total	\$ 1,155,125

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2019 and 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 and 2017, total pension liability. The December 31, 2019 and 2018, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 9 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate

The discount rate used to measure the total pension liability for PERF B was 7.65%. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Investment Type	Assumed Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
	<u>100%</u>		

¹ An expected inflation rate-of-return of 2.5% is used for years 1-10.

² An expected inflation rate-of-return of 3.0% is used for years 11+.

PALMDALE WATER DISTRICT
Notes to Financial Statements
December 31, 2019 and 2018

NOTE 9 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Changes in the discount rate for the year ended June 30, 2019, was as follows:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
CalPERS – Miscellaneous Plan	\$ 16,662,221	\$ 10,691,338	\$ 5,762,797

Changes in the discount rate for the year ended June 30, 2018, was as follows:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
CalPERS – Miscellaneous Plan	\$ 15,499,739	\$ 9,809,458	\$ 5,112,225

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

C. Payable to the Pension Plans

At December 31, 2019 and 2018, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended December 31, 2019 and 2018.

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2019 and 2018*

NOTE 10 – NET POSITION – NET INVESTMENT IN CAPITAL ASSETS

The District's net -position – net investment in capital assets for the years ended December 31, 2019 and 2018 were calculated as follows:

<u>Description</u>	<u>Balance Dec. 31, 2019</u>	<u>Balance Dec. 31, 2018</u>
Restricted – cash and cash equivalents		
– revenue bond proceeds for construction	\$ 4,366,086	\$ 11,706,447
Capital assets – not being depreciated	20,107,192	12,562,526
Capital assets, net – being depreciated	142,599,064	143,203,201
Deferred loss on debt defeasance, net	2,008,440	2,165,132
Capital lease payable – current	(168,179)	(163,600)
Loan payable – current	(1,224,583)	(1,186,595)
Revenue bonds payable – current	(535,000)	(520,000)
Capital lease payable	(261,138)	(429,317)
Loan payable – current	(3,904,026)	(5,128,609)
Revenue bonds payable, net	<u>(56,445,616)</u>	<u>(57,119,791)</u>
Total net investment in capital assets	<u>\$ 106,542,240</u>	<u>\$ 105,089,394</u>

NOTE 11 – NET POSITION – UNRESTRICTED (DEFICIT)

As of December 31, 2019 and 2018, the District has an unrestricted net position deficit of (\$13,320,683) and (\$11,049,387). Due to the nature of the deficit from the implementation of GASB Statements No. 68 & 75 in the past fiscal years, the District will continue to make its actuarial determined contributions to CalPERS and annually review its outstanding net pension and net OPEB obligations funding requirements for future periods to reduce its deficit position.

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2019 and 2018***NOTE 12 – PRIOR PERIOD ADJUSTMENT**

The District's beginning net position has been restated by \$2,315,048 for the implementation of GASB Statement No. 75 as follows:

Description	Balance
Net position as of January 1, 2018 – as previously reported	\$ 95,708,297
GASB Statement No. 75 restatement for:	
Net other post-employment benefits obligation	-
Net position as of January 1, 2018 – as restated	<u><u>\$ 95,708,297</u></u>

NOTE 13 – RISK MANAGEMENT

The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing pool that provides insurance coverage and related services.

A. Entity	ACWA-JPIA
B. Purpose	To pool member contributions and realize the
C. Participants	As of Sept. 30, 2019 – 394 member districts
D. Governing board	Nine representatives employed by members
E. District payments for FY 2019:	
Property policy	\$64,671
Auto/General liability	\$160,409
F. Condensed financial information	September 30, 2019
Audit signed	February 13, 2020

Statement of financial position:	Sept. 30, 2019
Total assets	<u>\$ 212,099,851</u>
Deferred outflows	<u>553,790</u>
Total liabilities	<u>112,046,920</u>
Deferred inflows	<u>1,672,219</u>
Net position	<u><u>\$ 98,934,502</u></u>
Statement of revenues, expenses and changes in net position:	
Total revenues	\$ 181,825,144
Total expenses	<u>(169,356,246)</u>
Change in net position	12,468,898
Beginning – net position	<u>86,465,604</u>
Ending – net position	<u><u>\$ 98,934,502</u></u>
G. Member agencies share of year-end financial position	Not Calculated

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 13 – RISK MANAGEMENT (continued)

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. At December 31, 2019 and 2018, the District participated in the self-insured liability, property, and worker's compensation insurance programs provided by ACWA/JPIA through AON Risk Insurance Services West, Inc. as follows:

General and Auto Liability

Each member limits of \$60 million per occurrence for auto and general liability coverage. The program protects the member agencies against third-party claims for bodily injury and property damage. The following coverages are also included:

- | | |
|------------------------|----------------------------|
| • Personal Injury | • Employment Practices |
| • Errors and Omissions | • Broadened Pollution |
| • Products Hazard | • Failure to Supply Water |
| • Inverse Condemnation | • Care, Custody, & Control |

Property

Each member Special Form Property Coverage including coverage for buildings, personal property, fixed equipment, mobile equipment, and licensed vehicles. Member agencies have various deductible selections. Boiler and Machinery Coverage is also included.

The following is an overview of the program:

- Real Property, Fixed Equipment, Personal Property at replacement cost
- Crime Coverage – up to \$100,000 Public Employee Dishonesty and Computer Fraud
- Terrorism Coverage – up to \$100 million per occurrence for property damage caused by an act declared to involve terrorism
- \$10 million Accounts Receivables for the amount of accounts uncollectible due to a covered loss
- \$100,000 Catastrophic coverage for vehicles

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 13 – RISK MANAGEMENT (continued)

Workers' Compensation

Each member is covered for bodily injury by accident, \$2 million each accident, or bodily injury by disease, \$2 million each employee, including death, of employee arising out of and in the course of employment.

In addition, the District since August 2014 continued a separate policy with underwriters at Landmark American Insurance Company for commercial earthquake/business income interruption insurance. This insurance was purchased to safeguard the District in case of a major earthquake until disaster relief funds are made available by state and federal agencies. This policy has provisions as follows:

- The loss limit is \$9,284,980 per occurrence and in the annual aggregate.
- Deductible is 5% of values per unit of insurance subject to \$25,000 minimum per occurrence.
- Coverage for 2029 East Avenue Q location is \$2.891 million building limit and \$393,120 contents, including \$6 million business income.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending December 31, 2019, 2018, and 2017. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of December 31, 2019, 2018, and 2017.

NOTE 14 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in an IRS Code Section 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the accompanying financial statements.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 14 – COMMITMENTS AND CONTINGENCIES

State Water Contract

Estimates of the District's share of the project fixed costs of the State Water Project (SWP) are provided annually by the State. The estimates are subject to future increases or decreases resulting from changes in planned facilities, refinements in cost estimates, and inflation. During the next five years, payments under the State Water Contract, exclusive of variable power costs, are currently estimated by the State to be as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 7,377,887
2021	6,987,251
2022	7,152,006
2023	7,029,467
2024	6,981,224

As of December 31, 2019, the District has expended approximately \$118,336,461 since the District started participating in the State Water Contract.

According to the State's latest estimates, the District's long-term obligations under the contract, for capital and minimum operations and maintenance costs, including interest to the year 2035, are as follows:

<u>Type of Long-Term Obligation</u>	<u>Amount</u>
State Water Project Contract:	
Transportation facilities	\$84,688,403
Delta water charges	24,126,852
Off-aqueduct power facilities	177,490
Revenue bond surcharge	<u>4,272,459</u>
Total	<u><u>\$113,265,204</u></u>

Bay/Delta Regulatory and Planning Activities

The State Water Resources Control Board (State Board) is the agency responsible for setting water quality standards and administering water rights throughout California. Decisions of the State Board can affect the availability of water to the District and other water users by means of public proceedings leading to regulations and decisions. In 1995, the State Board adopted a Water Quality Control Plan establishing water quality standards and flow improvements in the Bay/Delta watershed. In August 2000, the California Federal (CALFED) Bay/Delta Program Record of Decision (the Decision) was approved with mandates to improve water quality, enhance water supply reliability, augment ecosystem restoration, and assure long-term protection for Delta levees. During its first three years, CALFED has invested more than \$2.0 billion in hundreds of local and regional projects to meet these program goals. In May 2004, a Delta Improvement Package was proposed to facilitate implementation of the Decision. Funding is expected to be provided by state and federal appropriations and contributions from local users, including the District. CALFED's objective is to allocate project costs based on beneficiaries pay policy, that is new costs commensurate with benefits received. At this time, the exact allocation of costs between the federal, state, and local users has not been determined, and therefore, the District cannot estimate the extent of timing of its contributions at this time.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2019 and 2018

NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement, or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction.

The District has committed to approximately \$3,241,466 to complete the open construction contracts as of December 31, 2019. These include the following:

<u>Project Description</u>	<u>Cost of Project to Date</u>	<u>Estimated Costs to Complete</u>	<u>Total Expected Project Cost</u>
Sediment removal – Littlerock Dam	\$ 4,149,560	\$ 2,347,098	\$ 6,496,658
Littlerock Creek Groundwater Recharge Project	3,840,670	26,750	3,867,420
Upper Armagosa Creek project	<u>382,402</u>	<u>867,598</u>	<u>1,250,000</u>
Total	<u><u>\$ 8,372,632</u></u>	<u><u>\$ 3,241,446</u></u>	<u><u>\$ 11,614,078</u></u>

Other Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. Nevertheless, after consultation with legal counsel, the District believes that these actions, when finally concluded and determined are not likely to have a material adverse effect on the District's financial position, results of operations, or cash flows.

NOTE 16 – SUBSEQUENT EVENTS

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the District's operations and investment earnings for the remainder of calendar year 2020 and beyond. However, the potential impact to the District is unknown at this time.

Required Supplementary Information

PALMDALE WATER DISTRICT***Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended December 31, 2019 and 2018***

	Last Ten Fiscal Years*				
	California Public Employees' Retirement System (CalPERS) Miscellaneous Plan				
Measurement Date:	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	<u>0.10434%</u>	<u>0.10180%</u>	<u>0.10166%</u>	<u>0.10037%</u>	<u>0.09802%</u>
District's proportionate share of the net pension liability	<u>\$ 10,691,338</u>	<u>\$ 9,809,458</u>	<u>\$ 10,081,661</u>	<u>\$ 8,685,489</u>	<u>\$ 6,727,907</u>
District's covered-employee payroll	<u>\$ 7,391,878</u>	<u>\$ 6,735,592</u>	<u>\$ 6,482,822</u>	<u>\$ 6,778,010</u>	<u>\$ 6,377,315</u>
District's proportionate share of the net pension liability as a percentage of covered-employee payroll	<u>144.64%</u>	<u>145.64%</u>	<u>155.51%</u>	<u>128.14%</u>	<u>105.50%</u>
Plan's fiduciary net position as a percentage of the plan's total pension liability	<u>75.92%</u>	<u>75.26%</u>	<u>73.31%</u>	<u>74.06%</u>	<u>78.40%</u>

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

PALMDALE WATER DISTRICT
Schedule of Pension Contributions
For the Year Ended December 31, 2019 and 2018

Last Ten Fiscal Years*						
California Public Employees' Retirement System (CalPERS) Miscellaneous Plan						
Contributions for the years ending	2019	2018	2017	2016	2015	2014
Actuarially required contribution	1,373,023	1,178,448	1,026,759	\$ 945,678	\$ 819,205	\$ 805,370
Contributions in relation to the contractually required contribution	(1,373,023)	(1,178,448)	(1,026,759)	(945,678)	(819,205)	(805,370)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	7,675,493	7,055,105	6,482,822	\$ 6,589,909	\$ 6,497,710	\$ 5,907,552
Contributions as a Percentage of Covered-Employee Payroll	17.89%	16.70%	15.84%	14.35%	12.610%	13.630%

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

¹ Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

² Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

PALMDALE WATER DISTRICT*Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Year Ended December 31, 2019 and 2018*

Last Ten Fiscal Years*

	2019	2018
Total OPEB liability		
Service cost	\$ 533,709	\$ 471,435
Interest	480,852	475,129
Assumptions changes	(1,339,825)	695,190
Benefit payments	(307,191)	(283,520)
Net change in total OPEB liability	(632,455)	1,358,234
Total OPEB liability - beginning	13,598,136	12,239,902
Total OPEB liability - ending	<u>\$ 12,965,681</u>	<u>\$ 13,598,136</u>
Covered-employee payroll	<u>\$ 8,067,557</u>	<u>\$ 7,459,193</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>160.71%</u>	<u>182.30%</u>

Notes to Schedule:

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

PALMDALE WATER DISTRICT*Schedule of OPEB Contributions**For the Year Ended December 31, 2019 and 2018*

Last Ten Fiscal Years*

Measurement Date:	2019	2018
Actuarially Determined Contribution	\$ 307,191	\$ 283,520
Actual Employer Contribution	<u>(307,191)</u>	<u>(283,520)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 8,067,577</u>	<u>\$ 7,459,193</u>
Contributions as a percentage of covered payroll	<u>3.81%</u>	<u>3.80%</u>

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

PALMDALE WATER DISTRICT

Notes to the Required Supplementary Information For the Year Ended December 31, 2019 and 2018

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Pension Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule is required by GASB Statement No. 75 and is required for all employers in a cost-sharing OPEB plan. The schedule reports the following information:

- The employer's proportion (percentage) of the collective net OPEB liability
- The employer's proportionate share (amount) of the collective net OPEB liability
- The employer's covered-employee payroll
- The employer's proportionate share (amount) of the collective net OPEB liability as a percentage of the employer's covered-employee payroll
- The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.

Schedule of OPEB Contributions

This schedule is required by GASB Statement No. 75 and is required for all employers in a cost-sharing OPEB plan. If the contribution requirements of the employer are statutorily or contractually established then the schedule reports the following information:

- The statutorily or contractually required employer contribution. For purposes of this schedule, statutorily or contractually required contributions should exclude amounts, if any, associated with payables to the OPEB plan that arose in a prior fiscal year and those associated with separately financed specific liabilities of the individual employer to the OPEB plan.
- The amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution. For purposes of this schedule, contributions should exclude amounts resulting from contributions recognized by the OPEB plan as noncurrent receivables.
- The difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution.
- The employer's covered-employee payroll.
- The amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution as a percentage of the employer's covered-employee payroll.

Supplementary Information

PALMDALE WATER DISTRICT*Schedules of Debt Service Net Revenues Coverage
For the Year Ended December 31, 2019 and 2018*

	2019	2018
Total revenues:		
Operating revenues	\$ 25,165,648	\$ 24,884,078
Non-operating revenues	8,437,701	8,483,651
Capital contributions – capital improvement fees and grants	633,286	154,613
Total revenues	34,236,635	33,522,342
Total expenses:		
Operating expenses before depreciation expense	25,091,896	24,435,835
Non-operating expenses	5,465,241	5,361,162
Less debt service items:		
Interest expense – long-term debt	(2,611,014)	(2,405,894)
Total non-operating expenses adjusted for debt service items	2,854,227	2,955,268
	27,946,123	27,391,103
Net revenues available for debt service	\$ 6,290,512	\$ 6,131,239
Debt service for the fiscal year	\$ 4,355,130	\$ 3,970,002
Debt service net revenues coverage ratio	144%	154%

P A L M D A L E W A T E R D I S T R I C T
B O A R D M E M O R A N D U M

DATE: July 21, 2020 **July 27, 2020**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mrs. Claudia Bolanos, Resource and Analytics Supervisor
VIA: Mr. Peter Thompson Jr., Resource and Analytics Director
Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.2 – DISCUSSION AND REVIEW OF PALMDALE WATER DISTRICT’S RULES AND REGULATIONS ARTICLE 8.07: WATER CONSERVATION, B.1 – REBATE PROGRAMS – WATER-WISE LANDSCAPE CONVERSION PROGRAM. (NO BUDGET IMPACT – DIRECTOR ALVARADO/RESOURCE AND ANALYTICS SUPERVISOR BOLANOS)***

Recommendation:

Staff recommends that the Board discuss and review possible updates to the District’s current Water-Wise Landscape Conversion Program (WWLCP) and that the Board consider refining the current WWLCP to allow customers to convert their backyards with existing turf into drought tolerant landscapes starting in 2021.

Alternative Options:

An alternative option to be considered is to add backyards to our current WWLCP following the same non-restrictive qualifications as currently set, with an option to start this year or hold off to 2021.

Impact of Taking No Action:

No action is necessary. Staff will use the consensus opinion of the Board to guide the drafting of the updated Rules and Regulations governing the WWLCP. That draft will come back to the Board for review and final approval within calendar year 2020.

Background:

To assist the District’s customers in water saving activities, the WWLCP was established. The WWLCP helps in saving water by converting turf landscapes into drought tolerant landscapes. Something that was considered when creating the WWLCP was that many of the District’s customers’ landscapes had dead grass because of previous year’s drought restrictions. The District’s previous landscape conversion program required customers to have green grass to qualify, but in order to not penalize our customers that helped in saving water through the drought years, we extended the program to include front yards with dead turf.

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT

VIA: Mr. Peter Thompson Jr., Resource and Analytics Director
Mr. Dennis D. LaMoreaux, General Manager

July 21, 2020

Earlier this year, staff had been considering adding backyards as an additional option to the WWLCP in 2021 but were hesitant because of current COVID conditions, the potential need to evaluate more specific guidelines for backyards, and because our grant for landscape conversions only honors yards that remove turf.

Strategic Plan Initiative/Mission Statement:

This item is under Strategic Initiative No. 6 - Customer Care, Advocacy and Outreach.

This item is directly related to the District's Mission Statement.

Budget:

There is no budget impact.



Hotel and Travel Accommodations

Event Name/Date:

Building Industry Association 2020 Southern California Water Conference/August 14, 2020

CONTACT INFORMATION

First Name

Last Name

Date

ACCOMMODATION INFORMATION

Rooms and rates are subject to availability. Complete and submit this form as soon as possible to guarantee a room at the host hotel. In the event that the host hotel is booked, every effort will be made to secure a room at the closest hotel within comparable rates to the event discounted rate.

Arrival Date

Departure Date

No. of guests

Room Type

Do you require a smoking room?

☐ Yes ☐ No**Do you need transportation from the airport to the hotel?**☐ Yes ☐ No

Flight Number

Time

ADDITIONAL INFORMATION/REQUESTS

Staff Representative



July 8, 2020

General Manger Dennis D. LaMoreaux
Palmdale Water District
2029 E Avenue Q
Palmdale, CA 93550, United States

Dear Mr. LaMoreaux:

We are reaching out to our local governments, local water and wastewater agencies and requesting they partner with us in support of the 2020 BIA Southern California Water Conference.

On March 19, 2020, Governor Newsom issued an Executive Order directing all residents to stay home, except as needed to maintain continuity of operations of essential critical infrastructure sectors. On March 22, the State Public Health Officer designated the water and wastewater industry as an essential critical infrastructure.

As we begin to reopen the region for business it will be more important than ever for the public to engage with business, community and civic leaders to share ideas and discuss issues facing the region coming out of the current crisis.

Over the past 14 years, this regional water conference hosted by the Building Industry Association has provided a forum where more than 4,500 government officials, water management representatives, business leaders and community stakeholders have come together to share best practices and discuss ideas to meet the challenges of serving the growing demand for water while protecting our natural resources.

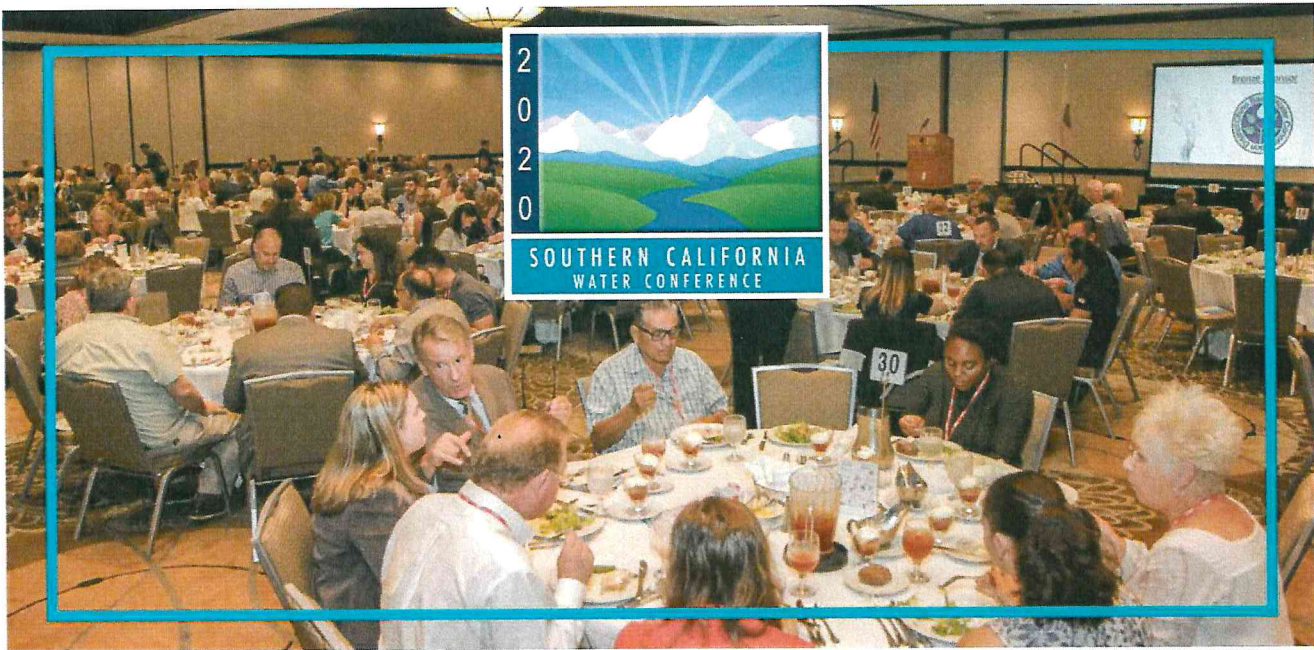
We have also had the pleasure of welcoming distinguished persons such as: John Garamendi Lieutenant Governor of California (former), Lorri Gray-Lee, Regional Director, Bureau of Reclamation, Mark Cowin, Director, California Department of Water Resources (former), Gerald Meral, Deputy Secretary, California Natural Resources Agency (former), Bryan Willett - Special Agent, Federal Bureau of Investigation and Joel Ledesma, Deputy Director, State Water Project, Department of Water Resources to provide the annual keynote address.

This year's event will be an online event held August 14 from 9:00 a.m. to 1:00 p.m. We are pleased to announce our **Keynote Speaker will be Secretary Wade Crowfoot of the California Natural Resources Agency.** Our panels topics are: Innovation in Water; The Delta Debate; Recycled Water in 2020; and Preparing for Planned Emergencies. Visit www.biabuild.com/water-conference for more information.

If you wish to partner with us through sponsorship, event ticket purchases or if you have questions, please contact Nicole Desmond, our event coordinator at 949.244.5946 or nicole@dandlpr.com.

Sincerely,

Diana Victoria Coronado
Vice President
BIASC-Los Angeles/Ventura



Southern California Water Conference

Friday, August 14, 2020 from 9:00 AM to 1:00 PM

(This is an online event.)

Why Attend?

The BIA Southern California Water Conference provides a forum for agencies, local government, private industry and the public to collaborate on issues facing the region regarding the ability to deliver safe, clean water to residents and businesses.

With the goal in mind to increase awareness of the issues agencies face, showcase how they are responding and enable ongoing dialogue between agency partners to assist the region in speaking with one voice to the State and regulatory agencies.

PROGRAM (Partial)



The Delta Debate

Hear our panel debate the project. Learn where we're at in the process and why it's important for our region.



Preparing for Emergencies

Hear our panel share their lessons learned from this latest crisis and how we can be better prepared for health, safety and infrastructure emergencies.



Recycled Water in 2020

Recycled water has been around for a long-time, but what are we doing with it? Learn about some unique uses and plans for reuse.



Innovation in Water

Join our panel as they share some innovations happening in the water and wastewater industry.

Visit biabuild.com to see this year's panels and speakers and register.

Register Now!

Sponsored By

Balfour Beatty

Event Timeline

- 9:00 - 11:45am | Program
- 12:00pm | Keynote Speaker
- 1:00pm | Event Concludes

This is an online event.
www.biabuild.com/water-conference

Contact

Nicole Desmond
Desmond & Louis, Inc
(949) 244-5946
nicole@dandlpr.com

Cancellation Policy. Deadline to cancel previously made reservations is 5 PM, FRI, AUG. 7TH. Registration not cancelled by this time including NO SHOW registrants are NON-REFUNDABLE and will be billed per company policy. A registrant can substitute another person before August 10th if they cannot attend.

Payment Policy. Payment must be received by event date or your registration will not be finalized and event access will not be sent.

THANK YOU TO OUR SPONSORS



Sponsor Now!

Southern California Water Conference
Friday, August 14, 2020 from 9:00 AM to 1:00 PM

SPONSORSHIP OPPORTUNITIES

Platinum Sponsor \$10,000
Company logo in all pre/post event materials
Listed in Social media posts pre-event
Full page ad in program
Recognition during the event
Twenty registrations for event
Digital ad during event
Virtual exhibit booth
Opportunity to air commercial video during event

Gold Sponsor \$7,500
Company logo in all pre/post event materials
Listed in Social media posts pre-event
Half page ad in program
Recognition during the event
Ten registrations for event
Virtual exhibit booth
Digital ad during event

Silver Sponsor \$5,000
Company logo in all pre/post event materials
Recognition during the event
Six registrations for event
Virtual exhibit booth
Digital ad during event

Bronze Sponsor \$2,500
Company logo in all pre/post event materials
Recognition during the event
Virtual exhibit booth
Four registrations for event

Panel Sponsor \$750 (1 available)
Company logo on podium and directional signage
Two (2) event tickets

Booth Sponsor \$299
Listed in all pre/post event materials
Exclusive sponsorship of one panel
Virtual exhibit booth
Two event registrations

New Digital Registration Sponsor \$500
Banner hyperlinked to sponsor website on registration page and all registrant confirmation emails.

Individual Tickets \$65

Program Ads - Due by Wednesday, July 17th

- Full Page Ad: \$500
- Half Page Ad: \$250

Questions? Contact Nicole Desmond at 949.244.5946 or nicole@dandlpr.com. | Visit biabuild.com to register.



Special Thank You To

Balfour Beatty

When
Friday, August 14, 2020 from 9:00 AM to 1:00 PM PDT
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Where
This is an online event.

Contact
Nicole Desmond
Desmond & Louis, Inc
(866) 737-4880
nicole@dandlpr.com

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Layne Arthur
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Catherine Cerri
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BIA Southern California Water Conference

2020 BIA Southern California Water Conference

Business Information

* Required information

* Company:

* Address 1:

* City:

* State:

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* ZIP Code:

* Phone:

Primary Attendee Information

* First Name:

* Last Name:

* Title

* Email Address:

• Confirm Email Address:

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Fee

Type	Fee
<input checked="" type="radio"/> Breakout Sponsor	\$750.00
<input type="radio"/> Bronze Sponsor	\$2,500.00
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<input type="radio"/> Single Attendee	\$65.00

Additional Attendee

You may add a maximum of 20

Add

Items for sale

Item	Qty.	Max Limit	Price
1/2 page advertisement in program 1/2 page full color advertisement in event program	<div>0</div>	1	\$250.00 each
Digital Registration Sponsor Banner hyperlinked to sponsor website on registration page and all registrant confirmation emails <div>Sorry, sold out</div>	<div>0</div>	0	\$500.00 each
Lanyard Sponsor *Sponsor must provide 400 lanyards with your logo or cover the cost to produce lanyards <div>Sorry, sold out</div>	<div>0</div>	0	\$250.00 each

Payment

Payment Method

- ☒ Pay with Credit Card
- ☐ Pay By Check

Payment Summary

Name	Type	Quantity	Fee	Total
	Breakout Sponsor	1	\$750.00	\$750.00
			Total	\$750.00

- ☒ Allow others to see that I have registered. (Note: only your name, title, and company information will be shared.)
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**PALMDALE
WATER DISTRICT
BOARD MEMORANDUM**

DATE:	July 21, 2020	July 27, 2020
TO:	BOARD OF DIRECTORS	Board Meeting
FROM:	Mr. Bob Egan, Financial Advisor	
RE:	<i>AGENDA ITEM NO. 8.1.a – STATUS REPORT ON CASH FLOW STATEMENT AND CURRENT CASH BALANCES AS OF JUNE 2020. (FINANCIAL ADVISOR EGAN/FINANCE COMMITTEE)</i>	

Attached are the Cash Notes, the Investment Funds Report, and the Cash Flow Report as of June 2020. The reports will be reviewed in detail at the Board meeting.

		<u>2020</u>			
		<u>May to June 2020 Major account Activity</u>			
		<u>acct 11469</u>			
		Balance	6/30/2020	5,186,745	
		Balance	5/31/2020	5,448,558	
		Decrease		(261,813)	
		<u>One month activity</u>			
		Transfer to checking		(1,000,000)	
		Taxes received		732,745	
		Interest/Mkt value received		5,441	
				(261,813)	
		<u>Acct 11475</u>			
		Balance	6/30/2020	72,427	
		Balance	5/31/2020	12,059	
		Increase		60,368	
		<u>One month activity</u>			
		Interest received		0	
		Capital improvements received		60,368	
				60,368	
		<u>Acct 11432</u>			
		Balance	6/30/2020	4,616,393	
		Balance	5/31/2020	4,615,222	
		Increase		1,171	
		<u>One month activity</u>			
		Interest/Mkt value received		1,171	
				1,171	
		<u>Acct 24016.</u>			
		Balance	6/30/2020	374,580	
		Balance	5/31/2020	374,521	
		Increase		59	
		<u>One month activity</u>			
		Interest/Mkt value received		59	
				59	

PALMDALE WATER DISTRICT INVESTMENT FUNDS REPORT June 30, 2020							
				June 2020	May 2020	March 2020	
CASH							
1-00-0103-100	Citizens - Checking			180,757.35	240,827.36	1,173,147.33	
1-00-0103-200	Citizens - Refund			208.20	-	-	
1-00-0103-300	Citizens - Merchant			331,951.57	200,224.21	201,413.88	
Bank Total				512,917.12	441,051.57	1,374,561.21	
1-00-0110-000	PETTY CASH			300.00	300.00	300.00	
1-00-0115-000	CASH ON HAND			5,400.00	5,400.00	5,400.00	
TOTAL CASH				518,617.12	446,751.57	1,380,261.21	
INVESTMENTS							
1-00-0135-000	Local Agency Investment Fund		Acct. Total	12,568.72	12,568.72	12,505.78	
1-00-0120-000	UBS Money Market Account General (SS 11469)						
	UBS RMA Government Portfolio			766,743.74	1,033,643.33	-	
	UBS Bank USA Dep acct			-	-	51,450.45	
	Accrued interest			27,260.46	22,048.34	14,198.38	
				794,004.20	1,055,691.67	65,648.83	
US Government Securities							
CUSIP #	Issuer	Maturity Date	Rate	PAR	Market Value	Market Value	Market Value
912828PP9	US TSY INFL PROT NOTE	01/15/2021	1.250	1,300,000	1,537,871.42	1,533,878.78	-
				1,300,000	1,537,871.42	1,533,878.78	-
Certificates of Deposit							
	Issuer	Maturity Date	Rate	Face Value			
1	UBS Bank	4/24/2020	3.000	238,000	-	-	238,326.06
2	Merchant Bank	4/24/2020	1.650	250,000	-	-	250,130.00
3	NY Community Bank	5/11/2020	1.550	240,000	-	-	240,163.20
4	Texas Cap Bank	5/11/2020	1.800	240,000	-	-	240,204.00
5	Investors Bank	07/15/2020	1.600	250,000	250,155.00	250,485.00	250,432.50
6	US Bank NA OH	07/15/2020	1.600	210,000	210,130.20	210,407.40	210,363.30
7	Hancock Whitney Bank	07/16/2020	1.650	250,000	250,170.00	250,510.00	250,472.50
8	Safra National Bank	08/24/2020	1.650	250,000	250,590.00	250,922.50	250,622.50
9	Pinnacle Bank	10/21/2020	1.650	250,000	251,197.50	251,535.00	250,822.50
10	Truist Bank-Charlotte	10/22/2020	1.650	250,000	251,207.50	251,545.00	250,825.00
11	TBK Bank-SSB TX	10/29/2020	1.650	200,000	201,026.00	201,296.00	200,678.00
12	Goldman Sachs	11/18/2020	2.300	240,000	251,492.50	251,830.00	250,907.50
13	Bank of India	11/18/2020	1.650	250,000	242,044.80	242,505.60	241,843.20
14	Customers Bank PA	11/27/2020	1.600	200,000	201,228.00	201,488.00	200,678.00
15	Bank of Washington MO	01/02/2021	1.650	250,000	252,217.50	252,522.50	251,027.50
16	Ally Bank	01/19/2021	2.700	240,000	243,410.40	243,940.80	242,997.60
				3,808,000	2,854,869.40	2,858,987.80	3,820,493.36
			Acct. Total	5,186,745.02	5,448,558.25	3,886,142.19	
1-00-1110-000	UBS Money Market Account Capital (SS 11475)						
	UBS Bank USA Dep acct			72,427.41	12,059.01	12,059.01	
	UBS RMA Government Portfolio			-	-	-	
			Acct. Total	72,427.41	12,059.01	12,059.01	
1-00-0125-000	UBS Access Account General (SS 11432)						
	UBS Bank USA Dep acct			-	-	-	
	UBS RMA Government Portfolio			24,850.13	263,953.90	16,087.50	
	Accrued interest			12,181.67	8,053.47	6,140.82	
				37,031.80	272,007.37	22,228.32	
US Government Securities							
CUSIP #	Issuer	Maturity Date	Rate	PAR	Market Value	Market Value	Market Value
912796WY1	US Treasury Bill	07/30/2020	0.000	1,750,000	1,749,825.00	1,749,615.00	1,749,492.50
912828C57	US Treasury Note	03/21/2021	2.250	1,430,000	1,452,236.50	1,454,295.70	1,460,273.10
				3,180,000	3,202,061.50	3,203,910.70	3,209,765.60
Certificates of Deposit							
	Issuer	Maturity Date	Rate	Face Value			
1	Synchrony Bank	04/14/2020	1.850	240,000	-	-	240,117.60
2	First UTD Bank	09/14/2020	2.000	240,000	240,043.20	-	-
3	Bank of China	10/22/2020	1.000	240,000	240,664.80	240,852.00	240,110.40
4	Wells Fargo	12/14/2020	3.100	240,000	243,252.00	243,878.40	243,384.00
5	Comenity Cap Bank	01/19/2021	1.900	163,000	165,004.90	165,314.60	164,582.73
6	Bank of America	02/08/2021	2.550	240,000	243,532.80	244,022.40	242,832.00
7	Sallie Mae Bank	05/10/2021	2.450	240,000	244,802.40	245,236.80	243,136.80
				1,603,000	1,377,300.10	1,139,304.20	1,374,163.53
			Acct. Total	4,616,393.40	4,615,222.27	4,606,157.45	
Total Managed Accounts				9,888,134.55	10,088,408.25	8,516,864.43	
1-00-1121-000	UBS Rate Stabilization Fund (SS 24016) - District Restricted						
	UBS Bank USA Dep acct			4,077.38	4,006.72	1,026.80	
	UBS RMA Government Portfolio			-	-	-	
	Accrued interest			429.57	171.99	2,424.28	
				4,506.95	4,178.71	3,451.08	
Certificates of Deposit							
	Issuer	Maturity Date	Rate	Face Value			
1	State Bank India	04/21/2020	1.850	240,000	-	-	240,124.80
2	Bank OZK AR	10/23/2020	1.600	52,000	52,240.76	52,308.88	52,156.52
3	Bank United	10/29/2020	0.700	240,000	240,465.60	240,588.00	-
4	Bank of Baroda NY	11/23/2020	1.600	77,000	77,366.52	77,445.83	77,107.80
				609,000	370,072.88	370,342.71	369,389.12
			Acct. Total	374,579.83	374,521.42	372,840.20	
TOTAL CASH AND INVESTMENTS				10,781,331.50	10,909,681.24	10,269,965.84	
Increase (Decrease) in Funds				(128,349.74)			
1-00-1135-000	2018A Bonds - Project Funds (BNY Mellon)						
	Construction Funds			2,266,496.92	2,339,213.76	2,337,255.88	
	Issuance Funds			12,512.42	12,511.21	12,500.76	
				2,279,009.34	2,351,724.97	2,349,756.64	

PALMDALE WATER DISTRICT

2020 Cash Flow Report (Based on Dec. 16, 2019 Approved Budget)

2020 Cash Flow Report (Based on Dec. 16, 2019 Approved Budget)														Budget 2020 Carryover Information
	January	February	March	April	May	June	July	August	September	October	November	December	YTD	
Total Cash Beginning Balance (BUDGET)	12,176,691	12,015,065	11,932,116	9,751,094	11,187,683	10,449,122	9,647,959	8,919,381	8,465,838	6,085,389	5,993,553	5,965,518		(2,986,196)
Total Cash Beginning Balance	12,176,691	12,059,367	12,115,860	10,269,966	11,324,072	10,909,681	10,781,332	9,964,258	9,466,622	7,354,821	7,665,421	7,974,983		
Budgeted Water Receipts	1,969,871	1,909,953	1,821,402	2,023,426	2,135,309	2,306,049	2,574,884	2,642,226	2,798,119	2,613,062	2,257,796	2,243,479	27,295,578	
Water Receipts	1,976,977	1,810,940	1,886,002	1,768,371	1,740,985	2,225,759	2,574,884	2,642,226	2,798,119	2,613,062	2,257,796	2,243,479	26,538,601	
DWR Refund (Operational Related)				5,812		8,399							14,211	
Other													-	
Total Operating Revenue (BUDGET)													-	
Total Operating Revenue (ACTUAL)	1,976,977	1,810,940	1,886,002	1,774,183	1,740,985	2,234,158	2,574,884	2,642,226	2,798,119	2,613,062	2,257,796	2,243,479	26,552,812	
Total Operating Expenses excl GAC (BUDGET)	(1,955,491)	(1,679,071)	(1,646,539)	(1,776,681)	(1,979,583)	(2,030,457)	(2,102,626)	(2,239,867)	(2,196,092)	(2,114,457)	(1,953,554)	(1,697,292)	(23,371,709)	
GAC (BUDGET)							(151,004)			(151,004)	(151,004)	(151,004)	(604,016)	
Operating Expenses excl GAC (ACTUAL)	(1,824,217)	(1,712,608)	(1,665,413)	(2,524,400)	(1,530,753)	(1,666,590)	(1,899,626)	(2,065,367)	(2,056,092)	(1,820,457)	(1,805,054)	(1,465,292)	(22,035,869)	
GAC							(151,004)			(151,004)	(151,004)	(151,004)	(604,016)	
Prepaid Insurance (paid)/refunded							(65,000)	(34,500)		(162,000)		(142,000)	(403,500)	
Total Operating Expense (ACTUAL)	(1,824,217)	(1,712,608)	(1,665,413)	(2,524,400)	(1,530,753)	(1,666,590)	(2,115,630)	(2,099,867)	(2,056,092)	(2,133,461)	(1,956,058)	(1,758,296)	(23,043,385)	
Non-Operating Revenue:														
Assessments, net (BUDGET)	669,610	258,264	18,203	2,115,842	727,923	13,006	84,159	131,277	-	-	134,205	2,557,762	6,710,250	
Actual/Projected Assessments, net	673,482	316,839	18,711	2,022,097	514,328	289,894	84,159	131,277	-	-	134,205	2,557,762	6,742,754	
Asset Sale/Unencumbered Money (Taxes)													-	
RDA Pass-through (Successor Agency)	288,194					442,851							731,045	
Interest	21,808	17,238	15,707	13,081	79,243	11,145	12,500	12,500	12,500	12,500	12,500	12,500	233,221	
Market Adjustment	2,953	15,273	29,363	10,006	61,868	(4,249)							115,216	
Grant Re-imbursement							50,000			50,000			100,000	
Capital Improvement Fees - Infrastructure		12,028				60,368	8,333			8,333		8,333	97,396	
Capital Improvement Fees - Water Supply							16,667			16,667		16,667	50,000	
DWR Refund (Capital Related)				150,341					58,333		58,333		267,008	
Other	(18)	100	(30)	7,918	62	-	4,167	4,167	4,167	4,167	4,167	4,167	33,032	
Total Non-Operating Revenues (BUDGET)													-	
Total Non-Operating Revenues (ACTUAL)	986,420	361,479	63,751	2,203,442	655,501	800,010	175,825	147,944	75,000	91,667	209,205	2,599,429	8,369,672	
Non-Operating Expenses:														
Budgeted Capital Expenditures	(220,738)	(387,519)	(352,940)	(466,422)	(537,633)	(318,360)	(343,159)	(827,604)	(420,469)	(304,862)	(189,236)	(660,500)	(5,029,442)	
Budgeted Capital Expenditures (Committed During Year)													-	
Actual/Projected Capital Expenditures	(361,787)	(202,019)	(31,987)	(193,772)	(59,931)	(450,790)	(257,386)	(266,288)	(160,000)	(59,287)	-	-	(2,043,246)	
WRB Capital Expenditures (COP - Amargosa Recharge Proj)					(1,024,374)			(720,271)					(1,744,645)	
Const. of Monitoring Wells/Test Basin (Water Supply)													-	
Grade Control Structure (Water Supply)													-	
SWP Capitalized	(795,653)	(191,742)	(209,679)	(191,742)	(191,742)	(191,741)	(795,650)	(191,741)	(215,871)	(191,741)	(191,741)	(191,741)	(3,550,784)	
Investment in PRWA							(300,000)						(300,000)	
Butte County Water Transfer						(834,142)						(854,105)	(1,688,247)	
Bond Payments - Interest			(1,269,053)						(1,360,899)				(2,629,952)	
Principal			(607,583)						(1,182,418)				(1,790,001)	
Capital leases - Holman Capital (2017 Lease)	(89,477)						(89,477)						(178,953)	
Capital leases - Enterprise FM Trust (Vehicles)	(5,563)	(5,563)	(7,940)	(9,612)	-	(15,178)	(5,563)	(5,563)	(5,563)	(5,563)	(5,563)	(5,563)	(77,232)	
Capital leases - Wells Fargo (Printers)	(4,025)	(3,993)	(3,993)	(3,993)	(4,077)	(4,077)	(4,077)	(4,077)	(4,077)	(4,077)	(4,077)	(4,077)	(48,620)	
Total Non-Operating Expenses (ACTUAL)	(1,256,504)	(403,317)	(2,130,235)	(399,119)	(1,280,124)	(1,495,927)	(1,452,153)	(1,187,940)	(2,928,828)	(260,668)	(201,381)	(1,055,486)	(14,051,681)	
Total Cash Ending Balance (BUDGET)	12,015,065	11,932,116	9,751,094	11,187,683	10,449,122	9,647,959	8,919,381	8,465,838	6,085,389	5,993,553	5,965,518	7,403,230		
Total Cash Ending Balance (ACTUAL)	12,059,367	12,115,860	10,269,966	11,324,072	10,909,681	10,781,332	9,964,258	9,466,622	7,354,821	7,665,421	7,974,983	10,004,109		
	</													

Indicates actual expenditures/revenues:

Indicates anticipated expenditures/revenues:

**PALMDALE
WATER DISTRICT
BOARD MEMORANDUM**

DATE:	July 21, 2020	July 27, 2020
TO:	BOARD OF DIRECTORS	Board Meeting
FROM:	Michael Williams, Finance Manager/CFO	
VIA:	Mr. Dennis LaMoreaux, General Manager	
RE:	<i>AGENDA ITEM 8.1.b – STATUS REPORT ON FINANCIAL STATEMENTS, REVENUE, AND EXPENSE AND DEPARTMENTAL BUDGET REPORTS FOR JUNE 2020. (FINANCE MANAGER WILLIAMS/FINANCE COMMITTEE)</i>	

Discussion:

Presented here are the Balance Sheet and Profit/Loss Statement for the period ending June 30, 2020. Also included are Quarter-To-Quarter Comparisons and the Year-to-Date Revenue and Expense Analysis. Finally, I have provided individual departmental budget reports through the month of June 2020.

This is the 6th month/2nd quarter of the District's Budget Year 2020. The target percentage is 50%. Revenues ideally are at or above, and expenditures ideally are below.

Balance Sheet:

- Pages 1 and 2 is our balance sheet trending for the 6-month period and a graphic presentation of Assets, Liabilities, and Net Position at June 30, 2020.
- There were no significant changes from May to June, but an increase in investments of approximately \$1.4M from March to June. That increase is due to receipt of property tax assessments.

Profit/Loss Statement:

- Page 3 is our profit/loss statement trending for the 6-month period.
- Operating revenue is at 43% of budget.
- Cash operating expense is at 43% of budget.
- All departmental budgets are at or below the target percentage, except for the following:
 - Customer Care-This is due to under budgeting for health insurance costs.
- Revenues have exceeded expenses for the month by \$1.01M, and year-to-date revenues have exceeded expenditures by \$1.2M.
- Pages 4 through 6 is showing the P&L in various graphic forms using major report category totals. Note on page 4 the blue line showing the increased revenue in June.
- Page 7 is showing the operating expense distributed between personnel and operation costs. Labor costs are at 60% of total expenses with salaries making up 40% of that.

Quarter-To-Quarter Comparison P&L:

- Page 7-1 is our 2nd quarter comparison, comparing 2020 to 2019.
- Total operating revenue increased \$476K, or 8%.
- Total operating expense increased \$114K, or 2%.
- Units billed increased by 103K.
- Revenue per unit sold increased \$0.06.
- Revenue per connection increased \$5.74.
- Units sold per connection increased 1.24.

Revenue Analysis Year-To-Date:

- Page 8 is our comparison of revenue, year-to-date.
- Operating revenue through June 2020 is up \$747K, or 7%.
- Retail water revenue from all areas are up by \$964K from last year. That's shown by the combined green highlighted area.
- Retail water sales excluding meter fees is up \$1.03M.
- Total revenue is up \$714K, or 4.6%.
- Operating revenue is at 43% of budget, last year was at 42% of budget.

Expense Analysis Year-To-Date:

- Page 9 is our comparison of expense, year-to-date.
- Cash Operating Expenses through June 2020 are up \$39K, or 0.4%, compared to 2019. Total Expenses are down \$96K, or 0.6%.

Departments:

- Pages 11 through 21 are detailed individual departmental budgets for your review.

Non-Cash Definitions

Depreciation: This is the spreading of the total expense of a capital asset over the expected life of that asset.

OPEB Accrual Expense: Other Post-Employment Benefits (OPEB) is the recognized annual required contribution to the benefit. The amount is actuarially determined in accordance with the parameters of GASB 45. The amount represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year.

Bad Debt: The uncollectible accounts receivable that has been written off.

Service Cost Construction: The value of material, parts & supplies from inventory used to construct, repair and maintain our asset infrastructure.

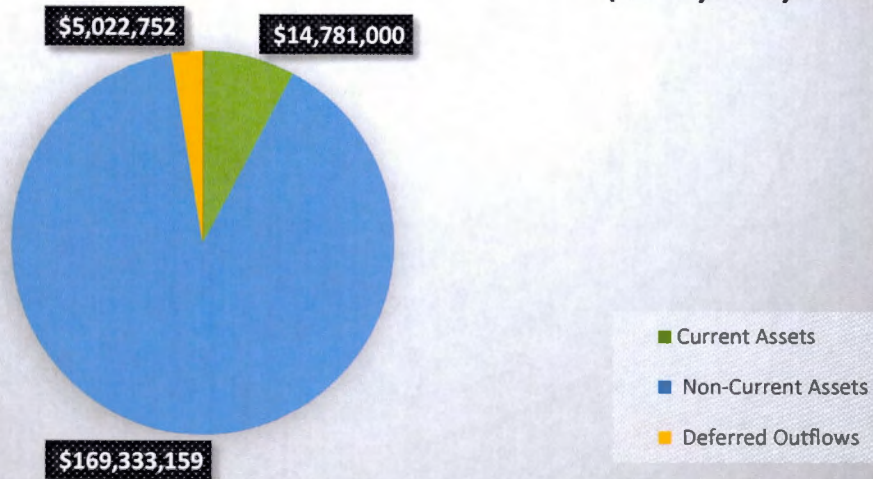
Capitalized Construction: The value of our labor force used to construct our asset infrastructure.

**Palmdale Water District
Balance Sheet Report**

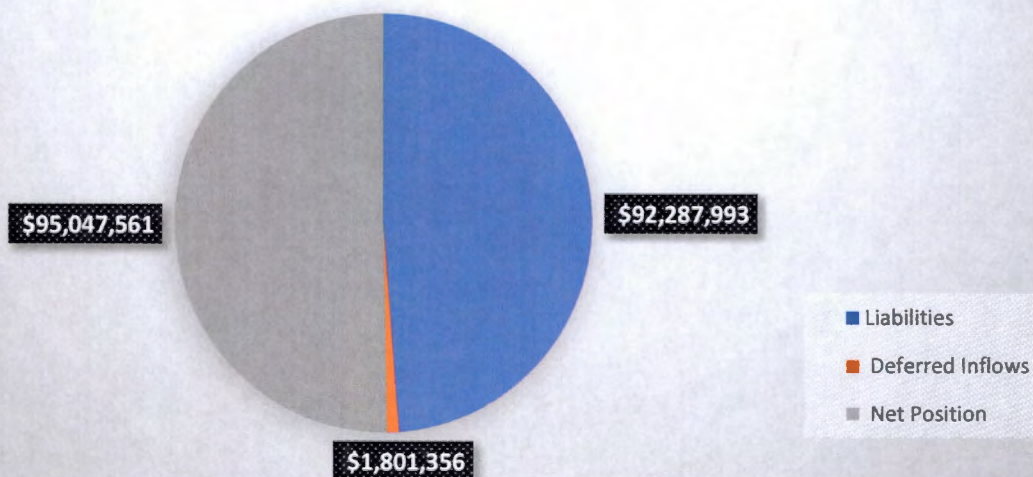
	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 715,172	\$ 1,423,090	\$ 1,380,261	\$ 390,731	\$ 446,752	\$ 518,627
Investments	11,350,106	10,706,099	8,889,705	10,933,341	10,462,930	10,262,714
Accrued interest receivable	-	-	-	-	-	-
Accounts receivable - water sales and services, net	1,462,140	1,503,605	1,560,002	1,554,880	1,912,517	2,234,691
Accounts receivable - property taxes and assessments	3,581,062	3,264,223	3,245,512	1,223,415	709,086	419,192
Accounts receivable - other	15,463	10,814	10,714	10,514	9,266	9,266
Materials and supplies inventory	1,008,422	1,016,258	1,029,547	1,048,791	1,050,709	1,034,459
Prepaid items and other deposits	425,987	396,526	373,106	357,373	317,783	302,050
Total Current Assets	\$ 18,558,352	\$ 18,320,615	\$ 16,488,847	\$ 15,519,046	\$ 14,909,043	\$ 14,781,000
Non-Current Assets:						
Restricted - cash and cash equivalents	\$ 2,973,074	\$ 2,381,260	\$ 2,349,757	\$ 2,351,304	\$ 2,351,725	\$ 2,279,009
Investment in Palmdale Recycled Water Authority	1,668,290	1,668,290	1,668,290	1,668,290	1,976,189	1,958,222
Capital assets - not being depreciated	21,531,554	22,359,494	22,571,729	22,680,702	23,961,762	24,618,178
Capital assets - being depreciated, net	142,727,742	142,246,733	141,789,647	141,428,894	140,957,436	140,477,749
Total Non-Current Assets	\$ 168,900,661	\$ 168,655,777	\$ 168,379,423	\$ 168,129,190	\$ 169,247,112	\$ 169,333,159
TOTAL ASSETS	\$ 187,459,012	\$ 186,976,392	\$ 184,868,270	\$ 183,648,235	\$ 184,156,156	\$ 184,114,158
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred loss on debt defeasance, net	\$ 1,995,382	\$ 1,982,324	\$ 1,969,266	\$ 1,956,208	\$ 1,943,151	\$ 1,930,093
Deferred outflows of resources related to pensions	3,364,969	3,364,969	3,364,969	3,364,969	3,092,659	3,092,659
Total Deferred Outflows of Resources	\$ 5,360,351	\$ 5,347,293	\$ 5,334,235	\$ 5,321,177	\$ 5,035,810	\$ 5,022,752
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 192,819,363	\$ 192,323,685	\$ 190,202,505	\$ 188,969,413	\$ 189,191,965	\$ 189,136,910
LIABILITIES AND NET POSITION						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 760,533	\$ 449,939	\$ 605,583	\$ 182,791	\$ 351,337	\$ (192,636)
Customer deposits for water service	3,018,997	3,025,730	3,068,017	3,071,701	3,070,706	3,045,605
Construction and developer deposits	1,625,415	1,625,415	1,625,415	1,625,415	1,624,545	1,623,554
Accrued interest payable	846,704	1,057,878	-	209,939	419,878	663,572
Long-term liabilities - due in one year:						
Compensated absences	376,212	376,212	381,632	401,543	405,449	461,446
Rate Stabilization Fund	-	-	-	-	-	360,000
Capital lease payable	(83,509)	(83,509)	84,670	84,670	84,670	-
Loan payable	-	-	617,000	617,000	617,000	617,000
Revenue bonds payable	-	-	535,000	535,000	535,000	565,418
Total Current Liabilities	\$ 6,544,352	\$ 6,451,665	\$ 6,917,317	\$ 6,728,060	\$ 7,108,585	\$ 7,143,959
Non-Current Liabilities:						
Long-term liabilities - due in more than one year:						
Compensated absences	\$ 125,404	\$ 125,404	\$ 127,211	\$ 133,848	\$ 135,150	\$ 153,815
Capital lease payable	429,316	429,316	261,137	261,137	261,137	261,137
Loan payable	8,607,627	8,596,029	7,359,848	7,348,250	7,336,653	7,325,055
Revenue bonds payable	53,490,000	53,490,000	52,955,000	52,955,000	52,955,000	53,123,105
Net other post employment benefits payable	14,987,630	15,090,576	15,194,089	15,297,224	13,482,880	13,589,584
Aggregate net pension liability	9,809,458	9,809,458	9,809,458	9,809,458	10,691,338	10,691,338
Pension-related debt	-	-	-	-	-	-
Total Non-Current Liabilities	\$ 87,449,435	\$ 87,540,783	\$ 85,706,743	\$ 85,804,917	\$ 84,862,157	\$ 85,144,034
Total Liabilities	\$ 93,993,787	\$ 93,992,448	\$ 92,624,060	\$ 92,532,977	\$ 91,970,742	\$ 92,287,993
DEFERRED INFLOWS OF RESOURCES:						
Unearned property taxes and assessments	\$ 2,750,000	\$ 2,200,000	\$ 1,650,000	\$ 1,100,000	\$ 550,000	\$ -
Deferred inflows of resources related to pensions	585,837	585,837	585,837	585,837	1,801,356	1,801,356
Total Deferred Inflows of Resources	\$ 3,335,837	\$ 2,785,837	\$ 2,235,837	\$ 1,685,837	\$ 2,351,356	\$ 1,801,356
NET POSITION:						
Profit/(Loss) from Operations	\$ (375,999)	\$ (320,338)	\$ (523,129)	\$ (1,115,137)	\$ (925,632)	\$ (132,217)
Restricted for investment in Palmdale Recycled Water Authority	1,672,585	1,672,585	1,673,369	1,673,726	1,987,084	1,969,117
Unrestricted	94,193,153	94,193,153	94,192,369	94,192,010	93,808,415	93,210,662
Total Net Position	\$ 95,489,739	\$ 95,545,400	\$ 95,342,609	\$ 94,750,599	\$ 94,869,867	\$ 95,047,561
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 192,819,363	\$ 192,323,685	\$ 190,202,505	\$ 188,969,413	\$ 189,191,965	\$ 189,136,910

BALANCE SHEET AS OF JUNE 30, 2020

ASSETS \$189,136,910



Liabilities & Net Position \$189,136,910



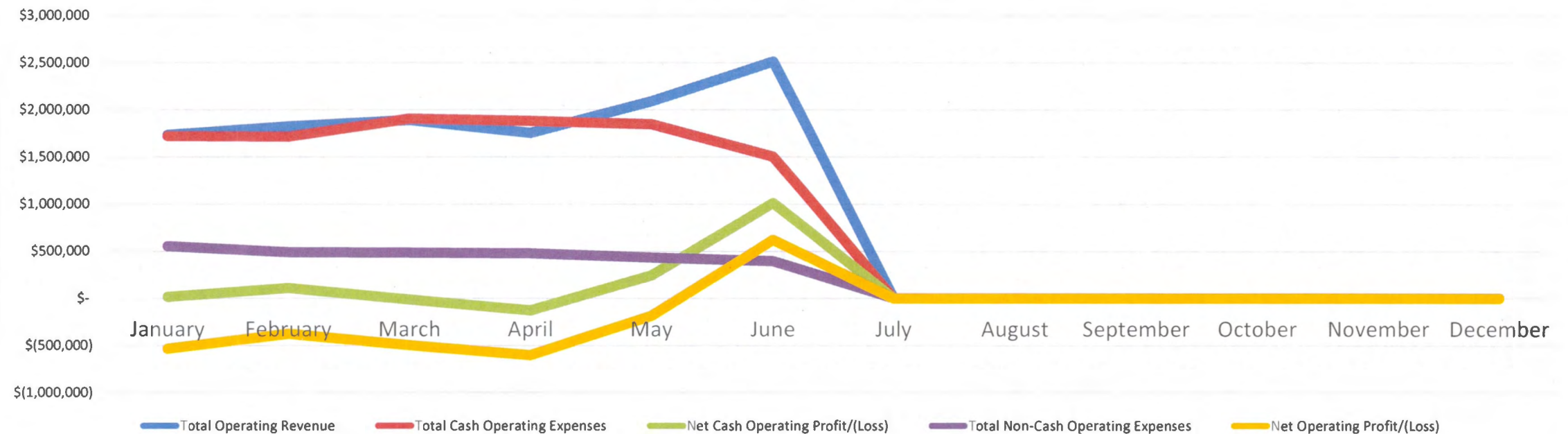
Palmdale Water District
Consolidated Profit and Loss Statement
For the Six Months Ending 6/30/2020

	January	February	March	April	May	June	July	August	September	October	November	December	Year-to-Date	Adjustments	Adjusted Budget	% of Budget
Operating Revenue:																
Wholesale Water	\$ 8,681	\$ 9,898	\$ -	\$ 13,820	\$ 4,171	\$ 46,599							\$ 83,169		\$ 295,000	28.19%
Water Sales	463,268	536,723	587,686	502,251	814,624	1,130,212							4,034,764		10,028,794	40.23%
Meter Fees	1,140,012	1,142,830	1,149,976	1,151,303	1,165,787	1,153,459							6,903,368		14,956,694	46.16%
Water Quality Fees	37,737	44,102	48,042	43,248	66,906	85,176							325,211		783,015	41.53%
Elevation Fees	14,637	16,135	20,855	16,726	29,458	38,567							136,378		354,450	38.48%
Other	65,830	70,441	81,332	23,870	4,520	54,064							300,057		877,625	34.19%
Total Operating Revenue	\$ 1,730,165	\$ 1,820,129	\$ 1,887,891	\$ 1,751,219	\$ 2,085,467	\$ 2,508,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,782,947	\$ -	\$ 27,295,578	43.17%
Cash Operating Expenses:																
Directors	\$ 1,318	\$ 11,128	\$ 7,701	\$ 7,473	\$ 7,917	\$ 7,767							\$ 43,304		\$ 144,150	30.04%
Administration-Services	144,187	159,045	153,938	208,358	173,556	148,406							987,491		2,056,121	48.03%
Administration-District	84,200	174,065	330,834	166,209	181,489	98,975							1,035,772		2,128,988	48.65%
Engineering	122,800	121,461	125,274	169,144	121,906	121,876							782,460		1,635,725	47.84%
Facilities*	492,620	465,876	440,287	544,621	625,730	413,434							2,982,567	(220,428)	6,229,366	47.88%
Operations	199,056	248,610	359,631	273,241	270,883	232,734							1,584,155		3,248,390	48.77%
Finance	117,758	96,629	104,849	129,360	95,602	102,768							646,965		1,346,687	48.04%
Water Use Efficiency	23,996	20,300	18,248	24,618	17,265	18,163							122,590		358,682	34.18%
Human Resources	38,032	37,037	27,279	43,253	28,047	29,299							202,948		492,512	41.21%
Information Technology*	228,757	72,791	86,844	88,848	100,409	104,826							682,475	220,428	1,449,917	47.07%
Customer Care	119,646	98,345	112,135	142,371	108,120	99,640							680,259		1,292,548	52.63%
Source of Supply-Purchased Water	93,089	205,796	133,681	81,510	110,953	119,612							744,641		2,321,476	32.08%
Plant Expenditures	50,350	-	-	-	-	-							50,350		610,556	8.25%
Sediment Removal Project	-	-	-	-	-	-							-		600,000	0.00%
GAC Filter Media Replacement	-	-	-	-	-	-							-		783,015	0.00%
Total Cash Operating Expenses	\$ 1,715,810	\$ 1,711,083	\$ 1,900,701	\$ 1,879,007	\$ 1,841,876	\$ 1,497,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,545,976	\$ -	\$ 24,698,133	42.70%
Net Cash Operating Profit/(Loss)	\$ 14,356	\$ 109,046	\$ (12,810)	\$ (127,788)	\$ 243,591	\$ 1,010,577	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,236,971	\$ -	\$ 2,597,445	47.62%
Non-Cash Operating Expenses:																
Depreciation	\$ 438,268	\$ 434,996	\$ 429,011	\$ 429,289	\$ 425,314	\$ 424,455							\$ 2,581,334		\$ 5,050,000	51.12%
OPEB Accrual Expense	127,710	127,710	127,710	127,710	127,710	127,710							766,260		1,750,000	43.79%
Bad Debts	5,112	(650)	1,193	(2,364)	(112)	(21)							3,158		35,000	9.02%
Service Costs Construction	19,033	11,445	21,142	13,326	18,506	12,242							95,695		100,000	95.70%
Capitalized Construction	(39,830)	(86,127)	(95,768)	(91,480)	(141,462)	(171,202)							(625,868)		(600,000)	104.31%
Total Non-Cash Operating Expenses	\$ 550,293	\$ 487,375	\$ 483,288	\$ 476,482	\$ 429,956	\$ 393,185	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,820,579	\$ -	\$ 6,335,000	44.52%
Net Operating Profit/(Loss)	\$ (535,938)	\$ (378,329)	\$ (496,099)	\$ (604,270)	\$ (186,365)	\$ 617,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,583,608)	\$ -	\$ (3,737,555)	42.37%
Non-Operating Revenues:																
Assessments (Debt Service)	\$ 416,845	\$ 416,845	\$ 416,845	\$ 416,845	\$ 416,845	\$ 416,845							\$ 2,501,070		\$ 4,925,250	50.78%
Assessments (1%)	421,349	133,155	133,155	133,155	133,155	576,006							1,529,975		2,346,000	65.22%
DWR Fixed Charge Recovery	-	-	-	150,341	-	33,614							183,955		175,000	105.12%
Interest	24,761	32,511	45,071	23,087	15,681	6,896							148,007		150,000	98.67%
CIF - Infrastructure	-	12,028	-	-	-	60,368							72,396		18,750	386.11%
CIF - Water Supply	-	-	-	-	-	-							-		56,250	0.00%
Grants - State and Federal	-	-	-	-	-	-							-		100,000	0.00%
Other	(18)	100	(30)	7,918	62	-							8,032		50,000	16.06%
Total Non-Operating Revenues	\$ 862,937	\$ 594,640	\$ 595,040	\$ 731,345	\$ 565,744	\$ 1,093,729	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,443,436	\$ -	\$ 7,821,250	56.81%
Non-Operating Expenses:																
Interest on Long-Term Debt	\$ 219,425	\$ 213,457	\$ 213,457	\$ 212,222	\$ 280,744	\$ 250,783							\$ 1,390,088		\$ 2,648,000	52.50%
Deferred Charges-Cost of Issuance	-	-	-	-	127,252	-							127,252		-	
Amortization of SWP	237,754	237,754	237,754	237,885	237,885	237,885							1,426,917		2,881,000	49.53%
Change in Investments in PRWA	4,295	784	357	5,459	-	-							10,895		300,000	3.63%
Water Conservation Programs	2,640	7,555	6,698	8,066	6,221	5,714							36,893		236,500	15.60%
Total Non-Operating Expenses	\$ 464,114	\$ 459,550	\$ 458,266	\$ 463,631	\$ 652,102	\$ 494,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,992,045	\$ -	\$ 6,065,500	49.33%
Net Earnings	\$ (137,114)	\$ (243,239)	\$ (359,324)	\$ (336,556)	\$ (272,724)	\$ 1,216,739	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (132,217)	\$ -	\$ (1,981,805)	6.67%

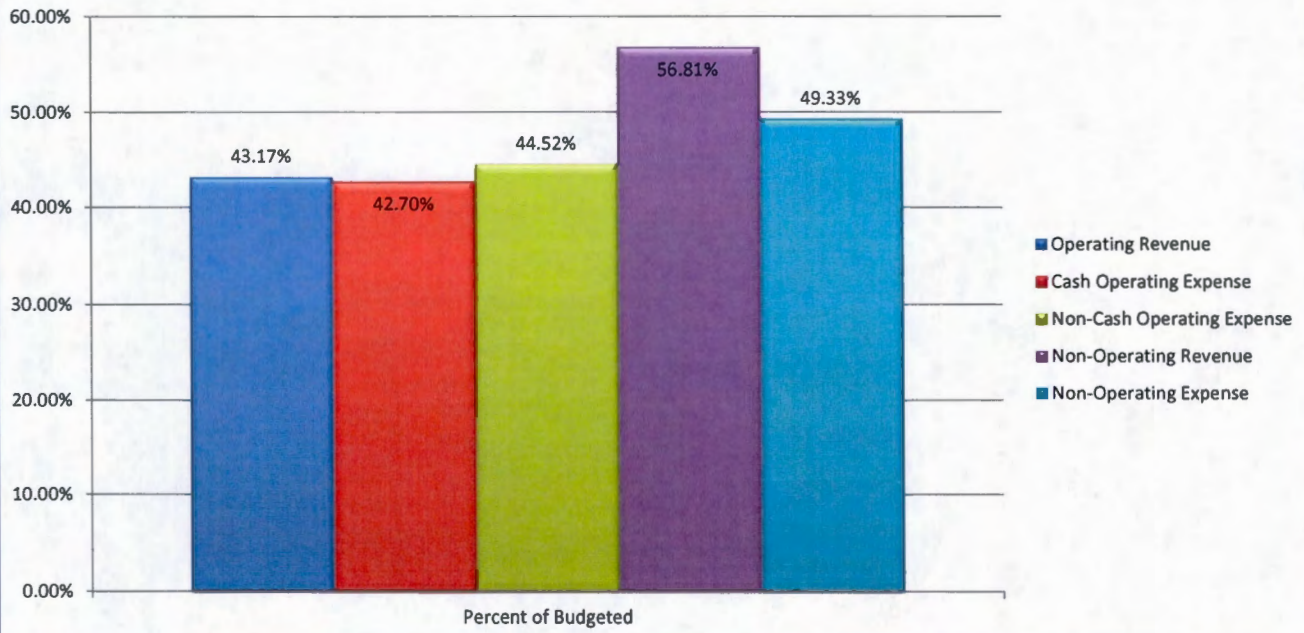
* Budget adjustments by Board action 05/11/20

	January	February	March	April	May	June	July	August	September	October	November	December
Total Operating Revenue	\$ 1,730,165	\$ 1,820,129	\$ 1,887,891	\$ 1,751,219	\$ 2,085,467	\$ 2,508,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Cash Operating Expenses	\$ 1,715,810	\$ 1,711,083	\$ 1,900,701	\$ 1,879,007	\$ 1,841,876	\$ 1,497,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Operating Profit/(Loss)	\$ 14,356	\$ 109,046	\$ (12,810)	\$ (127,788)	\$ 243,591	\$ 1,010,577	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-Cash Operating Expenses	\$ 550,293	\$ 487,375	\$ 483,288	\$ 476,482	\$ 429,956	\$ 393,185	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Operating Profit/(Loss)	\$ (535,938)	\$ (378,329)	\$ (496,099)	\$ (604,270)	\$ (186,365)	\$ 617,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

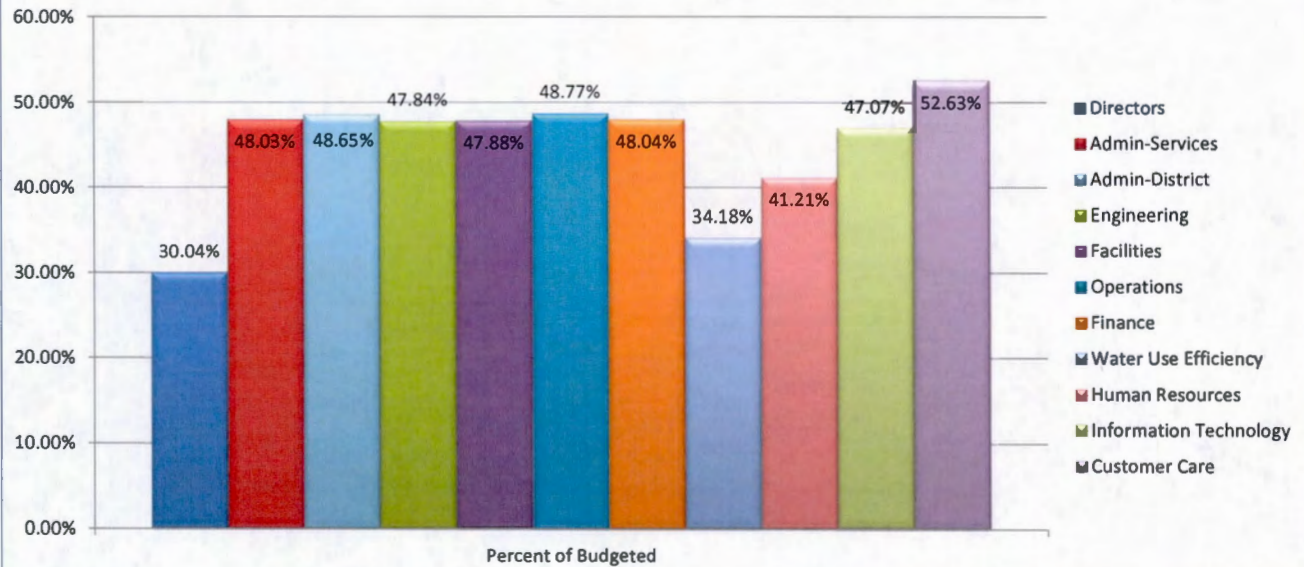
P & L Trending 2020



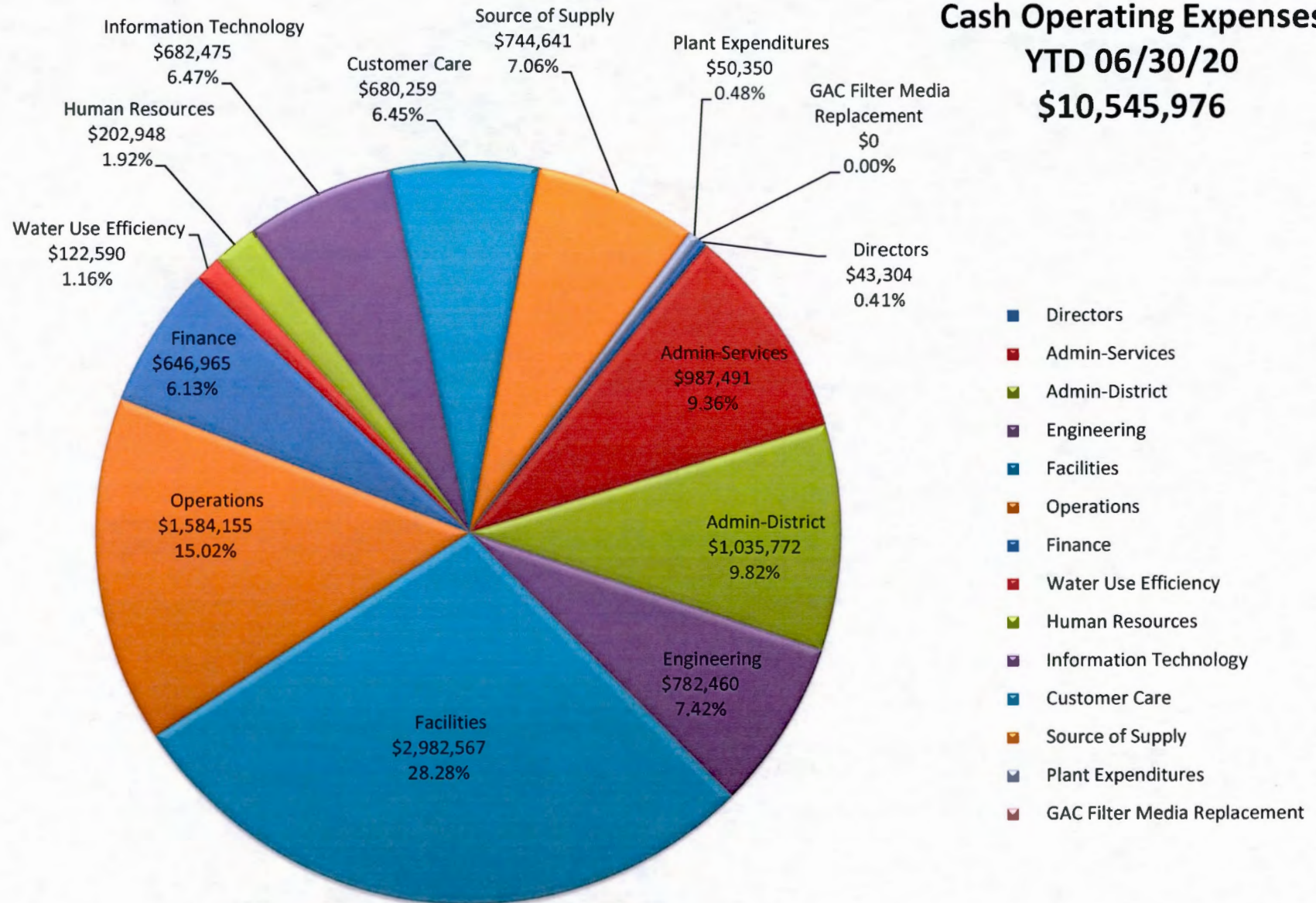
P & L BUDGET vs. ACTUAL



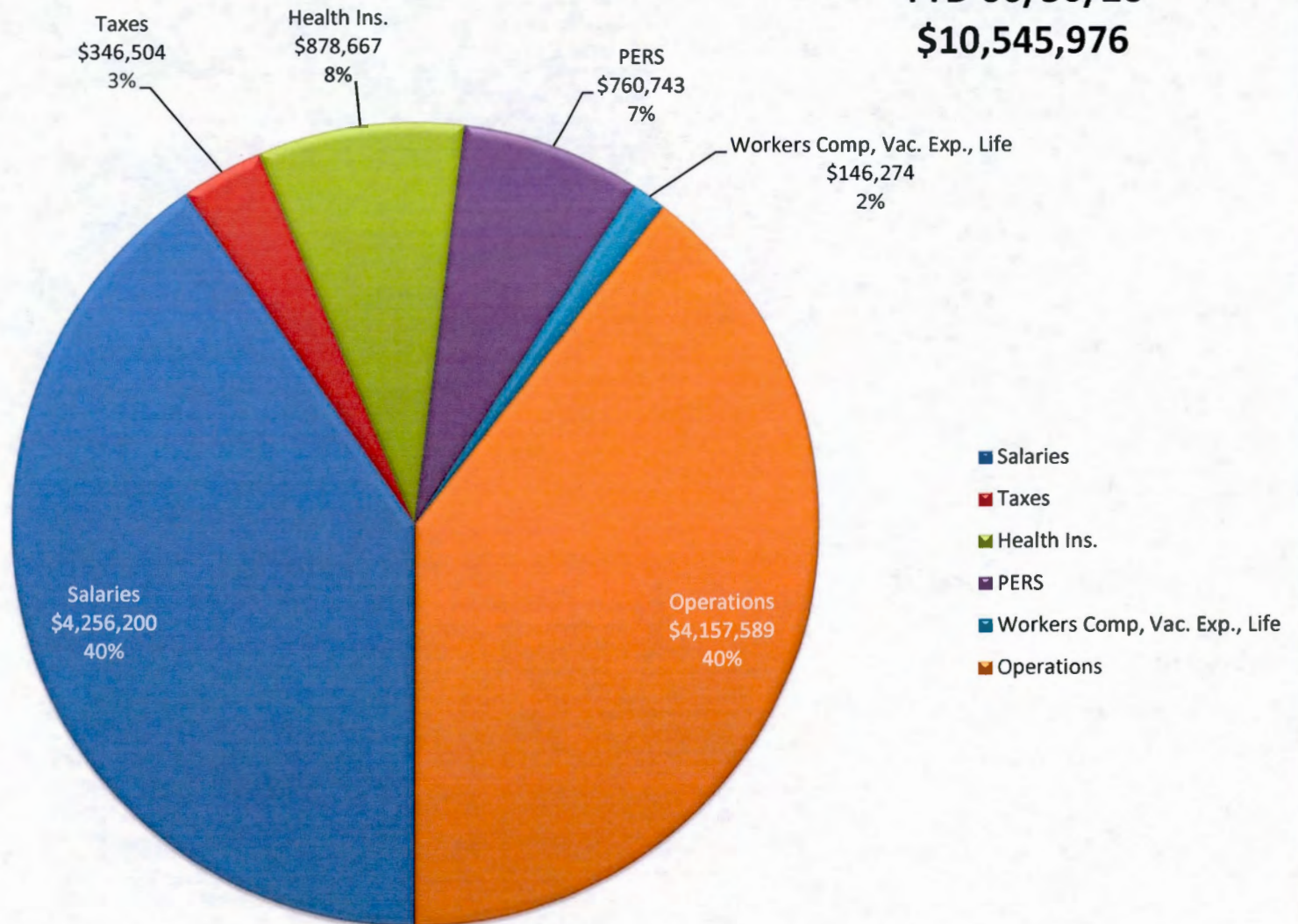
DEPARTMENTAL - BUDGET vs. ACTUAL



**Cash Operating Expenses
YTD 06/30/20
\$10,545,976**



Personnel to Operations Exp
YTD 06/30/20
\$10,545,976



**Palmdale Water District
Profit and Loss Statement
Quarterly Comparison**

	2nd Qtr 2019	2nd Qtr 2020	Change	% Change		Consumption Comparison	
					Units Billed	2019	2020
Operating Revenue:						1,672,105	1,775,810
Wholesale Water	\$ 77,744	\$ 64,590	\$ (13,154)	-16.92%	Active	80,114	80,325
Water Sales	1,858,983	2,447,087	588,104	31.64%	Vacant	2,131	2,061
Meter Fees	3,489,669	3,470,549	(19,119)	-0.55%			
Water Quality Fees	183,917	195,331	11,414	6.21%	Rev/unit	\$ 3.51	\$ 3.57
Elevation Fees	80,821	84,752	3,930	4.86%	Rev/con	\$ 73.25	\$ 78.99
Other	177,221	82,454	(94,767)	-53.47%	Unit/con	20.87	22.11
Total Operating Revenue	\$ 5,868,355	\$ 6,344,762	\$ 476,407	8.12%			
Cash Operating Expenses:							
Directors	\$ 32,080	\$ 23,156	\$ (8,924)	-27.82%			
Administration-Services	570,341	530,321	(40,019)	-7.02%			
Administration-District	346,777	446,673	99,896	28.81%			
Engineering	407,554	412,925	5,371	1.32%			
Facilities	1,725,028	1,583,784	(141,244)	-8.19%			
Operations	825,736	776,858	(48,879)	-5.92%			
Finance	299,097	327,730	28,633	9.57%			
Water Use Efficiency	69,881	60,046	(9,835)	-14.07%			
Human Resources	109,313	100,600	(8,713)	-7.97%			
Information Technology	241,885	294,083	52,198	21.58%			
Customer Care	334,435	350,132	15,697	4.69%			
Source of Supply-Purchased Water	142,293	312,075	169,782	119.32%			
Plant Expenditures	-	-	-				
Sediment Removal Project	-	-	-				
GAC Filter Media Replacement	-	-	-				
Total Cash Operating Expenses	\$ 5,104,421	\$ 5,218,382	\$ 113,962	2.23%			
Non-Cash Operating Expenses:							
Depreciation	\$ 1,316,277	\$ 1,279,059	\$ (37,218)	-2.83%			
OPEB Accrual Expense	383,130	383,130	-	0.00%			
Bad Debts	(10,726)	(2,497)	8,229	-76.72%			
Service Costs Construction	5,261	44,075	38,814	737.75%			
Capitalized Construction	(392,249)	(404,144)	(11,895)	3.03%			
Total Non-Cash Operating Expenses	\$ 1,301,694	\$ 1,299,623	\$ (2,071)	-0.16%			
Net Operating Profit/(Loss)	\$ (537,760)	\$ (173,243)	\$ 364,517	-67.78%			
Non-Operating Revenues:							
Assessments (Debt Service)	\$ 1,188,000	\$ 1,250,535	\$ 62,535	5.26%			
Assessments (1%)	932,470	842,316	(90,154)	-9.67%			
DWR Fixed Charge Recovery	145,017	183,955	38,938				
Interest	137,309	45,664	(91,645)	-66.74%			
CIF - Infrastructure	5,947	60,368	54,422	915.18%			
CIF - Water Supply	-	-	-				
Grants - State and Federal	-	-	-	#DIV/0!			
Other	20,982	7,980	(13,003)	-61.97%			
Total Non-Operating Revenues	\$ 2,429,725	\$ 2,390,818	\$ (38,907)	-1.60%			
Non-Operating Expenses:							
Interest on Long-Term Debt	\$ 649,908	\$ 743,749	\$ 93,841	14.44%			
Deferred Charges-Cost of Issuance	-	127,252.13	127,252.13				
Amortization of SWP	713,655	713,655	-	0.00%			
Change in Investments in PRWA	300,037	5,459	(294,578)	-98.18%			
Water Conservation Programs	5,193	20,001	14,807	285.13%			
Total Non-Operating Expenses	\$ 1,668,793	\$ 1,610,115	\$ (58,678)	-3.52%			
Net Earnings	\$ 223,172	\$ 607,460	\$ 384,287	172.19%			

Palmdale Water District
Revenue Analysis
For the Six Months Ending 6/30/2020

	2020					2019 to 2020 Comparison		
	Thru May	June	Year-to-Date	Adjusted Budget	% of Budget	June	Year-to-Date	% Change
Operating Revenue:								
Wholesale Water	\$ 36,570	\$ 46,599	\$ 83,169	\$ 295,000	28.19%	\$ (2,040)	\$ (69,087)	-45.38%
Water Sales	2,904,552	1,130,212	4,034,764	10,028,794	40.23%	380,616	986,737	32.37%
Meter Fees	5,749,909	1,153,459	6,903,368	14,956,694	46.16%	(12,079)	(66,719)	-0.96%
Water Quality Fees	240,035	85,176	325,211	783,015	41.53%	12,069	29,922	10.13%
Elevation Fees	97,811	38,567	136,378	354,450	38.48%	6,088	14,153	11.58%
Other	245,993	54,064	300,057	877,625	34.19%	(6,141)	(147,794)	-33.00%
Total Water Sales	\$ 9,274,871	\$ 2,508,076	\$ 11,782,947	\$ 27,295,578	43.17%	\$ 378,513	\$ 747,211	6.87%
Non-Operating Revenues:								
Assessments (Debt Service)	\$ 2,084,225	\$ 416,845	\$ 2,501,070	\$ 4,925,250	50.78%	\$ 20,845	\$ 125,070	5.26%
Assessments (1%)	953,969	576,006	1,529,975	2,346,000	65.22%	(48,464)	(118,619)	-7.20%
DWR Fixed Charge Recovery	150,341	33,614	183,955	175,000	105.12%	33,614	38,938	26.85%
Interest	141,111	6,896	148,007	150,000	98.67%	(46,410)	(116,083)	-43.96%
CIF - Infrastructure	12,028	60,368	72,396	18,750	386.11%	60,368	64,487	815.27%
CIF - Water Supply	-	-	-	56,250	0.00%	-	-	
Grants - State and Federal	-	-	-	100,000	0.00%	-	(9,185)	-100.00%
Other	8,032	-	8,032	50,000	16.06%	11	(17,123)	-68.07%
Total Non-Operating Revenues	\$ 3,349,706	\$ 1,093,729	\$ 4,443,436	\$ 7,821,250	56.81%	\$ 19,964	\$ (32,515)	-0.73%
Total Revenue	\$ 12,624,577	\$ 3,601,806	\$ 16,226,383	\$ 35,116,828	46.21%	\$ 398,477	\$ 714,696	4.65%

	2019				
	Thru May	June	Year-to-Date	Adjusted Budget	% of Budget
Operating Revenue:					
Wholesale Water	\$ 103,617	\$ 48,639	\$ 152,256	\$ 295,000	51.61%
Water Sales	2,298,432	749,595	3,048,027	9,653,000	31.58%
Meter Fees	5,804,549	1,165,538	6,970,087	13,719,000	50.81%
Water Quality Fees	222,182	73,107	295,289	826,500	35.73%
Elevation Fees	89,746	32,479	122,225	370,000	33.03%
Other	387,646	60,205	447,851	875,000	51.18%
Total Water Sales	\$ 8,802,555	\$ 2,080,925	\$ 10,883,480	\$ 25,738,500	42.28%
Non-Operating Revenues:					
Assessments (Debt Service)	\$ 1,980,000	\$ 396,000	\$ 2,376,000	\$ 5,125,000	46.36%
Assessments (1%)	1,024,124	624,470	1,648,594	2,300,000	71.68%
DWR Fixed Charge Recovery	145,017	-	145,017	175,000	82.87%
Interest	210,784	53,306	264,090	150,000	176.06%
CIF - Infrastructure	7,910	-	7,910	18,750	42.19%
CIF - Water Supply	-	-	-	56,250	0.00%
Grants - State and Federal	9,185	-	9,185	100,000	9.19%
Other	25,166	(11)	25,155	50,000	50.31%
Total Non-Operating Revenues	\$ 3,402,186	\$ 1,073,765	\$ 4,475,951	\$ 7,975,000	56.12%
Total Revenue	\$ 12,204,740	\$ 3,154,690	\$ 15,359,431	\$ 33,713,500	45.56%

Palmdale Water District
Operating Expense Analysis
For the Six Months Ending 6/30/2020
2020

2019 to 2020 Comparison

	Thru May	June	Year-to-Date	Adjusted Budget	% of Budget	June	Year-to-Date	% Change
Cash Operating Expenses:								
Directors	\$ 35,537	\$ 7,767	\$ 43,304	\$ 144,150	30.04%	\$ (3,219)	\$ (12,055)	-21.78%
Administration-Services	839,085	148,406	987,491	2,056,121	48.03%	(6,724)	(92,794)	-8.59%
Administration-District	936,797	98,975	1,035,772	2,128,988	48.65%	2,442	190,130	22.48%
Engineering	660,585	121,876	782,460	1,635,725	47.84%	(7,998)	(43,285)	-5.24%
Facilities	2,569,134	413,434	2,982,567	6,449,794	46.24%	67,333	(174,710)	-5.53%
Operations	1,351,421	232,734	1,584,155	3,248,390	48.77%	73,268	83,842	5.59%
Finance	544,197	102,768	646,965	1,346,687	48.04%	16,188	38,222	6.28%
Water Conservation	104,427	18,163	122,590	358,682	34.18%	320	(3,715)	-2.94%
Human Resources	173,649	29,299	202,948	492,512	41.21%	13,377	(36,546)	-15.26%
Information Technology	577,648	104,826	682,475	1,229,489	55.51%	(77)	192,099	39.17%
Customer Care	580,618	99,640	680,259	1,292,548	52.63%	(5,103)	(5,777)	-0.84%
Source of Supply-Purchased Water	625,029	119,612	744,641	2,321,476	32.08%	122,404	103,097	16.07%
Plant Expenditures	50,350	-	50,350	610,556	8.25%	-	(75,079)	-59.86%
Sediment Removal Project	-	-	-	600,000	0.00%	-	-	-
GAC Filter Media Replacement	-	-	-	783,015	0.00%	-	(123,876)	-100.00%
Total Cash Operating Expenses	\$ 9,048,476	\$ 1,497,500	\$ 10,545,976	\$ 24,698,133	42.70%	\$ 272,212	\$ 39,552	0.38%
Non-Cash Operating Expenses:								
Depreciation	\$ 2,156,879	\$ 424,455	\$ 2,581,334	\$ 5,050,000	51.12%	\$ (8,729)	\$ (55,884)	-2.12%
OPEB Accrual Expense	638,550	127,710	766,260	1,750,000	43.79%	-	-	0.00%
Bad Debts	3,179	(21)	3,158	35,000	9.02%	6,921	(3,385)	-51.74%
Service Costs Construction	83,453	12,242	95,695	100,000	95.70%	13,893	88,701	1268.13%
Capitalized Construction	(454,667)	(171,202)	(625,868)	(600,000)	104.31%	(45,677)	(102,514)	19.59%
Total Non-Cash Operating Expenses	\$ 2,427,394	\$ 393,185	\$ 2,820,579	\$ 6,335,000	44.52%	\$ (33,592)	\$ (73,083)	-2.59%
Non-Operating Expenses:								
Interest on Long-Term Debt	\$ 1,139,305	\$ 250,783	\$ 1,390,088	\$ 2,648,000	52.50%	\$ 34,147	\$ 77,468	5.90%
Deferred Charges-Cost of Issuance	127,252	-	127,252	-	-	-	127,252	-
Amortization of SWP	1,189,032	237,885	1,426,917	2,881,000	49.53%	-	-	0.00%
Change in Investments in PRWA	10,895	-	10,895	300,000	3.63%	-	(295,761)	-96.45%
Water Conservation Programs	31,179	5,714	36,893	236,500	15.60%	1,278	27,813	306.30%
Total Non-Operating Expenses	\$ 2,497,663	\$ 494,382	\$ 2,992,045	\$ 6,065,500	49.33%	\$ 35,426	\$ (63,228)	-2.07%
Total Expenses	\$ 13,973,534	\$ 2,385,067	\$ 16,358,600	\$ 37,098,633	44.09%	\$ 274,045	\$ (96,758)	-0.59%

**Palmdale Water District
Operating Expense Analysis
For the Six Months Ending 6/30/2020**

2019 to 2020 Comparison

	2019			Adjusted	% of
	Thru May	June	Year-to-Date	Budget	Budget
Cash Operating Expenses:					
Directors	\$ 44,374	\$ 10,985	\$ 55,359	\$ 140,500	39.40%
Administration-Services	925,154	155,131	1,080,285	2,119,700	50.96%
Administration-District	749,109	96,533	845,642	2,166,500	39.03%
Engineering	695,872	129,873	825,745	1,596,550	51.72%
Facilities	2,811,176	346,101	3,157,277	6,598,000	47.85%
Operations	1,340,847	159,466	1,500,313	3,012,000	49.81%
Finance	522,164	86,580	608,743	1,289,750	47.20%
Water Conservation	108,462	17,843	126,305	374,150	33.76%
Human Resources	223,572	15,923	239,494	438,600	54.60%
Information Technology	385,473	104,903	490,376	956,050	51.29%
Customer Care	581,293	104,744	686,036	1,347,700	50.90%
Source of Supply-Purchased Water	644,336	(2,792)	641,544	1,905,000	33.68%
Plant Expenditures	125,429	-	125,429	212,000	59.16%
Sediment Removal Project	-	-	-	-	-
GAC Filter Media Replacement	123,876	-	123,876	800,000	15.48%
Total Cash Operating Expenses	\$ 9,281,136	\$ 1,225,288	\$ 10,506,424	\$ 22,956,500	45.77%
Non-Cash Operating Expenses:					
Depreciation	\$ 2,204,034	\$ 433,184	\$ 2,637,218	\$ 5,050,000	52.22%
OPEB Accrual Expense	638,550	127,710	766,260	1,750,000	43.79%
Bad Debts	13,485	(6,942)	6,543	50,000	13.09%
Service Costs Construction	8,645	(1,651)	6,995	100,000	6.99%
Capitalized Construction	(397,829)	(125,525)	(523,354)	(600,000)	87.23%
Total Non-Cash Operating Expenses	\$ 2,466,885	\$ 426,777	\$ 2,893,662	\$ 6,350,000	45.57%
Non-Operating Expenses:					
Interest on Long-Term Debt	\$ 1,095,984	\$ 216,636	\$ 1,312,620	\$ 2,648,000	49.57%
Deferred Charges-Cost of Issuance	-	-	-	-	-
Amortization of SWP	1,189,032	237,885	1,426,917	2,881,000	49.53%
Change in Investments in PRWA	306,655	-	306,655	300,000	102.22%
Water Conservation Programs	4,645	4,436	9,080	236,500	3.84%
Total Non-Operating Expenses	\$ 2,596,316	\$ 458,956	\$ 3,055,273	\$ 6,065,500	50.37%
Total Expenses	\$ 14,344,337	\$ 2,111,021	\$ 16,455,358	\$ 35,372,000	46.52%

**Palmdale Water District
2020 Directors Budget
For the Six Months Ending Tuesday, June 30, 2020**

	YTD ACTUAL 2020	ORIGINAL BUDGET 2020	ADJUSTMENTS 2020	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-01-4000-000 Directors Pay	\$ -	\$ -	\$ -	\$ -	-
Employee Benefits					
1-01-4005-000 Payroll Taxes	2,649	5,650		3,001	46.89%
Subtotal (Benefits)	2,649	5,650	-	3,001	46.89%
Total Personnel Expenses	\$ 2,649	\$ 5,650	\$ -	\$ 3,001	46.89%
OPERATING EXPENSES:					
1-01-xxxx-006 Director Share - Dizmang, Gloria	\$ 5,829	\$ 27,700		\$ 21,871	21.04%
1-01-xxxx-007 Director Share - Alvarado, Robert	7,529	27,700		20,171	27.18%
1-01-xxxx-008 Director Share - Mac Laren, Kathy	10,057	27,700		17,643	36.31%
1-01-xxxx-010 Director Share - Dino, Vincent	8,477	27,700		19,223	30.60%
1-01-xxxx-012 Director Share - Wilson, Don	8,763	27,700		18,937	31.63%
Subtotal Operating Expenses	40,655	138,500	-	97,845	29.35%
Total O & M Expenses	\$ 43,304	\$ 144,150	\$ -	\$ 100,846	30.04%

Palmdale Water District
2020 Administration District Wide Budget
For the Six Months Ending Tuesday, June 30, 2020

	YTD ACTUAL 2020	ORIGINAL BUDGET 2020	ADJUSTMENTS 2020	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-02-5070-001 On-Call	\$ 35,978	\$ 80,000		\$ 44,022	44.97%
Subtotal (Salaries)	\$ 35,978	\$ 80,000	\$ -	\$ 44,022	44.97%
Employee Benefits					
1-02-5070-002 PERS-Unfunded Liability	\$ 383,887	\$ 764,000		380,113	50.25%
1-02-5070-003 Workers Compensation	64,001	375,000		310,999	17.07%
1-02-5070-004 Vacation Benefit Expense	78,818	25,000		(53,818)	315.27%
1-02-5070-005 Life Insurance	3,456	6,500		3,044	53.16%
Subtotal (Benefits)	\$ 530,161	\$ 1,170,500	\$ -	\$ 640,339	45.29%
Total Personnel Expenses	\$ 566,138	\$ 1,250,500	\$ -	\$ 684,362	45.27%
OPERATING EXPENSES:					
1-02-5070-006 Other Operating	\$ 30,176	\$ 25,609		(4,567)	117.83%
1-02-5070-007 Consultants	165,822	239,699		73,877	69.18%
1-02-5070-008 Insurance	109,589	255,000		145,411	42.98%
1-02-5070-009 Groundwater Adjudication - Legal	9,196	40,974		31,778	22.44%
1-02-5070-010 Legal Services	69,787	128,044		58,258	54.50%
1-02-5070-011 Memberships/Subscriptions	43,778	128,044		84,266	34.19%
1-02-5070-014 Groundwater Adjudication - Assessment	41,286	45,000		3,714	91.75%
1-02-5070-015 Computer Software - Info 360	-	15,000		15,000	0.00%
Subtotal Operating Expenses	\$ 469,634	\$ 877,371	\$ -	\$ 407,737	53.53%
Total Departmental Expenses	\$ 1,035,772	\$ 2,127,871	\$ -	\$ 1,092,099	48.68%

Palmdale Water District
2020 Administration Services Budget
For the Six Months Ending Tuesday, June 30, 2020

	YTD ACTUAL 2020	ORIGINAL BUDGET 2020	ADJUSTMENTS 2020	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-02-4000-000 Salaries	\$ 623,481	\$ 1,279,750		\$ 656,269	48.72%
1-02-4000-100 Overtime	1,245	13,500		12,255	9.22%
Subtotal (Salaries)	\$ 624,726	\$ 1,293,250	\$ -	\$ 668,524	48.31%
Employee Benefits					
1-02-4005-000 Payroll Taxes	\$ 49,389	\$ 91,000		41,611	54.27%
1-02-4010-000 Health Insurance	95,670	150,500		54,830	63.57%
1-02-4015-000 PERS	54,052	116,750		62,699	46.30%
Subtotal (Benefits)	\$ 199,110	\$ 358,250	\$ -	\$ 159,140	55.58%
Total Personnel Expenses	\$ 823,837	\$ 1,651,500	\$ -	\$ 827,663	49.88%
OPERATING EXPENSES:					
1-02-4050-000 Staff Travel	\$ 3,355	\$ 15,365	\$ -	\$ 12,010	21.84%
1-02-4050-100 General Manager Travel	-	5,122		5,122	0.00%
1-02-4060-000 Staff Conferences & Seminars	1,323	6,146		4,823	21.53%
1-02-4060-100 General Manager Conferences & Seminars	944	4,097		3,154	23.03%
1-02-4130-000 Bank Charges	99,042	185,000		85,958	53.54%
1-02-4150-000 Accounting Services	-	25,609		25,609	0.00%
1-02-4175-000 Permits	1,400	17,926		16,526	7.81%
1-02-4180-000 Postage	7,921	25,609		17,688	30.93%
1-02-4190-100 Public Relations - Publications	19,826	30,731		10,905	64.51%
1-02-4190-700 Public Affairs - Marketing/Outreach	15,972	40,000		24,028	39.93%
1-02-4190-710 Public Affairs -Advertising	450	5,000		4,550	9.00%
1-02-4190-720 Public Affairs - Equipment	60	2,500		2,440	2.41%
1-02-4190-730 Public Affairs -Conference/Seminar/Travel	255	3,000		2,745	8.50%
1-02-4190-740 Public Affairs - Consultants	450	3,000		2,550	15.00%
1-02-4190-750 Public Affairs - Membership	430	1,200		770	35.83%
1-02-4200-000 Advertising	85	4,097		4,012	2.07%
1-02-4205-000 Office Supplies	12,141	25,097		12,956	48.38%
1-02-4210-000 Office Furniture	-	5,122		5,122	0.00%
Subtotal Operating Expenses	\$ 163,654	\$ 404,621	\$ -	\$ 240,967	40.45%
Total Departmental Expenses	\$ 987,491	\$ 2,056,121	\$ -	\$ 1,068,630	48.03%

Palmdale Water District
2020 Engineering Budget
For the Six Months Ending Tuesday, June 30, 2020

	YTD ACTUAL 2020	ORIGINAL BUDGET 2020	ADJUSTMENTS 2020	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-03-4000-000 Salaries	\$ 559,578	\$ 1,171,500	\$ -	\$ 611,922	47.77%
1-03-4000-100 Overtime	6,155	12,000		5,845	51.29%
Subtotal (Salaries)	\$ 565,733	\$ 1,183,500	\$ -	\$ 617,767	47.80%
Employee Benefits					
1-03-4005-000 Payroll Taxes	45,724	88,000		42,276	51.96%
1-03-4010-000 Health Insurance	113,978	196,500		82,522	58.00%
1-03-4015-000 PERS	53,488	119,000		65,512	44.95%
Subtotal (Benefits)	\$ 213,190	\$ 403,500	\$ -	\$ 190,310	52.84%
Total Personnel Expenses	\$ 778,923	\$ 1,587,000	\$ -	\$ 808,077	49.08%
OPERATING EXPENSES:					
1-03-4050-000 Staff Travel	\$ 181	\$ 4,610		\$ 4,428	3.94%
1-03-4060-000 Staff Conferences & Seminars	695	4,917		4,222	14.14%
1-03-4060-001 Staff Training - Auto CAD Civil 3D	-	13,000		13,000	0.00%
1-03-4155-000 Contracted Services	-	2,049		2,049	0.00%
1-03-4165-000 Memberships/Subscriptions	2,107	2,561		454	82.27%
1-03-4250-000 General Materials & Supplies	554	10,589		10,035	5.23%
1-03-8100-100 Computer Software - Maint. & Support	-	11,000		11,000	0.00%
Subtotal Operating Expenses	\$ 3,538	\$ 48,725	\$ -	\$ 45,187	7.26%
Total Departmental Expenses	\$ 782,460	\$ 1,635,725	\$ -	\$ 853,265	47.84%

Palmdale Water District
2020 Facilities Budget
For the Six Months Ending Tuesday, June 30, 2020

	YTD ACTUAL 2020	ORIGINAL BUDGET 2020	ADJUSTMENTS 2020	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-04-4000-000 Salaries*	\$ 1,138,809	\$ 2,493,500	\$ (119,500)	\$ 1,235,191	47.97%
1-04-4000-100 Overtime*	82,944	115,000	(5,500)	26,556	75.75%
Subtotal (Salaries)	\$ 1,221,753	\$ 2,608,500	\$ (125,000)	\$ 1,261,747	49.19%
Employee Benefits					
1-04-4005-000 Payroll Taxes*	102,013	197,750	(9,500)	86,237	54.19%
1-04-4010-000 Health Insurance*	305,540	473,750	(23,000)	145,210	67.78%
1-04-4015-000 PERS*	104,633	238,500	(12,000)	121,867	46.20%
Subtotal (Benefits)	\$ 512,186	\$ 910,000	\$ (44,500)	\$ 353,314	59.18%
Total Personnel Expenses	\$ 1,733,939	\$ 3,518,500	\$ (169,500)	\$ 1,615,061	51.77%
OPERATING EXPENSES:					
1-04-4050-000 Staff Travel	\$ 2,656	\$ 6,146		\$ 3,490	43.21%
1-04-4060-000 Staff Conferences & Seminars	1,088	15,365		14,277	7.08%
1-04-4155-000 Contracted Services	65,495	276,918	(43,365)	168,058	28.04%
1-04-4175-000 Permits-Dams	5,790	40,974		35,184	14.13%
1-04-4215-100 Natural Gas - Wells & Boosters	75,990	218,350		142,360	34.80%
1-04-4215-200 Natural Gas - Buildings	4,659	9,371		4,711	49.72%
1-04-4220-100 Electricity - Wells & Boosters	585,016	827,487		242,471	70.70%
1-04-4220-200 Electricity - Buildings	30,286	91,624		61,339	33.05%
1-04-4225-000 Maint. & Repair - Vehicles	15,352	33,479		18,127	45.85%
1-04-4230-100 Maint. & Rep. Office Building	7,455	25,753		18,298	28.95%
1-04-4235-110 Maint. & Rep. Equipment	2,511	12,361		9,850	20.31%
1-04-4235-400 Maint. & Rep. Operations - Wells	36,921	82,297		45,376	44.86%
1-04-4235-405 Maint. & Rep. Operations - Boosters	19,272	51,435		32,164	37.47%
1-04-4235-410 Maint. & Rep. Operations - Shop Bldgs	2,704	25,753		23,049	10.50%
1-04-4235-415 Maint. & Rep. Operations - Facilities	28,130	51,506		23,376	54.62%
1-04-4235-420 Maint. & Rep. Operations - Water Lines	109,666	309,036		199,370	35.49%
1-04-4235-425 Maint. & Rep. Operations - Littlerock Dam	7,316	15,452		8,136	47.35%
1-04-4235-435 Maint. & Rep. Operations - Palmdale Canal	833	10,301		9,468	8.09%
1-04-4235-440 Maint. & Rep. Operations - Large Meters	3,396	15,452		12,056	21.98%
1-04-4235-450 Maint. & Rep. Operations - Hypo Generators	104	7,726		7,622	1.34%
1-04-4235-455 Maint. & Rep. Operations - Heavy Equipment	18,895	43,780		24,885	43.16%
1-04-4235-460 Maint. & Rep. Operations - Storage Reservoirs	601	5,151		4,550	11.67%
1-04-4235-461 Maint. & Rep. Operations - Air Vac	1,343	5,151		3,808	26.08%
1-04-4235-470 Maint. & Rep. Operations - Meters Exchanges	26,789	154,518		127,729	17.34%
1-04-4300-100 Testing - Regulatory Compliance	1,628	20,487		18,859	7.94%
1-04-4300-200 Testing - Large Meters	7,990	12,804		4,814	62.40%
1-04-4300-300 Testing - Edison Testing	-	15,365		15,365	0.00%
1-04-6000-000 Waste Disposal	7,646	20,824		13,178	36.72%
1-04-6100-100 Fuel and Lube - Vehicle	45,228	138,809		93,581	32.58%
1-04-6100-200 Fuel and Lube - Machinery	11,431	25,897		14,466	44.14%
1-04-6200-000 Uniforms	9,239	28,237		18,998	32.72%
1-04-6300-100 Supplies - General	17,214	75,635		58,421	22.76%
1-04-6300-300 Supplies - Electrical	-	3,025		3,025	0.00%
1-04-6300-800 Supplies - Construction Materials	16,514	35,296		18,782	46.79%
1-04-6400-000 Tools	22,374	45,381		23,007	49.30%
1-04-6450-000 Equipment*	-	7,563	(7,563)	0	0.00%
1-04-7000-100 Leases -Equipment	6,465	15,127		8,662	42.74%
1-04-7000-100 Leases -Vehicles	50,633	141,185		90,552	35.86%
Subtotal Operating Expenses	\$ 1,248,628	\$ 2,921,021	\$ (50,928)	\$ 1,621,465	43.50%
Total Departmental Expenses	\$ 2,982,567	\$ 6,439,521	\$ (220,428)	\$ 3,236,526	47.96%

* Budget adjustments by Board action 05/11/20

Palmdale Water District
2020 Operation Budget
For the Six Months Ending Tuesday, June 30, 2020

	YTD ACTUAL 2020	ORIGINAL BUDGET 2020	ADJUSTMENTS 2020	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-05-4000-000 Salaries	\$ 551,369	\$ 1,090,000		\$ 538,631	50.58%
1-05-4000-100 Overtime	41,474	87,500		46,026	47.40%
Subtotal (Salaries)	\$ 592,843	\$ 1,177,500	\$ -	\$ 584,657	50.35%
Employee Benefits					
1-05-4005-000 Payroll Taxes	48,909	86,000		37,091	56.87%
1-05-4010-000 Health Insurance	105,213	153,500		48,287	68.54%
1-05-4015-000 PERS	51,845	111,250		59,405	46.60%
Subtotal (Benefits)	\$ 205,967	\$ 350,750	\$ -	\$ 144,783	58.72%
Total Personnel Expenses	\$ 798,810	\$ 1,528,250	\$ -	\$ 729,440	52.27%
OPERATING EXPENSES:					
1-05-4050-000 Staff Travel	\$ -	\$ 3,073		\$ 3,073	0.00%
1-05-4060-000 Staff Conferences & Seminars	-	3,073		3,073	0.00%
1-05-4120-100 Training - Lab Equipment	-	5,122		5,122	0.00%
1-05-4155-000 Contracted Services	51,477	99,362		47,885	51.81%
1-05-4175-000 Permits	5,240	69,656		64,416	7.52%
1-05-4215-200 Natural Gas - WTP	811	3,124		2,313	25.96%
1-05-4220-200 Electricity - WTP	56,032	208,237		152,206	26.91%
1-05-4230-110 Maint. & Rep. - Office Equipment	-	5,151		5,151	0.00%
1-05-4235-110 Maint. & Rep. Operations - Equipment	13,755	20,602		6,848	66.76%
1-05-4235-410 Maint. & Rep. Operations - Shop Bldgs	4,268	6,181		1,913	69.05%
1-05-4235-415 Maint. & Rep. Operations - Facilities	57,626	72,108		14,482	79.92%
1-05-4235-500 Maint. & Rep. Operations - Wind Turbine	4,750	10,301		5,552	46.11%
1-05-4236-000 Palmdale Lake Management	113,261	102,600		(10,661)	110.39%
1-05-6000-000 Waste Disposal	18,173	20,824		2,650	87.27%
1-05-6200-000 Uniforms	6,342	16,135		9,793	39.31%
1-05-6300-100 Supplies - Misc.	15,717	15,127		(590)	103.90%
1-05-6300-600 Supplies - Lab	40,462	62,471		22,010	64.77%
1-05-6300-700 Outside Lab Work	20,225	104,119		83,894	19.42%
1-05-6400-000 Tools	1,736	6,051		4,315	28.69%
1-05-6500-000 Chemicals	375,153	883,797		508,645	42.45%
1-05-7000-100 Leases -Equipment	318	3,025		2,707	10.52%
Subtotal Operating Expenses	\$ 785,345	\$ 1,720,140	\$ -	\$ 934,795	45.66%
Total Departmental Expenses	\$ 1,584,155	\$ 3,248,390	\$ -	\$ 1,664,235	48.77%

Palmdale Water District
2020 Finance Budget
For the Six Months Ending Tuesday, June 30, 2020

	YTD ACTUAL 2020	ORIGINAL BUDGET 2020	ADJUSTMENTS 2020	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-06-4000-000 Salaries	\$ 353,019	\$ 742,750		\$ 389,731	47.53%
1-06-4000-100 Overtime	612	3,000		2,388	20.41%
Subtotal (Salaries)	\$ 353,631	\$ 745,750	\$ -	\$ 392,119	47.42%
Employee Benefits					
1-06-4005-000 Payroll Taxes	27,884	57,250		29,366	48.71%
1-06-4010-000 Health Insurance	72,206	105,250		33,044	68.60%
1-06-4015-000 PERS	35,012	79,000		43,988	44.32%
Subtotal (Benefits)	\$ 135,102	\$ 241,500	\$ -	\$ 106,398	55.94%
Total Personnel Expenses	\$ 488,734	\$ 987,250	\$ -	\$ 498,516	49.50%
OPERATING EXPENSES:					
1-06-4050-000 Staff Travel	\$ 58	\$ 2,049		\$ 1,991	2.83%
1-06-4060-000 Staff Conferences & Seminars	-	1,536.53		1,537	0.00%
1-06-4155-000 Contracted Services	6,890	17,395		10,505	39.61%
1-06-4155-100 Contracted Services - Infosend	116,162	276,576		160,413	42.00%
1-06-4165-000 Memberships/Subscriptions	220	512		292	42.95%
1-06-4230-110 Maintenance & Repair - Office Equipment	-	515		515	0.00%
1-06-4250-000 General Material & Supplies	-	3,025		3,025	0.00%
1-06-4260-000 Business Forms	314	4,097		3,784	7.66%
1-06-4270-100 Telecommunication - Office	17,654	25,609		7,955	68.94%
1-06-4270-200 Telecommunication - Cellular Stipend	15,615	25,097		9,482	62.22%
1-06-7000-100 Leases - Equipment	1,318	3,025		1,707	43.57%
Subtotal Operating Expenses	\$ 158,232	\$ 359,437	\$ -	\$ 201,205	44.02%
Total Departmental Expenses	\$ 646,965	\$ 1,346,687	\$ -	\$ 699,722	48.04%

Palmdale Water District
2020 Water Use Efficiency Budget
For the Six Months Ending Tuesday, June 30, 2020

	YTD ACTUAL 2020	ORIGINAL BUDGET 2020	ADJUSTMENTS 2020	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-07-4000-000 Salaries	\$ 80,060	\$ 152,250		\$ 72,190	52.58%
1-07-4000-100 Overtime	2,138	5,000		2,862	42.76%
Subtotal (Salaries)	\$ 82,198	\$ 157,250		\$ 75,052	52.27%
Employee Benefits					
1-07-4005-000 Payroll Taxes	7,165	12,000		4,835	59.70%
1-07-4010-000 Health Insurance	21,302	23,750		2,448	89.69%
1-07-4015-000 PERS	8,182	16,750		8,568	48.85%
Subtotal (Benefits)	\$ 36,649	\$ 52,500	\$ -	\$ 15,851	69.81%
Total Personnel Expenses	\$ 118,846	\$ 209,750	\$ -	\$ 88,042	56.66%
OPERATING EXPENSES:					
1-07-4050-000 Staff Travel	\$ 414	\$ 2,561		\$ 2,147	16.16%
1-07-4060-000 Staff Conferences & Seminar	-	3,073		3,073	0.00%
1-07-4190-300 Public Relations - Landscape Workshop/Training	458	5,122		4,664	8.94%
1-07-4190-400 Public Relations - Contests	-	3,073		3,073	0.00%
1-07-4190-500 Public Relations - Education Programs	2,425	122,923		120,498	1.97%
1-07-4190-900 Public Relations - Other	395	5,122		4,726	7.72%
1-07-6300-100 Supplies - Misc.	51	7,059		7,008	0.73%
Subtotal Operating Expenses	\$ 3,744	\$ 148,932	\$ -	\$ 145,189	2.51%
Total Departmental Expenses	\$ 122,590	\$ 358,682	\$ -	\$ 233,230	34.18%

Palmdale Water District
2020 Human Resources Budget
For the Six Months Ending Tuesday, June 30, 2020

	YTD ACTUAL 2020	ORIGINAL BUDGET 2020	ADJUSTMENTS 2020	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-08-4000-000 Salaries	\$ 123,983	\$ 238,750		\$ 114,767	51.93%
1-08-4000-100 Salaries - Overtime	252	1,000		748	25.24%
Subtotal (Salaries)	\$ 124,235	\$ 239,750	\$ -	\$ 114,767	51.82%
Employee Benefits					
1-08-4005-000 Payroll Taxes	10,245	18,500		8,255	55.38%
1-08-4010-000 Health Insurance	13,108	18,500		5,392	70.85%
1-08-4015-000 PERS	9,826	20,750		10,924	47.35%
Subtotal (Benefits)	\$ 33,179	\$ 57,750	\$ -	\$ 24,571	57.45%
Total Personnel Expenses	\$ 157,415	\$ 297,500	\$ -	\$ 139,338	52.91%
OPERATING EXPENSES:					
1-08-4050-000 Staff Travel	\$ 582	\$ 1,537		\$ 954	37.89%
1-08-4060-000 Staff Conferences & Seminars	-	1,537		1,537	0.00%
1-08-4070-000 Employee Expense	25,008	95,000		69,992	26.32%
1-08-4090-000 Temporary Staffing	-	-		-	
1-08-4095-000 Employee Recruitment	3,469	3,073		(396)	112.89%
1-08-4100-000 Employee Retention	-	5,122		5,122	0.00%
1-08-4105-000 Employee Relations	-	3,585		3,585	0.00%
1-08-4120-100 Training-Safety	911	35,852		34,941	2.54%
1-08-4120-200 Training-Speciality	306	15,365		15,059	1.99%
1-08-4121-000 Safety Program	35	1,024		989	3.42%
1-08-4165-000 Membership/Subscriptions	924	1,639		715	56.38%
1-08-4165-100 HR/Safety Publications	300	1,024		725	29.26%
1-08-6300-500 Supplies - Safety	13,998	30,254		16,255	46.27%
Subtotal Operating Expenses	\$ 45,534	\$ 195,012	\$ -	\$ 149,479	23.35%
Total Departmental Expenses	\$ 202,948	\$ 492,512	\$ -	\$ 289,564	41.21%

Palmdale Water District
2020 Information Technology Budget
For the Six Months Ending Tuesday, June 30, 2020

Personnel Budget:

	YTD ACTUAL 2020	ORIGINAL BUDGET 2020	ADJUSTMENTS 2020	ADJUSTED BUDGET REMAINING	PERCENT USED
1-09-4000-000 Salaries*	\$ 181,726	\$ 303,250	\$ 119,500	\$ 241,024	42.99%
1-09-4000-100 Overtime*	6,496	3,000	5,500	2,004	76.42%
Subtotal (Salaries)	\$ 188,221	\$ 306,250	\$ 125,000	\$ 243,029	43.65%
Employee Benefits					
1-09-4005-000 Payroll Taxes*	15,092	26,000	9,500	20,408	42.51%
1-09-4010-000 Health Insurance*	28,896	34,500	23,000	28,604	50.25%
1-09-4015-000 PERS*	18,118	30,500	12,000	24,382	42.63%
Subtotal (Benefits)	\$ 62,107	\$ 91,000	\$ 44,500	\$ 73,393	45.84%
Total Personnel Expenses	\$ 250,328	\$ 397,250	\$ 169,500	\$ 316,422	44.17%

OPERATING EXPENSES:

1-09-4050-000 Staff Travel	\$ 147	\$ 3,073		\$ 2,926	4.78%
1-09-4060-000 Staff Conferences & Seminars	1,032	10,244		9,212	10.07%
1-09-4155-000 Contracted/Cloud Services*	99,270	220,790	43,365	164,886	37.58%
1-09-4165-000 Memberships/Subscriptions	200	2,561		2,361	7.81%
1-09-4235-445 Mtce & Rep Operations - Telemetry*	897	5,151		4,254	17.42%
1-09-4270-000 Telecommunications*	55,305	107,045		51,740	51.67%
1-09-6300-400 Supplies - Telemetry	205	-		(205)	
1-09-6450-110 Equipment - GF Signet Flow Meters*	-	-	7,563	7,563	0.00%
1-09-7000-100 Leases - Equipment	24,126	56,000		31,874	43.08%
1-09-8000-100 Computer Equipment - Computers	41,678	45,381		3,702	91.84%
1-09-8000-200 Computer Equipment - Laptops	27,144	45,381		18,237	59.81%
1-09-8000-300 Computer Equipment - Monitors	-	2,017		2,017	0.00%
1-09-8000-500 Computer Equipment - Toner Cartridges	-	3,025		3,025	0.00%
1-09-8000-550 Computer Equipment - Telephony	-	3,025		3,025	0.00%
1-09-8000-600 Computer Equipment - Other	7,693	25,212		17,519	30.51%
1-09-8000-650 Computer Equipment - Warranty & Support	3,420	15,127		11,707	22.61%
1-09-8100-100 Computer Software - Maint. and Support	123,959	221,654		97,695	55.92%
1-09-8100-150 Computer Software - Dynamics GP Support	42,064	56,339		14,276	74.66%
1-09-8100-200 Computer Software - Software and Upgrades	5,007	20,487		15,480	24.44%
Subtotal Operating Expenses	\$ 432,146	\$ 842,512	\$ 50,928	\$ 461,294	48.37%
Total Departmental Expenses	\$ 682,475	\$ 1,239,762	\$ 220,428	\$ 777,716	46.74%

* Budget adjustments by Board action 05/11/20

Palmdale Water District
2020 Customer Care Budget
For the Six Months Ending Tuesday, June 30, 2020

	YTD ACTUAL 2020	ORIGINAL BUDGET 2020	ADJUSTMENTS 2020	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-10-4000-000 Salaries	\$ 464,202	\$ 936,250		\$ 472,048	49.58%
1-10-4000-100 Overtime	2,680	7,500		4,820	35.73%
Subtotal (Salaries)	\$ 466,882	\$ 943,750	\$ -	\$ 476,868	49.47%
Employee Benefits					
1-10-4005-000 Payroll Taxes	37,435	74,750		37,315	50.08%
1-10-4010-000 Health Insurance	122,753	149,500		26,747	82.11%
1-10-4015-000 PERS	41,699	88,500		46,801	47.12%
Subtotal (Benefits)	\$ 201,887	\$ 312,750	\$ -	\$ 110,863	64.55%
Total Personnel Expenses	\$ 668,769	\$ 1,256,500	\$ -	\$ 587,731	53.22%
OPERATING EXPENSES:					
1-10-4050-000 Staff Travel	\$ (20)	\$ 2,049		\$ 2,068	-0.95%
1-10-4060-000 Staff Conferences & Seminars	-	3,073		3,073	0.00%
1-10-4155-000 Contracted Services	10,240	22,641		12,401	45.23%
1-10-4230-110 Maintenance & Repair-Office Equipment	302	202		(100)	149.76%
1-10-4250-000 General Material & Supplies	967	7,059		6,092	13.70%
1-10-4260-000 Business Forms	-	1,024		1,024	0.00%
Subtotal Operating Expenses	\$ 11,490	\$ 36,048	\$ -	\$ 24,558	31.87%
Total Departmental Expenses	\$ 680,259	\$ 1,292,548	\$ -	\$ 612,289	52.63%

New and Replacement Capital Projects

Consulting and Engineering Support

New and Replacement Equipment

[illegible]

Palmdale Water District
2020 Capital Projects - Contractual Commitments and Needs

Water Quality Fee Funded Projects

Budget Year	Work Order	Project Title	Project Type	Vendor/Supplier	Approved Contract Amount	Board / Manager Approval	Payments Approved to Date	Contract Balance	Through Dec. 2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2020 Total	2021 Carryover
2019	20-401	GAC Replacements @ WTP	Water Quality	Calgon Carbon	-	07/09/2014	-	-														-	
2019	20-401	GAC Replacement @ Underground Booster Station	Water Quality	Evoqua	-	03/10/2017	-	-														-	
										-	-	-	-	-	-	-	-	-	-	-	-	-	
			Sub-Totals:		-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

- = Projects that originated from 2013 WRB Funds
- = Project had additional funding paid out by the general fund to complete.
- = Project is now deemed complete with no further expense.
- = Projects paid by 2018 WRB Funds

Project Summary (W/O GAC Included)	Totals	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2019 Total
Total Approved Contracts to Date	14,787,608													
Total Payments on Approved Contracts to Date	16,652,072													
Total Contract Balance to Date	931,843													
Non-Operating Capital Expenditures (Paid)		1,758,210	800,146	66,955	193,772	1,084,305	450,790	-	-	-	-	-	-	4,354,177
Non-Operating Capital Expenditures (Projected)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Funding Available Through Water Supply Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2019 Funding Through Budgeted Non-Operating Capital Ex.	4,354,177	1,758,210	800,146	66,955	193,772	1,084,305	450,790	-	-	-	-	-	-	4,354,177

Water Revenue Bond - Series 2018A

Updated: July 14, 2020

Project	Project #	Description	Bond Allocation	Contractual Commitment	Payout to Date	Remaining Contract	Uncommitted Bond \$
LGCS-ASI	04-501	Littlerock Dam - Grade Control Structure (Construction)	\$ 8,160,257	\$ 10,619,601	\$ 10,697,276	\$ (77,675)	\$ (2,459,344)
		Original Contract Amt: \$9,500,808, C.O.1: \$1,118,792.54					
LGCS-ASP	04-501	Littlerock Dam - Grade Control Structure (Monitoring)		1,238,287	916,091	322,196	(1,238,287)
WTP		Water Treatment Plant Improvements	2,375,000		-	-	
6MG		6 M.G. Reservoir Renovations	1,050,000		-	-	
WMR		Various W.M. Replacements	1,789,612		-	-	
PWD		Design, Engineering and Other Preconstruction Costs	173,000		-	-	
WRB		Bond Issuance Costs	226,303		226,303	-	
ISS		Issuance Funds			(12,092)		
Interest Earned through January 31, 2020					(332,416)		
Totals:			\$ 13,774,172	\$ 11,857,888	\$ 11,495,162	\$ 244,521	\$ (3,697,631)
2018A Water Revenue Bonds - Unallocated Funds:				\$ 1,916,284			
2018A Water Revenue Bonds - Remaining Funds to payout:					\$ 2,279,010		

Requisition No.	Payee	Date Approved	Invoice No.	Project	Payment Amount
	Issuance Costs	Jun 27, 2018	N/A	WRB	\$ 226,302.82
	Interest - Jul 2018		N/A	INT	1,384.72
	Interest - Aug 2018		N/A	INT	20,900.39
1	Aspen Environmental Group	Sep 12, 2018	1116.007-01	LGCS-ASP	28,105.88
2	ASI Construction LLC	Sep 18, 2018	01	LGCS-ASI	60,027.00
	Interest - Sep 2018		N/A	INT	21,047.68
3	ASI Construction LLC	Oct 2, 2018	02	LGCS-ASI	156,655.00
4	Aspen Environmental Group	Oct 8, 2018	1116.007-02	LGCS-ASP	51,072.42
5	Aspen Environmental Group	Oct 30, 2018	1116.007-03	LGCS-ASP	56,698.38
	Interest - Oct 2018		N/A	INT	20,838.36
6	ASI Construction LLC	Nov 7, 2018	03	LGCS-ASI	844,455.00
	Interest - Nov 2018		N/A	INT	22,998.40
7	Aspen Environmental Group	Dec 10, 2018	1116.007-04	LGCS-ASP	99,711.66
7	ASI Construction LLC	Dec 10, 2018	04	LGCS-ASI	665,631.99
	Interest - Dec 2018		N/A	INT	21,673.24
8	Aspen Environmental Group	Jan 3, 2019	1116.007-05	LGCS-ASP	67,719.03
9	ASI Construction LLC	Jan 7, 2019	05	LGCS-ASI	1,494,216.00
10	Aspen Environmental Group	Jan 29, 2019	1116.007-06	LGCS-ASP	56,529.35
	Interest - Jan 2019		N/A	INT	22,085.33
11	ASI Construction LLC	Feb 14, 2019	06	LGCS-ASI	338,899.30
	Interest - Feb 2019		N/A	INT	20,485.96
12	Aspen Environmental Group	Feb 28, 2019	1116.007-07	LGCS-ASP	78,799.25
	Interest - Mar 2019		N/A	INT	17,656.62
13	Aspen Environmental Group	Apr 1, 2019	1116.007-08	LGCS-ASP	34,790.67
13	Aspen Environmental Group	Apr 1, 2019	1116.008-01	LGCS-ASP	7,731.53
14	Aspen Environmental Group	Apr 22, 2019	1116.007-09	LGCS-ASP	6,938.12
	Interest - Apr 2019		N/A	INT	19,042.25
15	Aspen Environmental Group	May 15, 2019	1116.007-10	LGCS-ASP	6,958.75
	Interest - May 2019		N/A	INT	18,485.68
	Interest - June 2019		N/A	INT	18,852.79
16	Aspen Environmental Group	Jul 1, 2019	1116.007-11	LGCS-ASP	11,059.71
17	Aspen Environmental Group	Jul 30, 2019	1116.007-12	LGCS-ASP	22,237.47
	Interest - July 2019		N/A	INT	18,017.03
18	Aspen Environmental Group	Aug 27, 2019	1116.007-13	LGCS-ASP	58,421.77
19	ASI Construction LLC	Aug 28, 2019	Chng Order 4	LGCS-ASI	1,118,792.54
	Interest - August 2019		N/A	INT	18,580.51
	Interest - September 2019		N/A	INT	16,527.97
20	ASI Construction LLC	Oct 15, 2019	08	LGCS-ASI	1,361,654.50
	Interest - October 2019		N/A	INT	14,239.81

(Cont.)

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**PALMDALE
WATER DISTRICT
BOARD MEMORANDUM**

DATE:	July 21, 2020	July 27, 2020
TO:	BOARD OF DIRECTORS	Board Meeting
FROM:	Michael Williams, Finance Manager/CFO	
VIA:	Mr. Dennis LaMoreaux, General Manager	
RE:	<i>AGENDA ITEM 8.1.d – OTHER FINANCIAL REPORTS</i>	

Discussion:

Presented here are financial related items for your review.

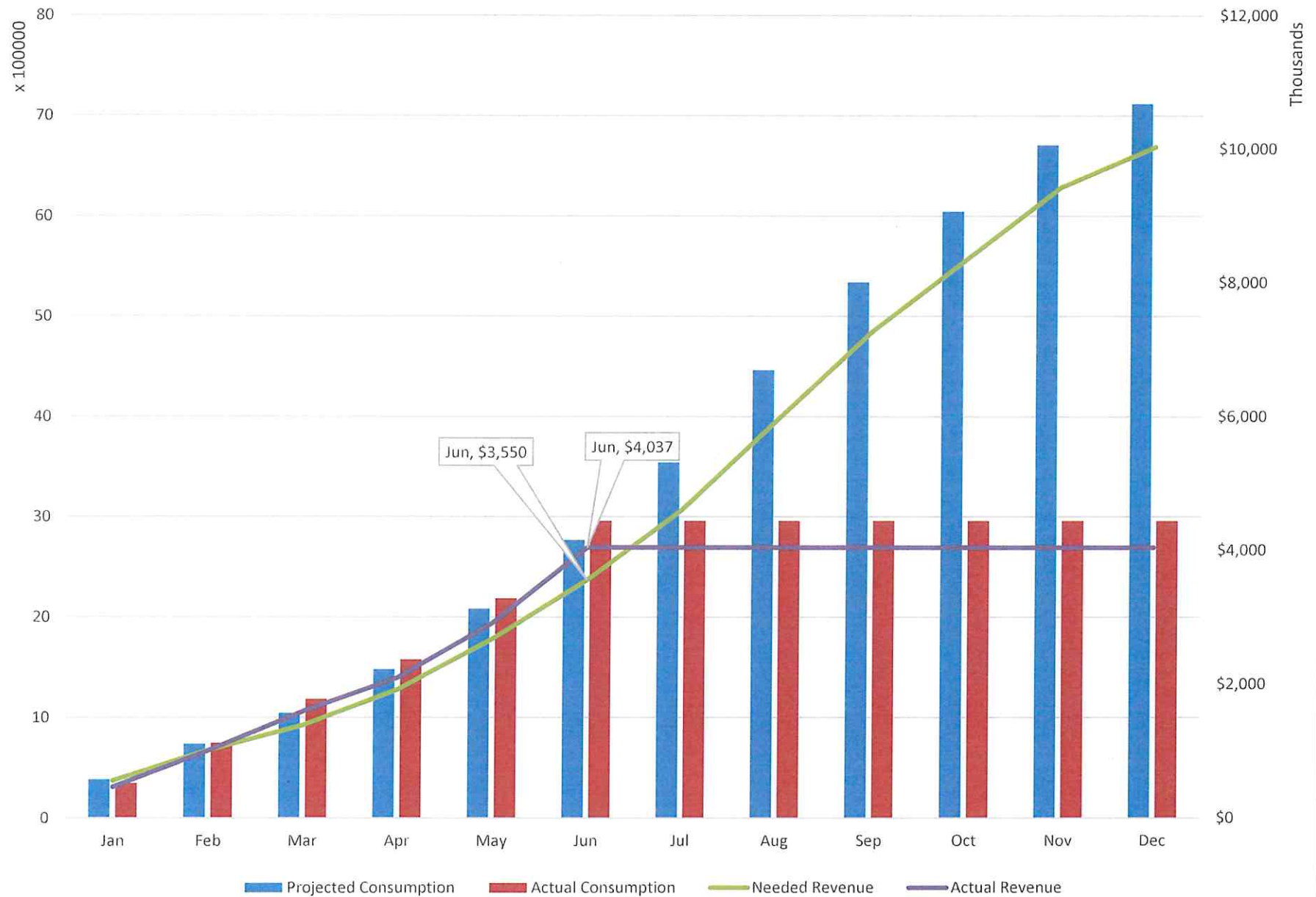
1. Effects of COVID-19 event:
 - a. Collection efforts were paused from 03/17/20 – 06/09/20.
 - b. Mailing of Reminder Notices has resumed as of 06/09/20 without a Shut-Off date.
 - c. No Shut-Off notices are being mailed currently.
 - d. No disconnections for non-payment of bills continue, no indication of when we will resume.
 - e. As of May 31, 2020, deferred \$95,805 in penalties for February – April billing.
 - f. As of 06/09/20, began applying penalties applicable to May billing and will continue moving forward.
 - g. As of June 30, 2020, we have 653 single family accounts with past due balance over 60 days with amounts greater than \$50.00. Total outstanding for those accounts at 60+ days \$220,780. At May 31, there were 823 single family accounts same stat with outstanding balance \$227,644.
 - h. Cash received for the month of June 2020 was \$401,518, 23.18% higher than May 2020, and \$398,216, 22.94% higher than April 2020, and \$192,140, 9.90% higher than June 2019.
2. Rate Assistance Program:
 - a. At June 30, there were 738 participants, 390 are Seniors, 7 are Veterans, and 341 are Low Income.
3. Billing & Collection Statistics (attachment):
 - a. Billing & collection cycle complete through May 2020 shows slight increase in bills issued, but a slight decrease in notices mailed compared to May 2019. Due to governor's order, there is no comparison for disconnections.
4. Revenue Projections (attachment):
 - a. Revenue projections for 2020 based on selling 16,341 AF shows as of June 30th revenue is ahead of projections by approximately \$480K.

5. Accounts Receivable Aging Report June 30, 2020 (attachment):
 - a. Aging report shows receivables at 06/30/20 are approximately \$457K higher than 06/30/19, but that is reflective of higher sales numbers in 2020. There is an increase in 60-day delinquency from 06/30/19 of approximately \$61K.
 - b. There has been a reduction in 60-day delinquency from May 31st to June 30th of approximately \$16K and an increase of approximately \$11K in 90-day delinquency.
6. Payment Transactions by Type (attachment):
 - a. 2nd quarter shows a reduction in total payments by approximately 6K. This may be because of COVID-19 and the lobby being closed since mid-March.
 - b. Although there was a reduction in total payments, there was a huge increase in electronic payments of approximately 10K.
 - c. Lastly, of the electronic payment types, the Web Site, Pay Near Me, and Vanco account for most of the increases.

Billing Statistics

	Bills (A)	LF Notice (B)	Shut Notice (C)	Off & Lock (D)	Based on Bills Issued						Based on Shut Notice
					Based on Bills Issued			Based on Late Notices		D / C	
					B / A	C / A	D / A	C / B	D / B		
Jan-18	26,582	6,358	2,262	427	23.9%	8.5%	1.6%	35.6%	6.7%	18.88%	
Feb-18	26,586	5,945	2,324	394	22.4%	8.7%	1.5%	39.1%	6.6%	16.95%	
Mar-18	26,584	5,419	2,148	444	20.4%	8.1%	1.7%	39.6%	8.2%	20.67%	
Apr-18	26,593	5,896	2,250	408	22.2%	8.5%	1.5%	38.2%	6.9%	18.13%	
May-18	26,588	5,713	2,118	387	21.5%	8.0%	1.5%	37.1%	6.8%	18.27%	
May-19	26,639	6,178	2,265	434	23.2%	8.5%	1.6%	36.7%	7.0%	19.16%	
Jan-20	26,692	5,837	937		21.9%	3.5%	0.0%	16.1%	0.0%	0.00%	
Feb-20	26,677	3,967			14.9%	0.0%	0.0%	0.0%	0.0%	#DIV/0!	
Mar-20	26,693				0.0%	0.0%	0.0%	#DIV/0!	#DIV/0!	#DIV/0!	
Apr-20	26,707				0.0%	0.0%	0.0%	#DIV/0!	#DIV/0!	#DIV/0!	
May-20	26,723	5,901			22.1%	0.0%	0.0%	0.0%	0.0%	#DIV/0!	

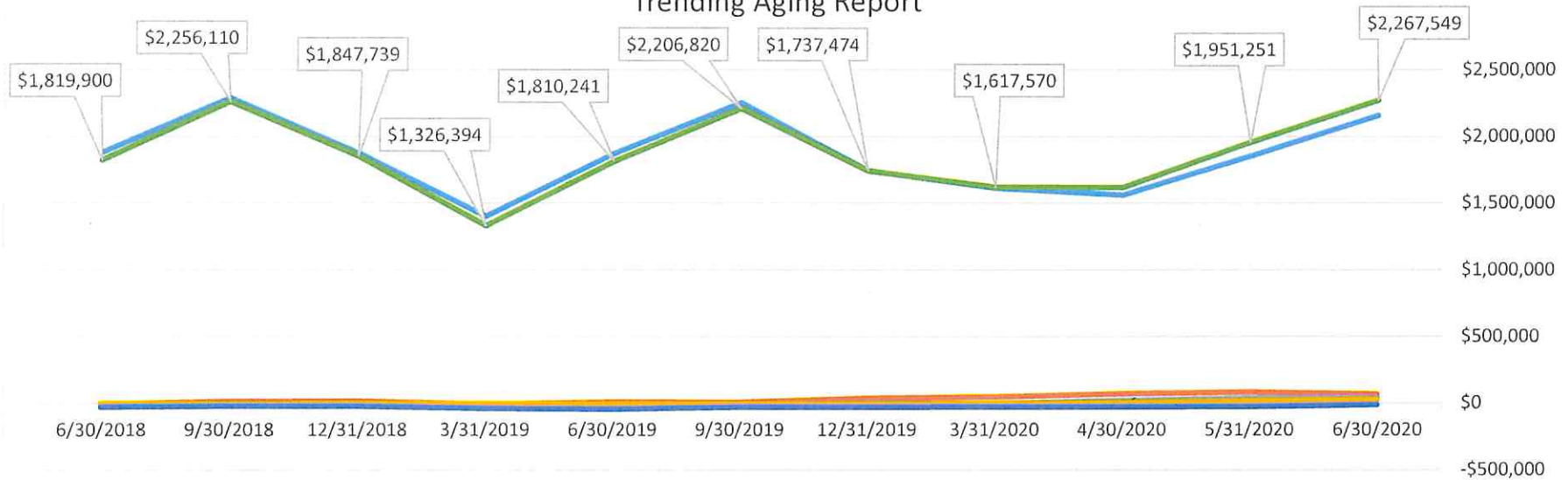
2020 Revenue Projections Based on 16,341 AF



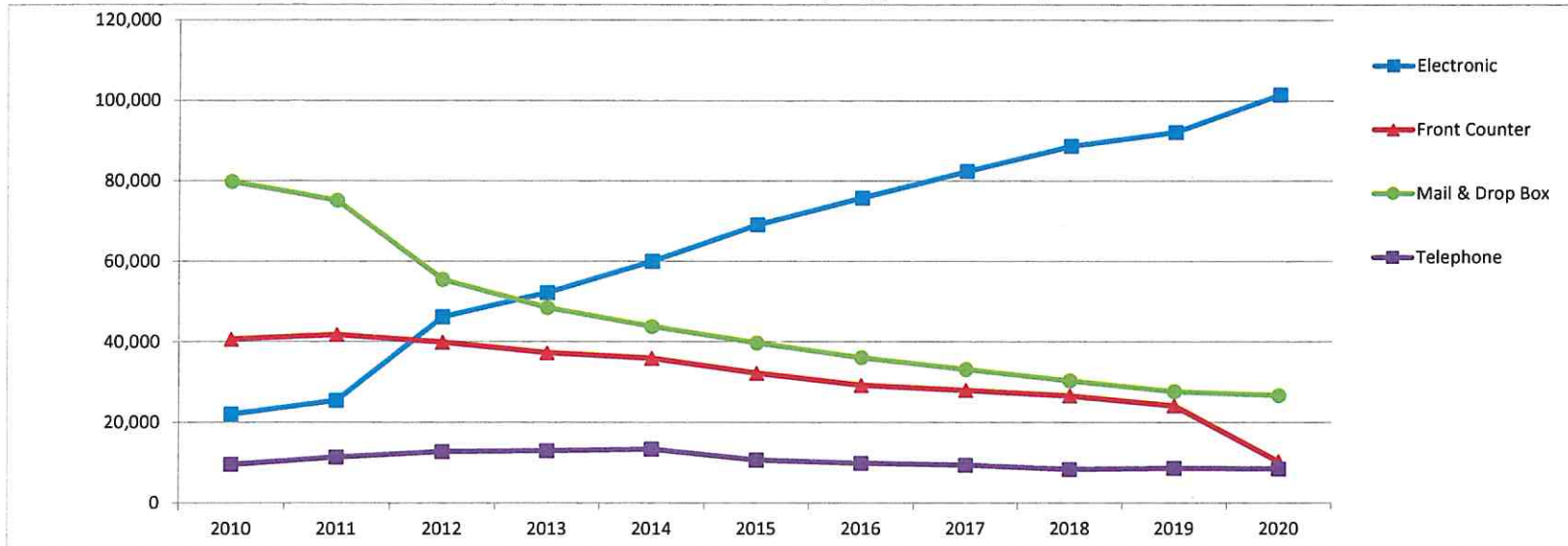
Accounts Receivable Aging Report

	0-30 days	31-60 days	61-90 days	91-120 days	121+ days	Balance
6/30/2020	\$2,154,477	\$65,380	\$38,984	\$22,054	-\$13,346	\$2,267,549
5/31/2020	\$1,849,925	\$81,052	\$36,808	\$11,401	-\$27,936	\$1,951,251
4/30/2020	\$1,557,106	\$68,258	\$21,368	-\$2,403	-\$29,625	\$1,614,704
3/31/2020	\$1,611,602	\$44,717	-\$3,970	-\$5,373	-\$29,407	\$1,617,570
12/31/2019	\$1,739,176	\$35,389	-\$936	-\$5,813	-\$30,343	\$1,737,474
9/30/2019	\$2,250,102	\$3,677	-\$9,637	-\$6,208	-\$31,113	\$2,206,820
6/30/2019	\$1,867,456	\$4,978	-\$8,295	-\$6,641	-\$47,257	\$1,810,241
3/31/2019	\$1,396,553	-\$10,972	-\$11,317	-\$5,758	-\$42,112	\$1,326,394
12/31/2018	\$1,871,921	\$11,096	-\$5,439	-\$3,721	-\$26,118	\$1,847,739
9/30/2018	\$2,282,443	\$10,683	-\$5,391	-\$5,897	-\$25,729	\$2,256,110
6/30/2018	\$1,875,467	-\$9,241	-\$11,326	-\$4,097	-\$31,338	\$1,819,900

Trending Aging Report



Payment Transactions By Types January - June



Payment Type	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Electronic	21,945	25,387	46,116	52,106	59,928	69,074	75,724	82,325	88,583	92,037	101,437
Front Counter	40,535	41,675	39,764	37,217	35,841	32,128	29,161	27,916	26,560	24,136	10,274
Mail & Drop Box	79,698	75,028	55,317	48,366	43,690	39,680	36,024	33,116	30,331	27,609	26,668
Telephone	9,519	11,311	12,633	12,881	13,324	10,642	9,842	9,361	8,324	8,634	8,495
Total	151,695	153,401	153,830	150,570	152,783	151,524	150,751	152,718	153,798	152,416	146,874

Detail of Electronic Payments	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
META - ACH Pymt	3,644	4,304	3,754	3,811	1,633	1,617	801	849	842	865	851
WES - ACH Pymt	0	466	439	495	493	488	497	521	508	462	462
INF - Website Pymts	18,301	20,617	31,206	34,534	36,779	38,452	41,039	44,351	47,806	51,135	57,073
IVR - Automated Pay ##	0	0	0	0	4,091	10,984	13,816	15,996	17,444	18,411	19,932
KIOSK - Automated Pay \$\$	0	0	0	0	0	0	547	457	1,284	696	359
PNM - Automated Pay %%	0	0	0	0	0	0	21	1,260	1,989	2,309	3,514
VAN - ACH Pymt &&	0	0	10,717	13,266	16,932	17,533	19,003	18,891	18,710	18,159	19,246
Total	21,945	25,387	46,116	52,106	59,928	69,074	75,724	82,325	88,583	92,037	101,437

##- IVR service started March 13, 2014

\$\$ - Kiosk service started July 1, 2015

%% - PNM - Pay Near Me service started June 9, 2016

&& - Vanco ACH service started Sept 2011

**MINUTES OF MEETING OF THE RESOURCE AND FACILITIES COMMITTEE OF
THE PALMDALE WATER DISTRICT, FEBRUARY 11, 2020:**

A meeting of the Resource and Facilities Committee of the Palmdale Water District was held Tuesday, February 11, 2020, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Mac Laren called the meeting to order at 3:02 p.m.

1) Roll Call.

Attendance:

Committee:

Kathy Mac Laren, Chair

Robert Alvarado, Committee
Member

Others Present:

Dennis LaMoreaux, General Manager

Adam Ly, Assistant General Manager

Mike Williams, Finance Manager

Judy Shay, Public Affairs Director

Scott Rogers, Engineering/Grant Manager

Claudia Bolanos, Resource & Analytics Supervisor

Don Wilson, PWD Director

Dawn Deans, Executive Assistant

0 members of the public

2) Adoption of Agenda.

It was moved by Committee Member Alvarado, seconded by Chair Mac Laren, and unanimously carried by all members of the Committee present at the meeting to adopt the agenda, as written.

3) Public Comments for Non-Agenda Items.

There were no public comments for non-agenda items.

**4) Action Items: (The Public Shall Have an Opportunity to Comment on Any
Action Item as Each Item is Considered by the Committee Prior to Action Being Taken.)**

**4.1) Consideration and Possible Action on Approval of Minutes of Meeting
Held December 10, 2019.**

It was moved by Committee Member Alvarado, seconded by Chair Mac Laren, and unanimously carried by all members of the Committee present at the meeting to approve the minutes of the Resource and Facilities Committee meeting held December 10, 2019, as written.

4.2) Consideration and Possible Action on a Recommendation Declaring District Vehicles as Surplus and Offering Same for Sale and/or Lease Returns. (Potential Revenue – Facilities Manager Bligh)

Assistant General Manager Ly provided an overview of the vehicle for surplus, and after a brief discussion, it was moved by Committee Member Alvarado, seconded by Chair Mac Laren, and unanimously carried by all members of the Committee present at the meeting that the Committee concurs with staff's recommendation to declare District vehicles as surplus and offer same for sale and/or lease returns and that this item be presented to the full Board for consideration at the February 24, 2020 Regular Board Meeting.

4.3) Consideration and Possible Action on a Recommendation to Update the District's Standard Specifications for Water Distribution Construction. (No Budget Impact – Engineering/Grant Manager Rogers)

Engineering/Grant Manager Rogers provided an overview of the updates proposed for the District's Standard Specifications for Water Distribution Construction, and after a brief discussion, it was moved by Committee Member Alvarado, seconded by Chair Mac Laren, and unanimously carried by all members of the Committee present at the meeting that the Committee concurs with staff's recommendation to approve the update of the District's Standard Specifications for Water Distribution Construction and that this item be presented to the full Board for consideration at the February 24, 2020 Regular Board Meeting.

4.4) Consideration and Possible Action on Recommendation to Authorize Staff to Enter Into a Contract for a Well Rehabilitation Prioritization Program With Kyle Groundwater. (\$139,992.00 – Budgeted – Budget Line Item No. 1-02-5070-007 – Engineering/Grant Manager Rogers)

Engineering/Grant Manager Rogers provided an overview of the purpose of the Well Rehabilitation Prioritization Program, and after a brief discussion of the scope of services, it was moved by Committee Member Alvarado, seconded by Chair Mac Laren, and unanimously carried by all members of the Committee present at the meeting that the Committee concurs with staff's recommendation to award a contract for a Well Rehabilitation Prioritization Program to Kyle Groundwater in the not-to-exceed amount of \$139,992.00 and that this item be presented to the full Board for consideration at the February 24, 2020 Regular Board Meeting.

4.5) Consideration and Possible Action on Recommendation to Adopt Resolution No. 20-4 Being a Resolution of the Board of Directors of the Palmdale Water District Revising Appendix M of the District's Rules and Regulations. (No Budget Impact – Engineering/Grant Manager Rogers)

Engineering/Grant Manager Rogers provided an overview of proposed revisions to Appendix M of the District's Rules and Regulations, and after a brief discussion of these revisions, it was moved by Committee Member Alvarado, seconded by Chair Mac Laren, and unanimously carried by all members of the Committee present at the meeting that the Committee concurs with staff's recommendation to approve Resolution No. 20-4 being a Resolution of the Board of Directors of the Palmdale Water District Revising Appendix M of the District's Rules and Regulations and that this item be presented to the full Board for consideration at the February 24, 2020 Regular Board Meeting.

4.6) Consideration and Possible Action on a Recommendation to Approve Updates to the Water Use Efficiency Rebate Programs Including the Implementation of a New Smart Controller Rebate Program and Increases to the Rebate Amounts for the District's Current High Efficiency Toilet Rebate and High Efficiency Clothes Washer Rebate Programs. (Budgeted Under Department Rebate Programs – Resource and Analytics Supervisor Bolanos)

Resource and Analytics Supervisor Bolanos provided an overview of the new Smart Controller Rebate Program and proposed increases to existing rebate programs, and after a brief discussion of these programs, it was moved by Committee Member Alvarado, seconded by Chair Mac Laren, and unanimously carried by all members of the Committee present at the meeting that the Committee concurs with staff's recommendation to approve updates to the Water Use Efficiency Rebate Programs, including the implementation of a New Smart Controller Rebate Program and increases to the rebate amounts for the District's current High Efficiency Toilet Rebate and High Efficiency Clothes Washer Rebate Programs, and that this item be presented to the full Board for consideration at the February 24, 2020 Regular Board Meeting.

4.7) Review 2019 Resource and Facilities Committee Goals and Establish 2020 Goals.

The 2019 Resource and Facilities Committee goals were reviewed, and it was determined that 2020 Resource and Facilities Committee Goals are as follows:

- Continue to be aware of evolving and transitional technologies the District may need in the future.
- Continue with project plans approved in the 2019 Water Rate Study with an annual end of year progress update.
- Stay informed of regional partner technologies and continue working with area agencies to determine the next steps for mutual assistance in the event of emergencies.
- Review and monitor timeline for 2020 projects.
- Review of Littlerock Reservoir Sediment Removal Project to ensure bids are obtained for the sediment removal process.

General Manager LaMoreaux then recommended that projects planned for 2020 be reviewed at the next Committee meeting.

5) Information Items.

5.1) Status of 2019 State Water Project Allocation Use. (Resource and Analytics Director Thompson II)

Resource and Analytics Supervisor Bolanos stated that the District's current State Water Project allocation is 15% and that exchanges and water banking agreements are in place to meet 2020 demand.

5.2) Status on Littlerock Reservoir Sediment Removal Project. (Project Manager Thompson)

Engineering/Grant Manager Rogers stated that the construction of the grade control structure for the Littlerock Reservoir Sediment Removal Project is complete; that the site is now being maintained and monitored; that quarry pits have been contacted to begin negotiations for sediment removal; and that the final sediment removal plans have been requested followed by discussion of the closure of the area.

Committee Member Alvarado then requested that information be conveyed to the Friends of Littlerock Dam (FOLD) group.

5.3) Status on Palmdale Regional Groundwater Recharge and Recovery Project. (Engineering/Grant Manager Rogers)

Engineering/Grant Manager Rogers stated that proposals have been requested for extraction test well no. 1 for the Palmdale Regional Groundwater Recharge and Recovery Project; that bids are due February 23; and that grant funding awards for phase 2 of this Project and for the Littlerock Reservoir Sediment Removal Project will be announced in May 2020.

5.4) Status on Water Conservation and Education Garden. (Resource and Analytics Supervisor Bolanos/Committee Member Alvarado)

Resource and Analytics Supervisor Bolanos stated that staff is working on a slight redesign of the Garden due to the location of underground utilities.

5.5) Other.

Assistant General Manager Ly stated that the security alarm for the office building is being upgraded as part of the O & M budget.

He then stated that a scope of work for proposals for the upstairs and downstairs office remodel will be distributed with bids presented to the Committee and to the full Board for consideration by April followed by discussion of the scope of work.

At the request of Committee Member Alvarado, Assistant General Manager Ly provided an update on the maintenance of the elevator.

Fencing surrounding the Palmdale Lake property was then discussed, and Chair Mac Laren stated that the Palmdale Fin and Feather Club officers reiterated for everyone to attend their annual barbecue, enjoy the Lake and facilities, and continue to better the relationship between the District and the Club.

6) Board Members' Requests for Future Agenda Items.

It was stated that "Discussion and review of 2020 planned projects" will be placed on the next agenda.

There were no further requests for future agenda items.

FEBRUARY 11, 2020
RESOURCE AND FACILITIES
COMMITTEE MEETING

7) **Date of Next Committee Meeting.**

It was determined that the next Resource and Facilities Committee meeting will be held March 26, 2020 at 3:30 p.m. followed by discussion of Alternate Committee Members for Standing Committees.

8) **Adjournment.**

There being no further business to come before the Resource and Facilities Committee, the meeting was adjourned at 4:08 p.m.


Chair

MINUTES OF REGULAR MEETING OF THE COMMISSIONERS OF THE ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION, MARCH 12, 2020.

A regular meeting of the Commissioners of the Antelope Valley State Water Contractors Association was held Thursday, March 12, 2020, at the Palmdale Water District at 2029 East Avenue Q, Palmdale. Chair Parris called the meeting to order at 6:00 p.m.

1) Pledge of Allegiance.

At the request of Chair Parris, Commissioner Thibault led the pledge of allegiance.

2) Roll Call.

Attendance:

Robert Parris, Chair
Vincent Dino, Vice Chair
Leo Thibault, Treasurer-Auditor
Kathy Mac Laren, Secretary
Barbara Hogan, Commissioner
Keith Dyas, Commissioner

Others Present:

Matthew Knudson, General Manager
Peter Thompson II, Asst. General Manager
Tom Barnes, Resources Manager
Dennis Hoffmeyer, Controller
Don Wilson, PWD Alt. Commissioner
Richard Gavilanes, LCID Foreman
Danielle Henry, Management Analyst
0 members of the public

3) Adoption of Agenda.

It was moved by Commissioner Mac Laren, seconded by Commissioner Dino, and unanimously carried by all members of the Board of Commissioners present at the meeting to adopt the agenda, as written.

4) Public Comments for Non-Agenda Items.

There were no public comments.

5) Consideration and Possible Action on Minutes of Regular Meeting Held February 13, 2020.

It was moved by Commissioner Dyas, seconded by Commissioner Mac Laren, and carried by a 5-0-1 vote, with Chair Parris abstaining, to approve the minutes of the regular meeting held February 13, 2020, as written.

6) Payment of Bills.

Commissioner Thibault reviewed the bills received for payment and then moved to pay the bills received from AVEK in the amount of \$508.62 for staff services, from Woodard & Curran in the amount of \$8,142.20 for professional services associated with the 2019 Integrated Regional Water Management Plan Update, and ratification of the payment made for \$10,000.00 to the Antelope Valley Fair Association for the sponsorship of the 2020 Home Show and SMART Water Expo. The motion was seconded by Commissioner Mac Laren and unanimously carried by all members of the Board of Commissioners present at the meeting.

7) Consideration and Possible Action on Resolution No. 2020-1 of the Governing Board of Commissioners of the Antelope Valley State Water Contractors Association Approving the Adoption of the 2019 Update to the Antelope Valley Integrated Regional Water Management Plan. (General Manager Knudson)

General Manager Knudson provided an overview of the guidelines and purpose of the update to the Antelope Valley Integrated Regional Water Management Plan, and after a brief discussion of the Antelope Valley Watermaster's jurisdiction on groundwater production and of the grant program funding requirements, it was moved by Commissioner Thibault, seconded by Commissioner Dino, and unanimously carried by all members of the Board of Commissioners present at the meeting to approve Resolution No. 2020-1 being a Resolution of the Governing Board of Commissioners of the Antelope Valley State Water Contractors Association Approving the Adoption of the 2019 Update to the Antelope Valley Integrated Regional Water Management Plan.

Resolution No. 2020-1 is hereby made a portion of the minutes of this meeting.

8) Discussion and Possible Action on Proposal from Streamline Web for the Development and Hosting of a New Association Website. (Resources Manager Barnes)

Resources Manager Barnes provided an overview of the proposal from Streamline Web, including the approved CSDA reduced pricing for the Association, after which it was moved by Commissioner Mac Laren, seconded by Commissioner Dino, and unanimously carried by all members of the Board of Commissioners present at the meeting to approve the Streamline Web proposal for the development and hosting of the new Association website.

9) **Report of General Manager and Assistant General Manager.**

a) **Status Updates:**

1) **2020 Home Show and SMART Water Expo.**

General Manager Knudson reviewed Governor Newsom's Executive Order N-25-20 regarding COVID-19, and the related Brown Act requirements, followed by a brief discussion of teleconference capabilities.

Assistant General Manager Thompson II then reported that the Home Show and SMART Water Expo has been postponed to June 6-7, 2020 after which Commissioner Mac Laren stated that the minimal marketing coverage for the SMART Water Expo was brought to the attention of the Antelope Valley Fair Association.

2) **AVSWCA Special Meeting to be Held April 22, 2020.**

Assistant General Manager Thompson II reported that a Special Meeting of the Association is scheduled for April 22, 2020 at 3 p.m. at Palmdale Water District for an in-depth presentation on the State Water Project by Ms. Jennifer Pierre, General Manager of the State Water Project, and that invitations will be sent to the member agency Boards as well as the City of Palmdale and the City of Lancaster followed by a brief discussion of COVID-19 and the possibility of postponing the Special Meeting.

3) **Proposed East Side Recycled Water Line Project.**

General Manager Knudson stated that various recycled water projects are included with the 2019 Integrated Regional Water Management Plan update and that this particular project remains in need of a project sponsor.

4) **Big Rock Creek Joint Groundwater Recharge Project.**

Assistant General Manager Thompson II reported that staff continues to anticipate receipt of the final report from Kennedy/Jenks Consultants with recommendations from the Pilot Recharge Project.

5) Antelope Valley Watermaster Meetings.

General Manager Knudson reported that a new draft of the Watermaster Rules and Regulations is being reviewed by the attorneys and that staff anticipates approval at the April 22, 2020 Watermaster meeting.

Assistant General Manager Thompson II then reported that staff will be preparing the 2019 Variable Administrative Assessment invoices and that the Rosamond Storage Agreement will be discussed at the next Watermaster meeting.

6) Antelope Valley and Fremont Basin IRWMP Stakeholder Meetings.

General Manager Knudson stated that Resolution No. 2020-1 was approved this evening and that staff expects to receive status of the grant applications in the near future.

There were no updates on the Fremont Basin project.

10) Report of Controller.

a) Update on Revenue, Expenses and Change in Net Position.

Controller Hoffmeyer provided a brief review of the Association's revenue, expenses and change in net position for the month ending February 29, 2020.

b) Review of Association Financial Reports.

Controller Hoffmeyer provided a review on tracking restricted and general funds after which Commissioner Thibault thanked Controller Hoffmeyer.

11) Reports of Commissioners.

There were no reports from Commissioners.

12) Report of Attorney.

No attorney was present at the meeting.

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION
MARCH 12, 2020
REGULAR MEETING

13) Commission Members' Requests for Future Agenda Items.

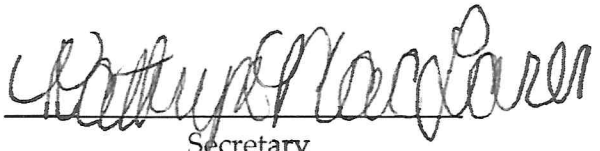
There were no requests for future agenda items.

14) Consideration and Possible Action on Scheduling the Next Association Meeting June 11, 2020.

After a brief discussion of the rescheduled Home Show and SMART Water Expo and of the agenda for the Special meeting of the Association, it was determined that the next meeting of the Association will be held April 22, 2020.

15) Adjournment.

There being no further business to come before the Commissioners, the regular meeting of the Commissioners of the Antelope Valley State Water Contractors Association was adjourned at 6:47 p.m.


Secretary

The following is the July 2020 report to the Board of activities through June 2020. It is organized to follow the District's six strategic initiatives and is intended to provide a general update on the month's activities. A summary of the initiatives follows with a strikethrough on completed projects. The upcoming Strategic Plan workshop will revise these:



Complete the 2018 phase of the Upper Amargosa Creek Recharge Project
Ensure Palmdale Recycled Water Authority (PRWA) to be fully operational by year 2020
Adopt new state-of-the-art water treatment technologies
Implement the Antelope Valley Groundwater Adjudication agreement
Complete the grade-control structure for the Littlerock Reservoir Sediment Removal Project
Continue the next phase towards the completion of Palmdale Regional Groundwater Recharge and Recovery Project
Identify and pursue opportunities to increase the reliability of water supply



Offer competitive compensation and benefits package to promote employee retention
Focus Succession Planning Program on ensuring an overlap of training for key positions
Continue providing transparency to our ratepayers
Promote and support leadership training and professional development programs to enhance the District's customers' experience



- Implement 2016 Water System Master Plan**
- Develop a five-year Infrastructure Revitalization Plan to continue the reinvestment and preventative maintenance for aging infrastructure**
- Explore energy independence**
- Continue being the industry's leader on the use of Granular Activated Carbon (GAC)**
- Research and test new technologies to increase efficiencies**
- Improve safety and training for Directors, employees, and customers**
- Develop a crisis communications plan**



Financial Health and Stability

Pursue additional grant funding for all District projects
Adopt a sustainable and balanced rate structure to meet short and long-term needs
~~Create a five-year financial plan in conjunction with the 2019 Water Rate Plan~~
Maintain adequate reserve levels, high-level bond rating, and financial stability



Regional Leadership

Enhance relationships with Antelope Valley partnerships, including local water agencies, Antelope Valley State Water Contractors Association and the Palmdale Recycled Water Authority
Expand school water education programs
Engage elected officials in water-related issues
Continue offering career opportunities through the Internship Program
Provide opportunities for local businesses to contract with the District



Customer Care, Advocacy and Outreach

Increase Customer Care accessibility through communication and feedback to enhance customers' experience
Evaluate, develop, and market additional payment options
Be point of communication for customers' water-related public health concerns
Develop the District's Public Outreach Plan
~~Increase public awareness of the District's history and promote centennial anniversary~~

This report also includes charts that show the effects of the District's efforts in several areas. They are organized within each strategic initiative and include status of the State Water Resources Control Board's (SWRCB) long-term conservation orders, 20 x 2020 status, the District's total per capita water use trends, 2019 final water production and customer use graph, 2020 actual water production and customer use graph, mainline leaks, and the water loss trends for both 12- and 24-month running averages.



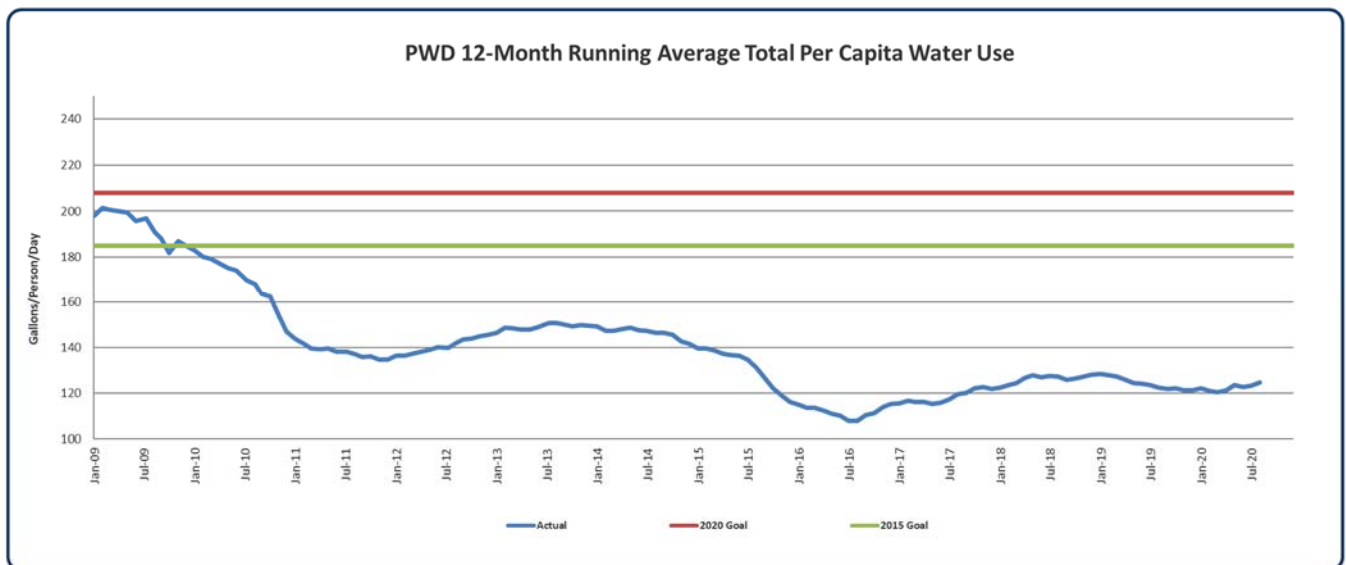
Water Resource Reliability

This initiative includes conservation efforts, water supply projects, and water planning. Recent highlights are as follows:

State Water Resources Control Board (SWRCB) Activities

- The 20 x 2020 per capita reduction goals passed by the legislature in 2009 with new long-term water budgeting requirements have now been replaced with new requirements and water agency water budgets. These follow through on the “Making Water Conservation a California Way of Life” plan. The District expects to easily comply with the new requirements as they are based on the same philosophy as the District water budget rate structure. More will be known as the 2020 Urban Water Management Plan is developed. Until these criteria are finalized, the customers’ performance is shown in this report using the 20 x 2020 requirements.

The District’s compliance with the former 20 x 2020 law is evident from the chart titled “PWD 12-Month Running Average Total Per Capita Water Use.”:



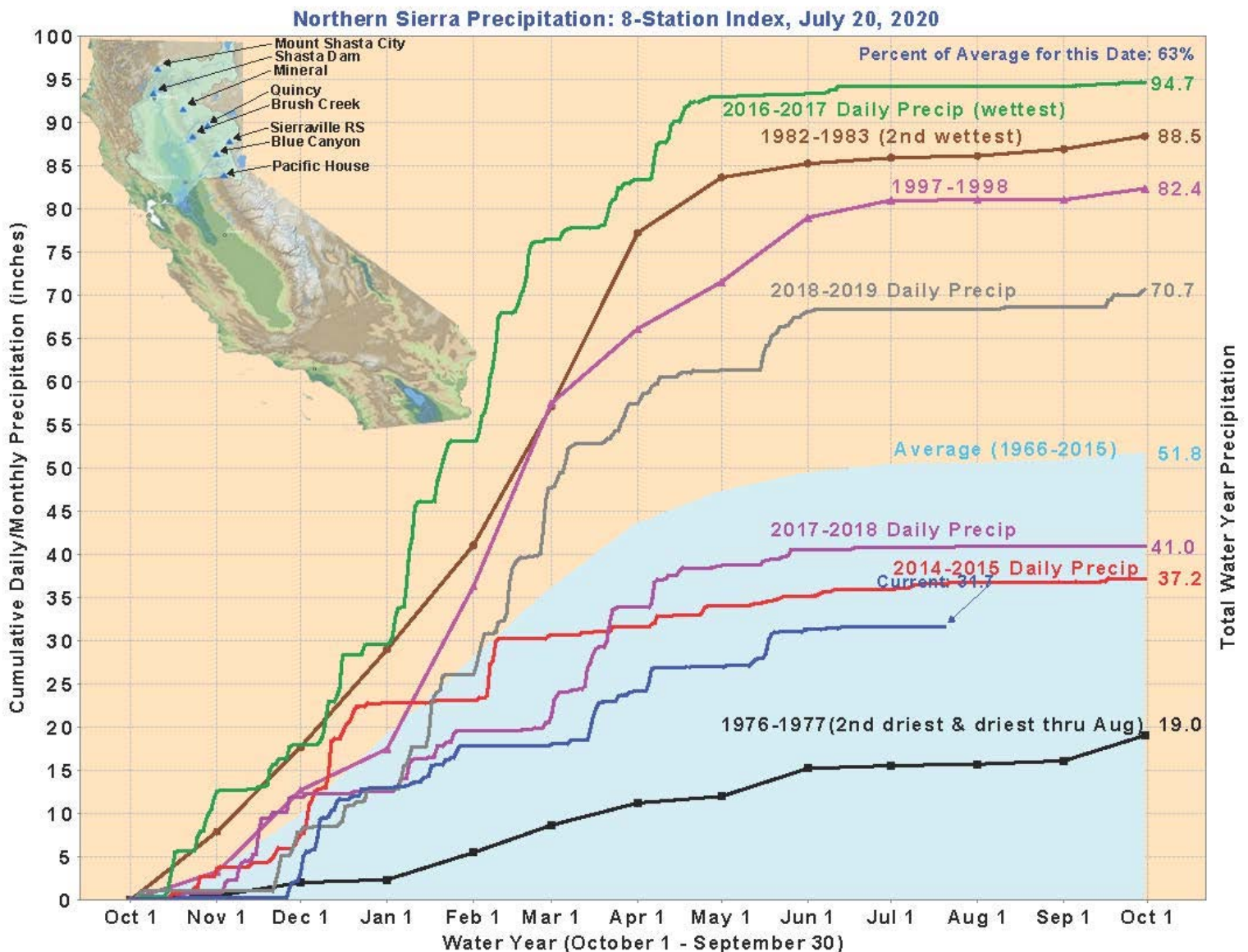
The District’s customers have cut their water use by **45.9%** from the baseline number of 231 established in the 2015 Urban Water Management Plan and met the 2020 Goal in early 2010. The current Total-GPCD is 125.

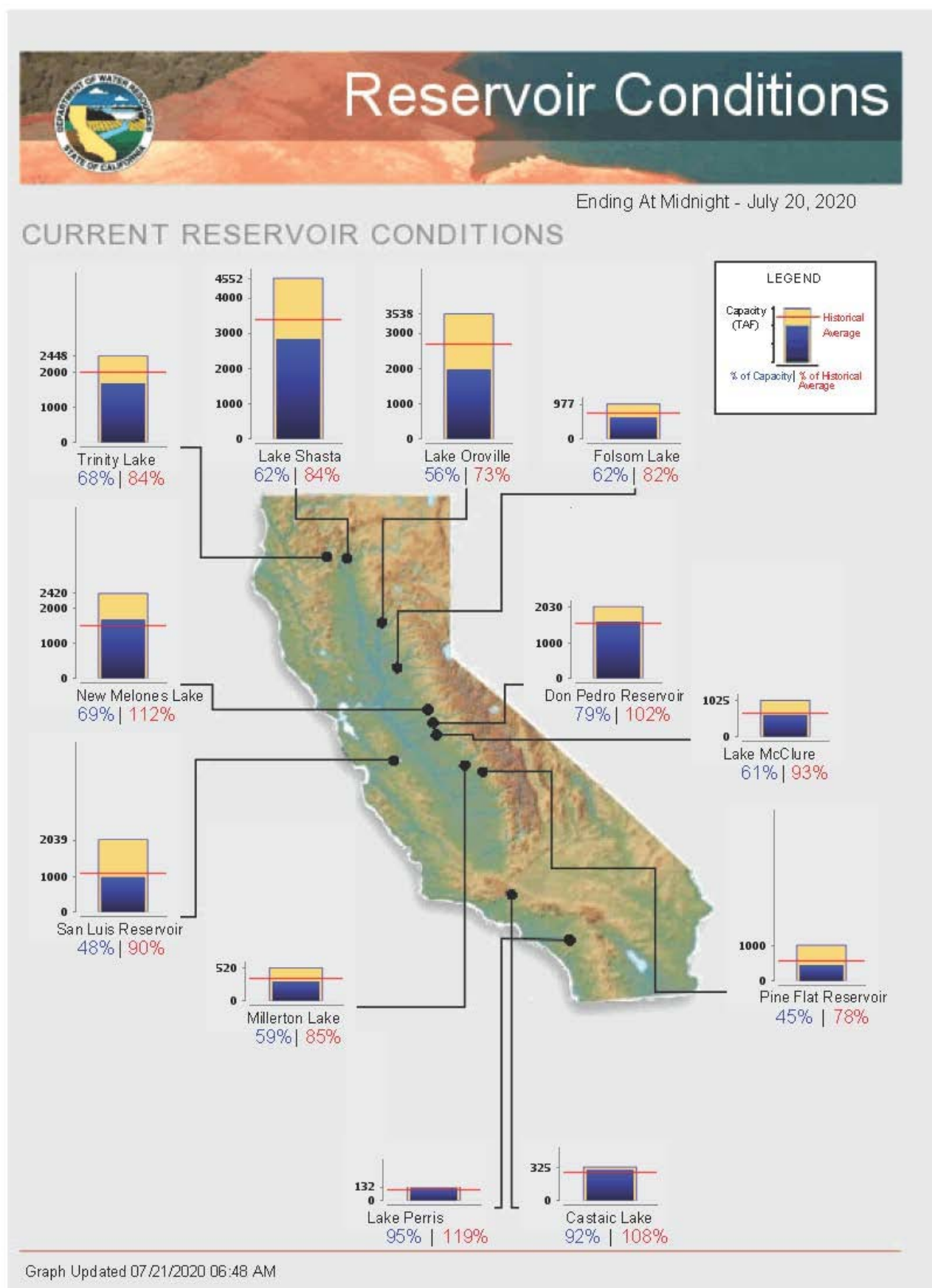
Water Supply Information

- The AV Adjudication is now entering its fifth year, and the reduction to the native safe yield is in its third year. The District’s native groundwater right is 2,769.63 AF. The District’s 2019 groundwater rights totaled 7,986.67 AF without the prior year’s Carryover Rights. The District’s 2020 groundwater rights are approximately 8,188 AF and 9,465.83 AF of Carryover production rights from 2019 for a total groundwater production right available to the District of 17,653.96 AF.

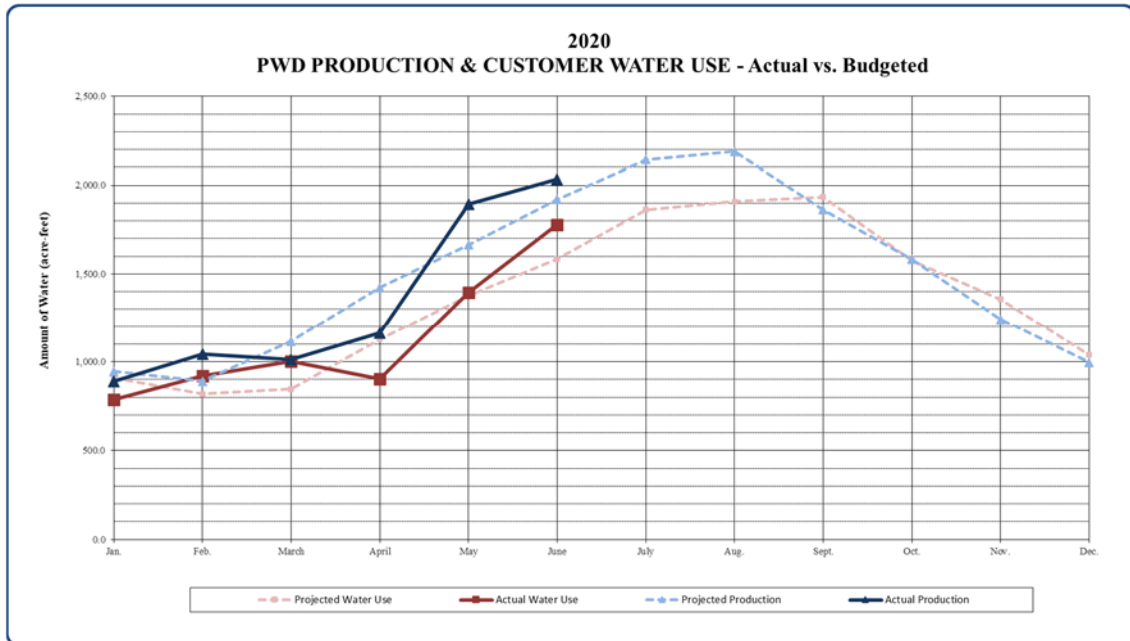
- The 2020 water resources plan is tentative at this point. Precipitation in the area that contributes to the State Water Project is currently at 63% of average and the SWP allocation is 20%. This provides the District approximately 6,260 AF, including the Butte County lease. At least 3,000 AF is anticipated from Littlerock Reservoir. The District will also receive other water including the Yuba Accord Water, water stored in Willow Springs Groundwater Bank, and carryover SWP from 2019. These efforts, along with the District's available groundwater rights, will lessen any needed conservation needed by our customers this year.

The following graphs show the 2019-2020 water year is less than average and current reservoir storage as of Monday, July 20, 2020.

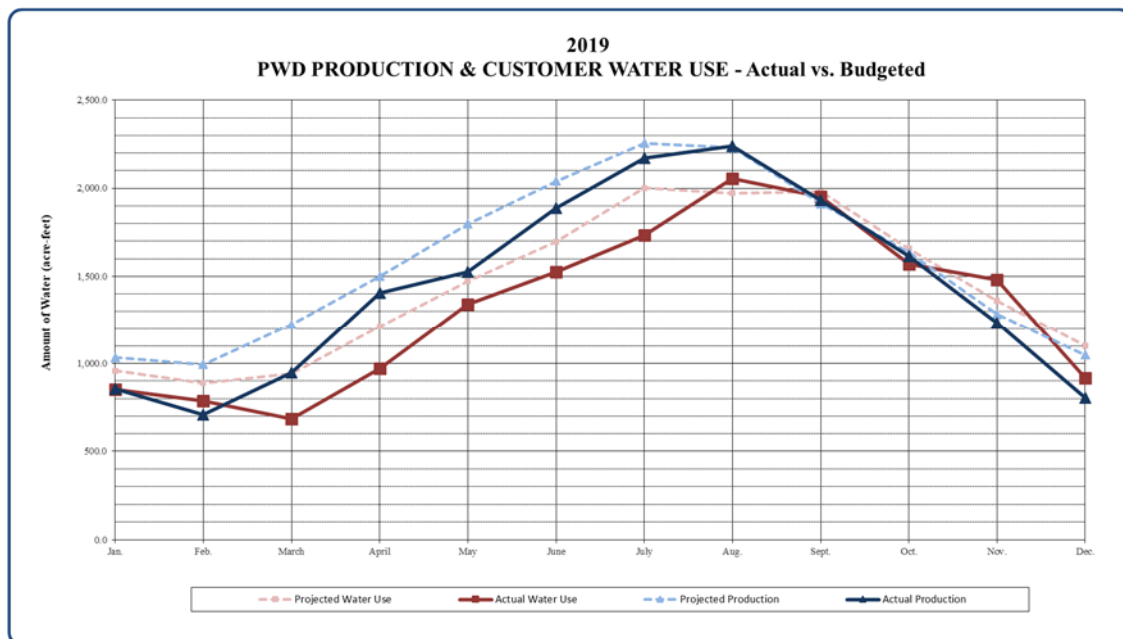




- The following is the anticipated monthly water consumption and production for 2020 based on the prior five years of actual monthly information. The total consumption is based on the 2020 Budget amount of 16,341 AF. Actual consumption numbers through June 2020 is very slightly more than anticipated by 1.9% (126.2 AF/6,662 AF) and water production is also slightly more than anticipated by 1.0% (77.5 AF/7,959 AF). The following graph shows water use is continuing to increase for the year, though very close to projection totals.



- The following graph shows actual monthly amounts for 2019 for both production and consumption for comparison.



Other Items

- The Littlerock Reservoir Sediment Removal Project Environmental Impact Report/Environmental Impact Statement (EIR/EIS) was fully approved in 2017. All required permits are in place, and a construction contract for the Grade Control Structure was awarded in July 2018 to ASI Construction, LLC (ASI) of Colorado Springs. The work was completed in January 2020, and ASI has left the site.

A citizen's committee, Friends of Littlerock Dam (FOLD), was formed in the Littlerock, Pearblossom, and Juniper Hills area to find a way to reopen the Littlerock Reservoir Recreation area. They worked with the District and the USFS on this issue. The USFS has issued an eviction notice to the former operator living at the Reservoir in May 2019. This process is expected to be completed later this year.

Staff is working with the gravel quarry owners and City of Palmdale for the disposal of sediment from Littlerock Reservoir. These discussions have been hampered due to the COVID-19 event. A wet spring has also meant Littlerock Reservoir is still relatively full. These factors will cause the District to miss starting the sediment removal this year.

- The public review of the Draft California Environmental Quality Act (CEQA) EIR for the Palmdale Regional Groundwater Recharge and Recovery Project is complete. The Final EIR was certified by the Board on July 13, 2016, and the Notice of Determination was filed on July 14, 2016. The comments from the SWRCB Recycled Water Division on the Title 22 Engineering Report were addressed and returned for further review. Another set of comments was received in 2018 and information is being collected to address them.

The soil column tests were completed and reported on late in 2018. The District reviewed additional geotechnical work done to verify the proposed location is suitable. The result is a recommendation to drill an additional well to better understand the aquifer in the area. A contract was awarded by the Board in April, and construction of the well will begin within the next four weeks.

- The Upper Amargosa Creek Recharge Project is complete. One contract is for the California Aqueduct turnout and transmission water main. The other is for the recharge basins. They are higher than original estimates and will result in a request from the City of Palmdale to the District, LA County Waterworks, and AVEK for additional funding. The District is working with DWR to deliver water to the Project for recharge on a continuing basis.
- Delta Conveyance Facility (DCF): The State Water Contractors and the Department of Water Resources are continuing discussions about the Project's financing and operations. These discussions will result in a clearer picture of the effect on individual contractors.

Staff is directly involved in these discussions, the development of the Agreement in Principle, and will provide it to the Board for consideration later this year.



Organizational Excellence

This initiative includes efforts to restructure staff duties and activities to more efficiently provide service to our customers. Recent highlights are as follows:

- The District and other members of the Public Water Agencies Group (PWAG) have hired and share the services of an Emergency Preparedness Coordinator. This has already resulted in a successful training held at the District office. This approach also kept the District in a good position for compliance with the America's Water Infrastructure Act (AWIA) of 2018 and responding to the current COVID-19 event.

The District met the deadline of March 31, 2020 to complete a security/vulnerability assessment under the AWIA. The District is now working with the consultant to update its overall Emergency Response Plan based on the assessment. This must be complete by October 2020.

- Training is an important part of the District's operations. There are several state and federal required trainings including confined space, harassment, and hazmat labeling. These are addressed through a combination of online training and classes. Many of the classes are provided through ACWA/JPIA at no cost. The District also opens these up for surrounding districts needing the same training. The District is recognized annually by JPIA for being willing to host these classes.

Nearly 80 percent of the District staff is required to have certifications or licenses issued by the State of California. Many of these have continuing education requirements which must be met by technical training. The District provides for this in several ways including hosting classes given by the California Rural Water Association, having a training budget for staff to attend conferences, and providing an education tuition allowance for each employee.

Additionally, the District provides educational sessions through the Employee Assistance Program twice a year on personal subjects such as work/life balance, financial health, and wellness. These are chosen by the staff through the Communication Committee. The District also provides professional training for its management staff.

- COVID-19 Pandemic Response

District staff initiated a draft Pandemic Response Plan on March 4, 2020 as the State of California and County of Los Angeles issued declarations of emergency. Over the next two weeks many District events were canceled. These included the Water Ambassadors Academy third session and facility tour, Strategic Plan Workshop, Director Alvarado Coffee, and all-staff lunch and meeting. The District also reduced the lobby's capacity and eventually closed it to the public due to Los Angeles County health orders. The other options to conduct business with the District including using the website, calling Customer Care, using the automated phone system, and using remote payments site, were promoted on social media, the website, and radio spots. The District has also complied with social distancing regulations by updating the Pandemic Response Plan, rotating staff to work from home, staggering work hours, and providing non-medical face coverings for staff.

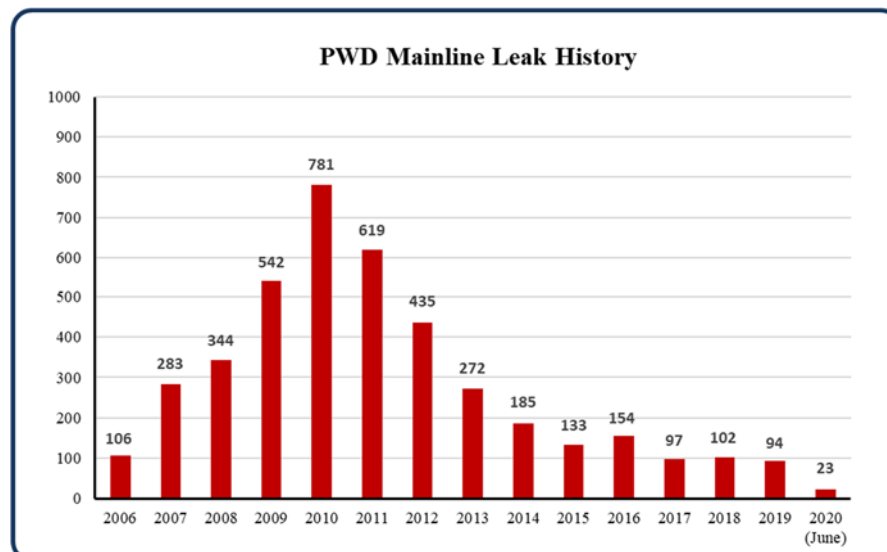
The Finance Department is continuing to monitor the effect of the State's moratorium on shutoffs due to nonpayment on cash flow. The effect is fluctuating somewhat but is remaining 5% or less below what is usually expected. Reminder notices were restarted in June and have helped reduce the number of long-term outstanding accounts.



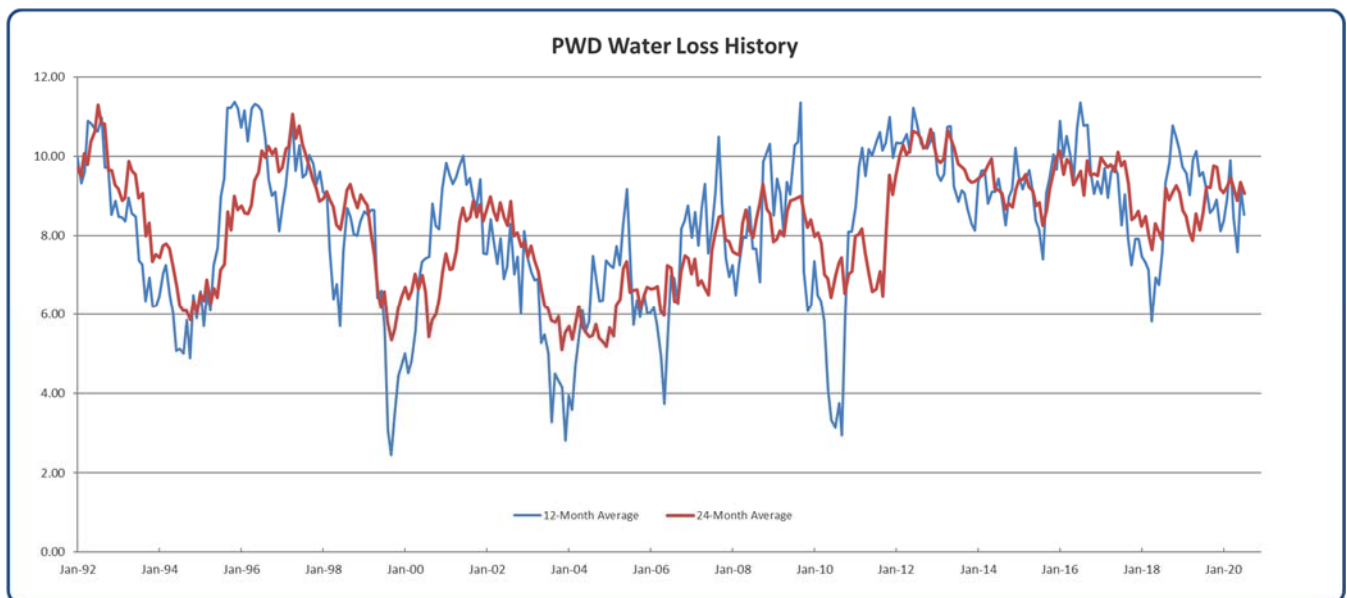
Systems Efficiency

This initiative largely focuses on the state of the District's infrastructure. Recent highlights are as follows:

- The effects of the District's past efforts in replacing failing water mains and meters can be seen in the reduced number of mainline leaks. This is illustrated in the chart titled "Mainline Leak History." The mainline leaks through June 2020 total 23, and there were 35 service line leaks. This includes four additional mainline leaks in June.



- The District's staff is planning on replacing water meters in 2020. District staff has issued a request for proposals for meters and meter reading system(s) due to warranty issues being experienced with electronics on the current meter brand. Staff has received proposals and interviewed the manufacturers and vendors. A recommended course of action will be brought to the Board later this summer.
- The District advertised two water main replacement projects in December. One is in Avenue P near 25th Street East and the other is in Avenue V-5 west of 47th Street East. These contracts were awarded by the Board in February. Work is nearly complete on the Avenue V-5 project.
- The positive effect of both water main and water meter replacement programs is shown on the chart titled "PWD Water Loss History." The running average for water losses remains under 10%.



Financial Health and Stability

- PWD and City of Palmdale staffs have worked together to obtain funding for the Palmdale Recycled Water Authority (PRWA). Staff is considering a public bond issue for this project. Early discussions show this as a strong possibility to fund the work. PRWA is also trying to obtain completed booster station plans being held by Los Angeles County Waterworks District 40 to complete the Phase II design plans and financing.

The AV Integrated Regional Water Management Plan (IRWMP) also provides an avenue for State funding assistance. The Littlerock Sediment Removal and PRWA Phase II Projects are the highest rated and are set to receive nearly \$900,000 for each project in the current round of funding.

- The 2019 Water Rate Study and Proposition 218 process is now complete. The Proposition 218 public hearing was held on October 28, 2019 for the 8.1% annual revenue increase. The Board unanimously approved Resolution No. 19-15. This set the water rate structure and water rates for 2020-2024.

Resolution No. 19-15 also includes criteria to evaluate the District's financial condition each year. It gives the Board the ability to reduce the water rates if the District's financial position meets four (4) of the criteria in an annual review while preparing the following year's budget.

- The 2021 Budget preparation will begin in late August and will follow the approved 2019 Water Rate Plan.
- Water-Wise Landscape Conversion Program (Cash-for-Grass Program): The District received two \$75,000 Grants from the Bureau of Reclamation in 2017 to assist in funding the Program over the last few years.
- The District is seeking State and/or Federal assistance to provide water service to the Alpine Springs Mobile Home Park on Sierra Highway. It has poor water quality from its well and several health violations.
- The District is seeking Federal assistance to enclose additional sections of the Palmdale Ditch. This will help reduce the loss of water being moved from Littlerock Dam and Reservoir to Palmdale Lake for treatment and use by our customers.



Regional Leadership

This initiative includes efforts to involve the community, be involved in regional activities, and be a resource for other agencies in the area. Recent highlights are as follows:

- Activities of the Palmdale Recycled Water Authority (PRWA), AV Integrated Regional Water Management Plan (IRWMP), and Antelope Valley State Water Contractors Association have continued. The District has leadership positions in two of these organizations.

- The District staff continues to share the administration of the Antelope Valley Watermaster Board (AVWB) with AVEK and related meetings.
- District staff is active in the local chambers, Greater Antelope Valley Economic Alliance (GAVEA), regional human resources, and public information organizations.
- The 2020 “PWD Water Ambassador Academy” (WAA) began in March. However, the last session and the facilities tour were canceled due to the COVID-19 event. The last session was planned to include a brief presentation by the City of Palmdale. The District will also be included in the City’s program. The third session is now scheduled to be held virtually on August 12, 2020. Eleven of the participants are set to complete this year’s academy.
- PRWA staff, District and City personnel recently met to look at activities for this year and what future planning should be done. This includes developing a logo and brand, a website, completing the Phase II contract documents, possibly updating the Master Plan, and developing a five-year strategic plan.
- Staff held a successful meeting with Congressman Garcia and his staff at the Leslie O. Carter Water Treatment Plant in early July. He was very attentive and interested in the District’s operations and Federal needs.



Customer Care and Advocacy

This initiative includes efforts to better serve our customers. Recent highlights are as follows:

- The ability to make payments at 7-Eleven and Family Dollar Store is continuing to grow due to the COVID-19 event.
- Customer participation in all electronic and remote payment methods has increased due to the COVID-19 event.
- Contracts for remodeling and re-equipping of the open area on both floors of the main office were awarded by the Board in April and are now complete. The lobby and Customer Care area are available for customer appointments.
- Customer Care staff has now successfully worked with customers from home for over three months.