

**PALMDALE RECYCLED WATER AUTHORITY (PRWA)
HELD AT CITY OF PALMDALE
CITY HALL COUNCIL CHAMBER
38300 SIERRA HIGHWAY, SUITE B
PALMDALE, CALIFORNIA
SPECIAL MEETING AGENDA NO. 46
FEBRUARY 21, 2019
5:00 P.M.
www.cityofpalmdale.org
www.palmdalewater.org**

WELCOME

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

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

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

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

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

1. **CALL TO ORDER.**

2. **PLEDGE OF ALLEGIANCE.**

3. **ROLL CALL:** CHAIR JUAN CARRILLO, DIRECTORS VINCENT DINO, KATHY MAC LAREN, AUSTIN BISHOP AND HELEN VELADOR
4. **ADMINISTRATION OF OATH OF OFFICE.** (Staff Reference: Authority Secretary Smith).
5. **WAIVER OF FULL READING OF RESOLUTION(S).**

Motion: Move to waive full reading of the Resolution(s) to be considered and voted on at this meeting. (Voice Vote - Requires a majority to waive.)
6. **CONSENT CALENDAR – PUBLIC COMMENTS ONLY:** If you wish to comment on any item(s) listed on the Consent Calendar on this agenda, please come forward to the podium and state the item number(s) and your comments. **PLEASE NOTE: A three-minute time limit** will be imposed on each speaker other than staff members.
7. **CONSENT CALENDAR:**
NOTICE: All matters listed under the Consent Calendar will be enacted by one motion unless an item(s) is pulled by the Board, in which case the item(s) will be removed from the Calendar and will be considered separately following this portion of the Agenda.
 - 7.1 Approve the Minutes from the previous meeting held on January 22, 2019 (7pm). (Staff Reference: Authority Secretary Smith)
 - 7.2 Approve receipt and filing of the Treasurer's Report for the twelve months ending December 31, 2018. (Staff Reference: Treasurer-Auditor Williams)
 - 7.3 Approve receipt and filing of the Investment Report for the quarter ending December 31, 2018. (Staff Reference: Treasurer-Auditor Williams)
 - 7.4 Approval and acceptance of the three-year audit proposal from Nigro & Nigro for preparation of annual audit for calendar years 2018, 2019, & 2020, and to authorize the Executive Director to enter into professional services agreement for the same. (Staff Reference: Treasurer-Auditor Williams)

- 7.5 RESOLUTION NO. PRWA 2019-002, A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE RECYCLED WATER AUTHORITY ESTABLISHING ITS INVESTMENT POLICY. (Staff Reference: Treasurer-Auditor Williams)

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

8. NEW BUSINESS:

- 8.1 Discussion regarding change of meeting date and possible adoption of Resolution No. PRWA 2019-001. (Staff Reference: Authority Counsel Ditzhazy)

- 8.1a RESOLUTION NO. PRWA 2019-001, RESOLUTION OF THE PALMDALE RECYCLED WATER AUTHORITY REPEALING RESOLUTION NO. PRWA 2017-002 AND SETTING FORTH THE PRWA'S REGULAR MEETING DATE, TIME AND LOCATION

Call for Public Comments

Staff Recommendation: Move to adopt Resolution No. PRWA 2019-001. (Voice Vote - Requires a majority to approve.)

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

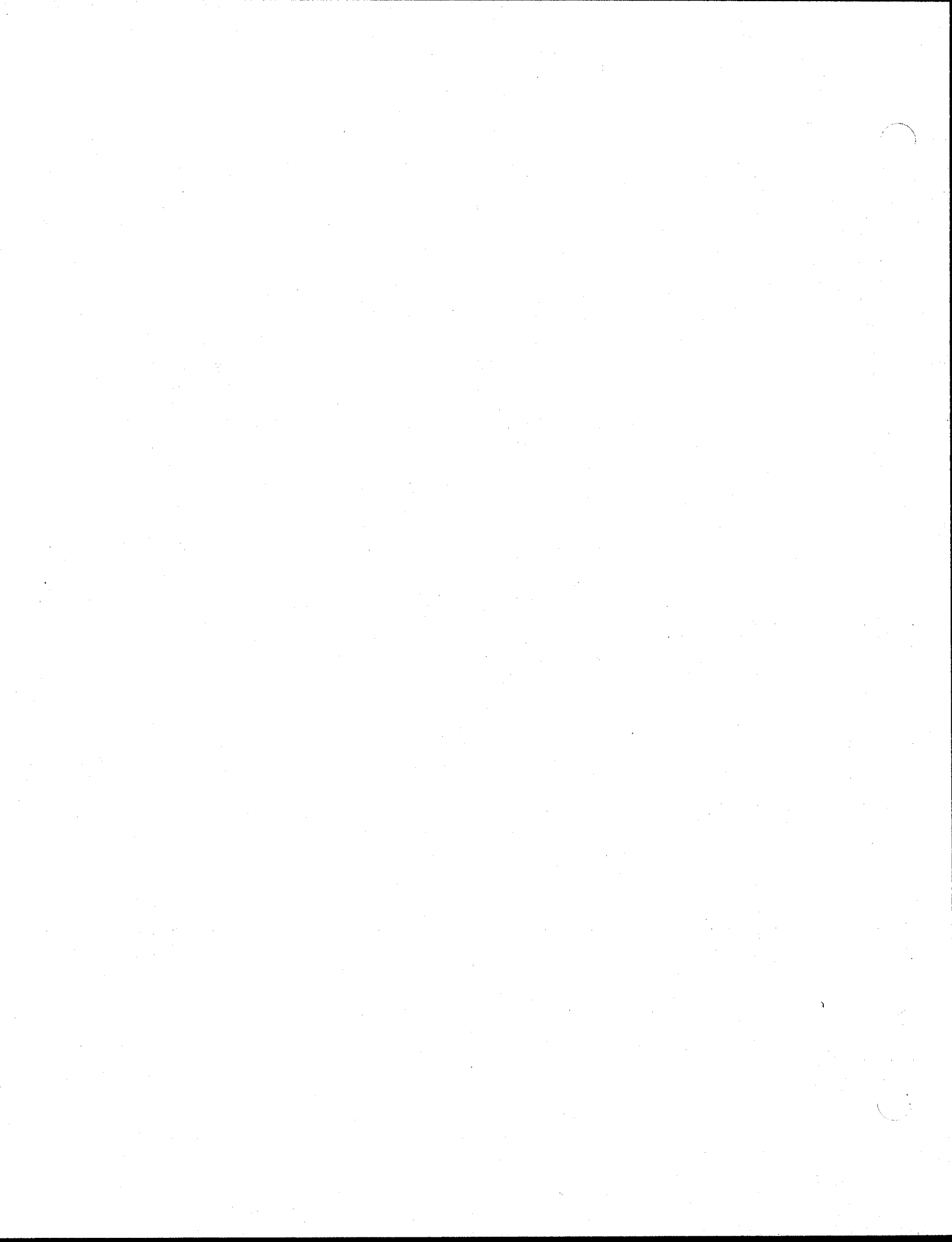
10. REQUESTS FOR NEW AGENDA ITEMS:

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

12. ADJOURNMENT.

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

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



PALMDALE RECYCLED WATER AUTHORITY

BOARD MEMORANDUM

DATE: February 12, 2019 February 21, 2019
TO: BOARD OF DIRECTORS Board Meeting
FROM: Michael Williams, Treasurer-Auditor, PRWA
VIA: Mr. Dennis LaMoreaux, Executive Director, PRWA

RE: AGENDA ITEM NO 7.2 – TREASURER’S REPORT FOR DECEMBER 31, 2018

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends the Board of Directors to receive and file the Treasurer’s Report for the twelve months ending December 31, 2018.

Background:

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

Financial Impact:

As of December 31, 2018, the PRWA has \$1,542,022.61 in cash and investments. PRWA earned \$1,346.99 in interest, received \$3,278.92 in receivables and there were \$159.30 in expenses and fees paid for the month.

Supporting Documents:

Treasurer’s Report for month ending December 31, 2018.
Balance Sheet for period ending December 31, 2018.
Income Statement for period ending December 31, 2018.

**Palmdale Recycled Water Authority
Treasurer's Report
Month Ended December 31, 2018**

Cash/Funds Available and held at Bank of America, Citizens Business Bank, & UBS Financial Svcs:

| | |
|---|--------------|
| Bank Balance, beginning December 1, 2018 | 1,550,367.49 |
| Less: Expenses Paid | - |
| Less: Bank Fees Paid (Analysis Fees & Credit Card Processing) | (159.30) |
| Add: Deposits Made | 3,278.92 |
| Add: Interest Earned & Market Adjustment on Investments | 1,346.99 |
| Add: Deposit in Transit | - |
| Outstanding Check (Ledger Tie-Out) | - |
| Bank Balance, ending December 31, 2018 | 1,554,834.10 |
| Less: Accounts Payable | (5,709.47) |
| Less: Accrued Purchases | (7,382.51) |
| Less: Accrued Payroll Taxes | - |
| Less: Deposits - Customer | (4,000.00) |
| Add: Accounts Receivable | 3,818.37 |
| Add: Interest Receivable | 462.12 |
| Adjusted Bank Balance, ending December 31, 2018 | 1,542,022.61 |

Outstanding Checks (Prior Month(s)):

December Checks Issued:

Total Checks Issued

-
=====

Palmdale Recycled Water Authority
Balance Sheet
For the Twelve Months Ending 12/31/2018

| | <u>YTD</u> |
|------------------------------------|---------------------------|
| ASSETS | |
| UBS - Investment Funds | \$1,002,670 |
| Bank of America - Checking | 40,674 |
| Citizens Business Bank - Checking | 511,490 |
| Prepaid Memberships | 3,130 |
| Prepaid Insurance | 3,370 |
| Accounts Receivable | |
| - Water | 3,818 |
| - Government Agency | |
| Interest Receivable | 462 |
| Property, Plant and Equipment, net | 1,802,489 |
| Total Assets | <u><u>\$3,368,103</u></u> |

LIABILITIES AND FUND BALANCE

| | |
|---|---------------------------|
| LIABILITIES | |
| Accounts Payable | \$5,709 |
| Accrued Expense | 20,026 |
| Deposits - Customer | 4,000 |
| Total Liabilities | <u>29,736</u> |
| FUND BALANCE | |
| Unassigned | 3,338,367 |
| Total Fund Balance | <u>3,338,367</u> |
| Total Liabilities and Fund Balance | <u><u>\$3,368,103</u></u> |

**Palmdale Recycled Water Authority
Income Statement - Current and YTD
For the Twelve Months Ending 12/31/2018**

| | <u>December</u> | <u>YTD</u> |
|--|-----------------------------|------------------------------|
| REVENUES: | | |
| Contributions - Palmdale Water District | | \$300,000.00 |
| Contributions - City of Palmdale | | 300,000.00 |
| Grant Funds | | |
| Water Sales | 2,430.99 | 75,962.57 |
| Interest Earnings | 565.61 | 2,473.50 |
| Market Adjustment on Investments | 1,243.50 | 2,069.16 |
| Total Revenue | \$4,240.10 | \$680,505.23 |
| EXPEDITURES: | | |
| General Government | | |
| Public Representative - Payroll Tax Expense (Employer) | | 57.38 |
| Public Representative - Travel & Meeting | 1,971.51 | 2,721.51 |
| Banking Fees | 159.30 | 939.34 |
| Provision for Bad Debt | | |
| Memberships | | 2,996.00 |
| Operating Supplies | | |
| Marketing & Outreach | | |
| Travel & Meeting | | |
| Permits & Fees | | |
| Utilities - Purchased Water | 12,643.82 | 12,643.82 |
| Materials & Supplies | 2,882.83 | 2,882.83 |
| Maint. & Repair - Water System | | |
| | <u>\$17,657.46</u> | <u>\$22,240.88</u> |
| Public Resource | | |
| Contracted Services - Professional Svcs | | 10,225.00 |
| Contracted Services - Audit | | 10,225.00 |
| | <u>\$17,657.46</u> | <u>\$32,465.88</u> |
| Non-Cash Operating Expense | | |
| Depreciation | 4,450.59 | 53,407.08 |
| Non-Operating Revenue | | |
| Capital Contribution | | |
| | <u>(\$4,450.59)</u> | <u>(\$53,407.08)</u> |
| Change in Net Position | <u><u>(\$17,867.95)</u></u> | <u><u>\$594,632.27</u></u> |
| Net Position - Beginning of Year | | 2,743,735.05 |
| Net Position - End of Year | <u><u>(\$17,867.95)</u></u> | <u><u>\$3,338,367.32</u></u> |

PALMDALE RECYCLED WATER AUTHORITY

BOARD MEMORANDUM

DATE: February 11, 2019 February 21, 2019
TO: BOARD OF DIRECTORS Board Meeting
FROM: Michael Williams, Treasurer-Auditor, PRWA
VIA: Mr. Dennis LaMoreaux, Executive Director, PRWA

RE: AGENDA ITEM NO 7.3 – INVESTMENT REPORT FOR QUARTER ENDING
DECEMBER 31, 2018

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends to the Board of Directors to receive and file the Investment Report for the quarter ending December 31, 2018.

Background:

To comply with provisions of California Government Code 53646, the attached investment report includes a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for the Authority by third party contracted managers. The report is hereby submitted to the Board of Directors for ratification.

Financial Impact:

As of December 31, 2018, the PRWA has \$104,606.64 in cash, \$600,000 in U.S. Treasury Bill and \$300,000 in Certificates of Deposits with UBS Investment Services.

Supporting Documents:

Investment Report for quarter ending December 31, 2018

PALMDALE RECYCLED WATER AUTHORITY

December 31, 2018

INVESTMENTS

December 2018

UBS Money Market Account (SS 30999)

| | |
|------|--------------|
| Cash | \$104,606.64 |
|------|--------------|

US Government Securities

| CUSIP # | Issuer | Maturity Date | Rate | PAR | Market Value |
|------------|------------------|---------------|-------|------------------|---------------------|
| 912796QT9 | US Treasury Bill | 01/17/2019 | 2.204 | \$300,000 | \$299,715.00 |
| 912796QTZ5 | US Treasury Bill | 03/07/2019 | 2.304 | 300,000 | 298,731.00 |
| | | | | <u>\$600,000</u> | <u>\$598,446.00</u> |

Certificates of Deposit

| | Issuer | Maturity Date | Rate | Face Value | |
|---|------------------|---------------|-------|------------------|---------------------|
| 1 | Capital One Bank | 02/15/2019 | 2.200 | \$150,000 | \$149,986.50 |
| 2 | Bankers Bank | 04/22/2019 | 1.250 | 150,000 | 149,631.00 |
| | | | | <u>\$300,000</u> | <u>\$299,617.50</u> |

| | |
|--------------------|------------------------------|
| Acct. Total | <u>\$1,002,670.14</u> |
|--------------------|------------------------------|

Accrued interest

\$462.12

| | |
|-----------------------------------|------------------------------|
| TOTAL CASH AND INVESTMENTS | <u>\$1,003,132.26</u> |
|-----------------------------------|------------------------------|

PALMDALE RECYCLED WATER AUTHORITY BOARD MEMORANDUM

DATE: February 12, 2019 **February 21, 2019**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Michael Williams, Treasurer-Auditor, PRWA
VIA: Mr. Dennis LaMoreaux, Executive Director, PRWA

**RE: AGENDA ITEM NO 7.4 – APPROVAL AND ACCEPTANCE OF THREE-YEAR AUDIT
PROPOSAL FROM NIGRO & NIGRO PC**

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends approval and acceptance of proposal from Nigro & Nigro for preparation of annual audit for calendar years 2018, 2019, & 2020, and to authorize the Executive Director to enter into professional services agreement for the same.

Background:

The Authority had entered into an agreement with Vavrinek, Trine, Day & Co., LLP (VTD) for calendar years 2016-2018 for audit preparation. Due to costly oversight by VTD during the 2017 audit process, management and staff chose to terminate the agreement.

Because the Water District has a working relationship with Nigro & Nigro a proposal was requested to replace VTD. The cost schedule for services from Nigro & Nigro for calendar year 2018 is \$320.00 less than VTD with increases of \$500.00 for subsequent years.

Financial Impact:

The preparation of the annual audit is included and accounted for in the annual budget.

**PROPOSAL FOR PROFESSIONAL AUDIT SERVICES
Palmdale Recycled Water Authority**

**For the Years Ending
December 31, 2018-2020**

NIGRO & NIGRO^{PC}

Respectfully Submitted by:

Peter Glenn, CPA

Nigro & Nigro, PC

pglenn@nncpas.com

**Murrieta Office: 25220 Hancock Ave. Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
Oakland Office: 333 Hegenberger Rd., Suite 388, Oakland, CA 94621 • P: (844) 557-3111 • F: (844) 557-3444**

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November 13, 2018

Michael A. Williams
Palmdale Recycled Water Authority
2029 E. Avenue Q
Palmdale, CA 93550

Dear Mr. Williams:

Thank you for the opportunity to submit this proposal to provide auditing services for the Palmdale Recycled Water Authority. Our understanding of the work to be done is: the annual audit of the Authority's financial statements for years December 31, 2018-20. Based on our history with water districts, I believe our firm would be a great fit, and we would develop a great working relationship. Our staff works hard to help ensure our audits are completed with the highest level of service and meet all deadlines.

Although many people think that all water districts function in the same manner, we know that's not the case. The audit leadership team we've assigned to your district, including myself, will take the time to learn the intricacies of your organization. We find that by delving deep into our client's structure and operations we are able to make recommendations that are not only useful, but also practical to implement.

At Nigro & Nigro, PC, our greatest strengths correspond to your most critical needs; we possess the full spectrum of resources needed to most effectively help the Authority's management team and Board members meet their goals – all at a very competitive rate. We believe we are your best choice.

- **Credibility, Reputation, and Resources of a Large Firm** without sacrificing the small-firm touch. Our CPAs and consultants can help you analyze and address financial, operational, and regulatory issues so you can focus attention on serving your citizens. We were originally formed in 1999, and now perform annual audits for approximately 60 public agencies annually.
- **State-Wide Reach with Local Presence.** At Nigro & Nigro, we have the benefit of having the resources of a state-wide firm while serving you from our Murrieta office. We also have an office in Oakland for additional resources.
- **Efficiency.** Our use of portal software allows you to upload audit documentation at any time, which will minimize disruption to your staff and enable timely completion of all deliverables.
- **An Efficient and Effective Work Plan.** We currently serve over 60 governmental entities state-wide, including those with enterprise funds, which enables our staff to understand the scope of the audit. We also understand the Authority's complexities, not just from a compliance standpoint but also from an operational point of view. We have developed an effective work plan that takes into consideration your needs for high quality audit services, as well as timely deliverables. As a result of our efficient work plan, we commit to meeting your deadlines to complete our auditing services within the time period you specify.


- **Thought Leadership.** Members of our firm have been actively involved as presenters in numerous industry conferences and programs, including the ACSA Professional Development Committee, CASBO, and CSBA. We have incorporated our experience with these committees into our audit framework.
- **Engagement Team.** We know that quality people drive quality results, which is why our commitment to you starts with the engagement team members who are selected based on their experience, focus on serving local government agencies, and who are the best fit for you. Each of the Authority's engagement team members have completed and exceeded the mandatory requirement for continuing professional education hours as requested in the RFP. Peter Glenn, Partner, will be the main contact for the Authority regarding this project.
- **A Focus on Providing Consistent, Dependable Service to Government Entities.** Nigro & Nigro is organized by industry, affording our clients with industry-specific expertise supplemented by valuable local service and insight. Therefore, the Authority will enjoy the service of members of our Governmental Audit Services Team who have experience with similar governmental entities and understand the issues and environment critical to you. You will not have to train our auditors.

You may have many options in selecting a professional audit firm. By choosing Nigro & Nigro, you will gain value-added accounting and operational insights. We are the right fit for the Authority, as we have the expertise and depth of resources within our firm to offer you exceptional service while maintaining a sincere and honest relationship. We understand the work, we are committed to meeting your deadlines, and we would like the opportunity to be your auditors. We also commit to meeting or exceeding your expectations.

Thank you once again for the opportunity to present our qualifications. If you have any questions about our offerings, please do not hesitate to contact me.

Sincerely,

Peter Glenn, CPA
Audit Services Partner

 Governmental
Audit Quality Center

FIRM QUALIFICATIONS & EXPERIENCE

Experience

Nigro & Nigro team members are highly trained in governmental accounting and auditing, which sets us apart as being able to add value beyond the basic attest engagement. We are comfortable working with clients of various sizes. Within the past five years, we have worked with numerous governmental clients with revenues ranging from \$200,000 to over \$300 million.

Prior to any audit engagement, our engagement team leader will meet with the Board, Audit Committee and Management to gain a full understanding of the philosophy, objectives and policies for operating the organization, as well as to discuss significant business, regulatory and accounting matters that will affect the audit. At the conclusion of the audit, we will communicate the results of the audit with the Board, Audit Committee and Management.

Areas of specialization include:

- Audit and Review Services
- Government Auditing Standards & Single Audits
- Annual Report of Financial Transactions
- Agreed Upon Procedures Engagements
- Comprehensive Annual Financial Report (CAFR) development

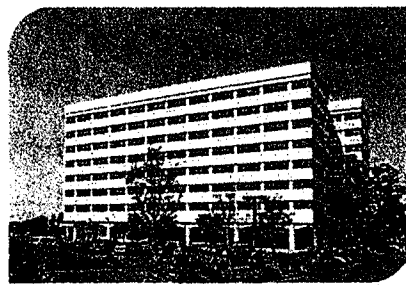
Size and Location of Offices

The firm was originally established in 1999, and for the next eleven years operated under the name of Nigro, Nigro & White. In August 2010, the firm changed back to its original name of Nigro & Nigro and added a third partner. In 2013, we opened our second office in Northern California in order to better serve our growing client base of school districts in the San Francisco Bay Area. The Firm now has five partners and a professional staff of 19 accountants and expects to add more in the coming years as we continue to grow. We are a full service firm, providing audit and review, tax, consulting, and accounting services to local government, non-profit organizations, charter schools, commercial businesses and homeowners' associations. The office serves clients of all sizes and industries, however, we focus on government agencies, just like yours.

We are prepared to do what it takes to provide the extra level of service required to maintain a long-term business relationship.



MURRIETA OFFICE



OAKLAND OFFICE

FIRM QUALIFICATIONS & EXPERIENCE (CONTINUED)

Size of Our Firm

Firm-wide, we have the following staffing for our governmental audit services:

| Position | Number of employees | Number of licensed CPA's |
|----------------------|---------------------|--------------------------|
| Partner* | 5 | 5 |
| Manager | 1 | 1 |
| Supervisor | 3 | 1 |
| Senior | 5 | 1 |
| Associates | 6 | - |
| Support Staff | 2 | - |
| Total | 22 | 8 |

**Although the term "partner" is used throughout this proposal to avoid confusion, the firm is organized as a Professional Corporation, and the firm's owners are "shareholders."*

Statement of Independence

Our standards require that we be without bias with respect to your operations. The Firm is independent of all entities listed in the RFP, as defined by auditing standards generally accepted in the United States of America and the U.S. General Accounting Office's "Governmental Auditing Standards". In addition, the Firm shall give the Authority written notice of any relevant professional relationships entered into during the period of this agreement.

The Firm has had no prior engagements with the Authority, nor are there any personal or organizational conflicts of interest as prohibited by law.

License to Practice

The firm and its entire CPA staff hold licenses to practice in the State of California. The Firm's CPA's are all members in good standing with the California Society of CPA's and the AICPA. We will assign a California licensed CPA as the auditor in charge of the audit.

PERSONNEL

Meet Your Audit Leadership Team

Listed on the following pages are the resumes of the management team that will be assigned to your audit. As mentioned previously, our staff members have considerable governmental audit experience. This gives us a pool to draw on in addition to the group listed.

| Name | Role | Years of Experience in Audits |
|-----------------------------|-------------------|-------------------------------|
| Peter Glenn, CPA | Lead Partner | 7 |
| Jeff Nigro, CPA, CFE | Review Partner | 27 |
| Faith Kondrit | Audit Supervisor | 3 |
| Jessica Berry, CPA | Senior Accountant | 2 |

Peter Glenn, CPA

Lead Audit Partner

Peter joined the firm in 2011 after nearly three years of previous public accounting and auditing experience. Peter is our choice for new governmental audit clients, having successfully worked on each of the Firm's clients since beginning with the Firm. His main responsibilities include assistance in the preliminary planning of audit work, review of assistants' work, and performing audit procedures in more complex audit areas.

Audit Services:

Peter Glenn began his auditing career with Nigro & Nigro in 2011, participating in audits of special districts, LEAs, other governmental audits, and agreed-upon procedure engagements. Prior to joining the firm, he worked for three years at another public accounting firm, developing his auditing skills. He has previously been the in-charge accountant for some of the firm's largest clients.

Consulting Services:

Mr. Glenn has experience in a variety of governmental accounting issues, derived from his auditing experience at the firm. He regularly consults with clients in areas of:

Special District Accounting:

- Internal controls
- Financial reporting & GASB 34
- Annual report of financial transactions

Financial Reporting:

- Uniform Guidance
- Performance Audits
- Year-end closing procedures
- Cash flows
- Budget development and projections
- Multi-Year projections

Other Agencies Served:

- Riverside County Park and Open Space District
- Cahuilla Band of Indians
- Murrieta Valley Cemetery District



Education:

Bachelor of Science, Business
Administration, Accounting
California State University,
San Marcos, 2008, Magna Cum Laude

Licenses and Certifications:

- Certified Public Accountant, California
License No. 109796

Continuing Education:

- GFOA Annual Conference
- AICPA Advanced Topics in Single Audit
- SSC Finance & Management
Conferences
- Government Accounting & Auditing
Conference
- In-house training for audit staff
(presenter)

Jeff Nigro, CPA, CFE

Review Partner

Jeff has more than 27 years of experience auditing governmental agencies including special districts. This experience, garnered from nine years with a major local audit firm and now as a founding partner at Nigro & Nigro since 1999, is in addition to his real world experience as a Fiscal Services Manager in a district. In addition to his extensive knowledge of governmental accounting and financial issues, Jeff has a passion for helping clients to establish and maintain sound anti-fraud programs and procedures.

Audit Services:

Jeff Nigro was a Senior Audit Manager with a southern California CPA firm that specializes in K-12 audits for the first nine years of his career. He then moved to a school district fiscal management position to acquire hands-on experience before starting his own firm in 1999. Mr. Nigro is an expert in all aspects of governmental auditing and accounting, having worked on a variety of assignments and issues.

Consulting Services:

Mr. Nigro has experience in a variety of governmental accounting issues, garnered from his public accounting experience and experience as the Fiscal Services Manager at Lake Elsinore Unified School District. He regularly consults with clients in areas of:

Special District Accounting:

- Internal controls
- Financial reporting & GASB 34
- Assistance with CAFR preparation
- Annual report of financial transactions

Financial Reporting:

- Year-end closing procedures
- Capital assets and depreciation schedules
- Long term debt schedules
- GASB 34 and 45 implementation

Other Governmental Agencies Recently Served:

- Central Basin Municipal Water District
- Mission Resource Conservation District
- Riverside County Park & Open Space District

Other Areas:

- Audits of Indian Tribes
- ASB accounting
- Bond programs



Education:

Bachelor of Business Administration,
Accounting
California State University, Fullerton,
1991

Licenses and Certifications:

- Certified Public Accountant, California License No. 64822
- Certified Fraud Examiner
- School Business Management Certificate, California State University, Fullerton

Professional Affiliations:

- Association of Certified Fraud Examiners

Continuing Education:

- GFOA Annual Conference
- SSC Finance & Management Conferences
- Government Accounting & Auditing Conference
- In-house training for audit staff (presenter)
- Annual CFE Fraud Conference



Governmental
Audit Quality Center



Faith Kondrit

Audit Supervisor

Faith joined the firm in 2015 after interning with Nigro and Nigro, PC while still in college. She continues to hone her skills and expand her knowledge on the ever-changing world of accounting by staying up-to-date on new pronouncements and their effects. In 2018, she was promoted to the position of Audit Supervisor. Faith will work under the general direction of the partner and manager.

Audit Services:

Faith began her auditing career with Nigro & Nigro in 2015, participating in audits of LEAs, other governmental audits and agreed-upon procedure engagements. She has successfully navigated her way to becoming one of the most knowledgeable members of our audit team, and has earned her the respect of clients and colleagues. Her friendly demeanor puts her clients at ease, but her customer-oriented approach to the audit is what her clients have come to appreciate the most.

Consulting Services:

Ms. Kondrit has experience in a variety of governmental accounting issues, derived from his auditing and consulting experience at the Firm. She regularly consults with clients in areas of:

Financial Reporting:

- Capital assets and depreciation schedules
- Agreed upon procedures
- Prop. 39 Bond Performance audits

Governmental Agencies Recently Served:

- Elsinore Valley Cemetery District
- Lake Cuyamaca Recreation and Park District
- Antelope Valley Schools Transportation Agency



Education:

Bachelor of Science, Accounting
California Baptist University, 2015

Professional Affiliations:

- American Institute of Certified Public Accountants (AICPA)

Continuing Education:

- School District Conference
- CASBO Annual Conference
- In-house training for audit staff (presenter)

REFERENCES

We currently conduct nearly 60 government audits each year and have well rounded experience with local governmental agencies. We are excited for the opportunity to devote our attention to you and your specific needs. Below is a partial list of some similar governmental clients we have audited within the past two years.

| Organization Name: | Central Basin Municipal Water District |
|------------------------|---|
| Contact Person: | Richard Aragon, Former Finance Director (currently with Rancho California Water District) |
| Phone: | (951) 296-6900 |
| Project(s): | Financial Statement Audits |

| Organization Name: | Rancho Pauma Mutual Water Company |
|------------------------|---|
| Contact Person: | Mindy Houser, Administrator |
| Address: | 33129 Cole Grade Road Pauma Valley, CA 92061 |
| Phone: | (760) 742-1909 |

| Organization Name: | Mission Resource Conservation District |
|------------------------|---|
| Contact Person: | Judith Mitchell, District Manager |
| Address: | 1588 South Mission Road, Suite 100 Fallbrook, CA 92028 |
| Phone: | (760) 728-1332 |
| Project(s): | Financial Statement Audits |

| Organization Name: | Temecula-Elsinore-Anza-Murietta Resource Conservation District |
|------------------------|--|
| Contact Person: | Rose Corona, President |
| Address: | PO Box 2078 Temecula, CA 92593 |
| Phone: | (951) 387-8992 |
| Project(s): | Financial Statement Audits & Reviews |

In addition to the valued clients listed above, we work with many more governmental clients. Our client retention history has been excellent and several of the clients have been clients for more than ten years.

SPECIFIC AUDIT APPROACH

Work Plan

STEP 1: Planning

Our goal in preliminary fieldwork is to gain a thorough understanding of your internal controls, processes and procedures. Our goal is to accomplish as much interim fieldwork as possible so that our stay during final fieldwork is kept to a minimum. Our preliminary work focuses on planning and internal control documentation.

STEP 2: Interim Field Work

Internal Control Documentation

Our internal control documentation usually occurs during interim fieldwork. Our documentation process will be as follows:

- 1) Gather or update documentation for significant processes defined in our preliminary fieldwork.
- 2) Perform a "walk-through" of these significant processes.
- 3) Ask "what can go wrong" questions.
- 4) Identify controls in place. This will include both preventative and detective controls.
- 5) Evaluate the design of internal controls.
- 6) Decide whether to test and rely on controls.
- 7) Summarize preliminary fieldwork and submit management letter of all areas of concern.

STEP 3: Final Fieldwork

We assess risks, design procedures and obtain evidence to support financial statement amounts and disclosures during final fieldwork. Our Firm utilizes a methodology designed specifically for special districts. Our process emphasizes continuous communication with our staff.

Assess Risks and Design Procedures

As outlined in the risk based suite of audit standards (SAS 104 to 111), our Firm uses a risk-based approach to the audit. Our procedures to assess risks and design procedures are as follows:

- 1) Assess risk of material misstatement from errors or fraud based on internal controls combined with inherent risk of significant accounts.
- 2) Design procedures to test controls if considered necessary.
- 3) Design procedures to test details of account balances and classes of transactions based on risk.

Interim and Year End Testing

- 1) Perform tests of controls if considered necessary.
- 2) Perform tests of details of account balances and classes of transactions.
- 3) Evaluate quality and sufficiency of audit evidence.
- 4) Evaluate misstatements.

STEP 4: Audit Completion

Preparation of Audit Report and Management Letter

After reviewing the financial statements, notes and required supplementary schedules, we will agree the data to our working papers and provide a thorough review of all information by using written Firm standards and checklists. We will also review and incorporate any statistical data. This will verify appropriate presentation and disclosure. We will also at this time prepare our management letter that identifies financial trends and recommendations for improvement, reports required communications to the governing board and discusses change in the environment in which the Authority operates.

COST PROPOSAL

Our proposed fees for the years ended December 31, 2018-20, are as follows:

| | 2018 | 2019 | 2020 |
|-------------------------------------|-----------|-----------|-----------|
| Financial Audit | \$ 8,000 | \$ 8,500 | \$ 9,000 |
| Single Audit | 2,600 | 2,600 | 2,600 |
| Financial Transaction Report to SCO | 750 | 750 | 750 |
| Total for Fiscal Year | \$ 11,350 | \$ 11,850 | \$ 12,350 |

The Agency will also be billed for necessary travel and mileage at the standard IRS rate.

ADDITIONAL INFORMATION

Client Testimonial

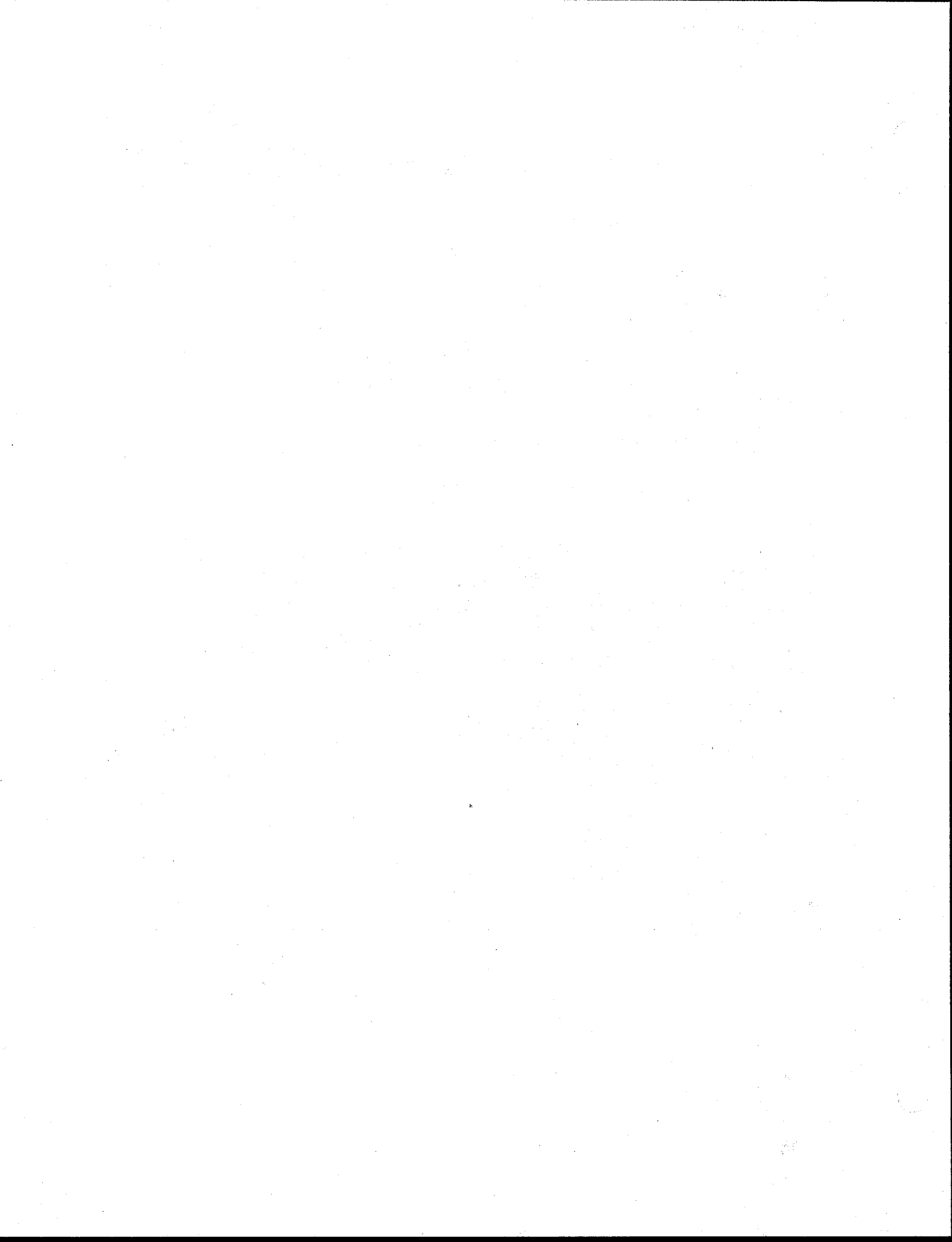
"Nigro and Nigro have been my audit and accounting professionals for 15 years, at four school districts. They have consistently provided high quality, top value expert services. Their interactions with everybody at my District - Board members, accounting office team, site staff- are always positive, professional and helpful. They work together with my team to provide the highest quality financial information for decision making to our District leaders and our community."

*Susan Cross Hume, CPA, CIA, CGMA
Assistant Superintendent, Business Services
Bonita Unified School District*

Fraud Hotline



Throughout the audit process, we will make available our fraud hotline reporting service at no additional charge over the period of the contract to ensure the Authority has an effective anti-fraud program.



PALMDALE RECYCLED WATER AUTHORITY BOARD MEMORANDUM

DATE: February 11, 2019
TO: BOARD OF DIRECTORS
FROM: Michael Williams, Treasurer-Auditor, PRWA
VIA: Mr. Dennis LaMoreaux, Executive Director, PRWA

February 21, 2018
Board Meeting

RE: AGENDA ITEM NO 7.5 – RESOLUTION NO. PRWA 2019-002 BEING A
RESOLUTION OF THE PALMDALE RECYCLED WATER AUTHORITY
ESTABLISHING ITS INVESTMENT POLICY FOR CALENDAR YEAR 2019

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends the Board of Directors approve Resolution No. PRWA 2019-002 establishing its Investment Policy for calendar year 2019.

Background:

It is required by law for the Authority to adopt an annual Investment Policy. The Policy is to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of District funds with the primary objectives of the investment activities being safety, liquidity, and return on investments.

Financial Impact:

None

Supporting Documents:

Resolution No. PRWA 2019-002

**PALMDALE RECYCLED WATER AUTHORITY
RESOLUTION NO. PRWA 2019-002**

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE PALMDALE RECYCLED WATER AUTHORITY
ESTABLISHING ITS INVESTMENT POLICY**

1.0 POLICY

WHEREAS; ; the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern; and

WHEREAS; the legislative body of a local agency may invest monies not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 5922 and 53601 et seq.; and

WHEREAS; the Treasurer/Auditor of the Palmdale Recycled Water Authority ("Authority") shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, and report same to the be considered by the Board of Directors at a public meeting;

NOW THEREFORE; it shall be the policy of the Authority to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Authority and conforming to all statutes governing the investment of Authority funds.

2.0 SCOPE

This investment policy applies to all investment activities and financial assets of the Authority. These funds are accounted for in the annual authority audit.

3.0 PRUDENCE

The standard of prudence to be used by investment officers shall be the "prudent investor" standard, pursuant to California Government Code 53600.3, and shall be applied in the context of managing an overall portfolio. Persons authorized to make investment decisions on behalf of local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard. Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Authority, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 OBJECTIVES

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments of the Authority shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the Authority will diversify its investments by investing funds among a variety of securities with independent returns.

2. Liquidity: The investment portfolio will remain sufficiently liquid to enable the Authority to meet all operating requirements which might be reasonably anticipated.

3. Return on Investments: The investment portfolio shall be designed with the objective of attaining a acceptable rate of return throughout budgetary and economic cycles, taking into account the Authority's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 DELEGATION OF AUTHORITY

Pursuant to California Government Code 53607, the authority to invest public funds of the Authority is expressly delegated to the Board of Directors of the Authority. The Board re-delegates the investment function to the Board Chairman or Vice Chairman and the Treasurer/Auditor.

The investment of the Authority's monies is annually delegated by the Board of Directors to the Board Chairman or Vice Chairman and Treasurer/Auditor who shall thereafter assume full responsibility for those transactions until the delegation is revoked or expires. The Board Chairman or Vice Chairman shall delegate the day-to-day operations of investing to the Treasurer/Auditor, but not the responsibility for the overall investment program. All transactions will be reviewed by the Board of Directors on a monthly basis to assure compliance with the Investment Policy. (California Government Code Section 53607.)

6.0 ETHICS AND CONFLICTS OF INTEREST

The Board, officers and employees of the Authority involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or which could impair their ability to make impartial investment decisions.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Treasurer/Auditor will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers

selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the Authority shall select only broker/dealers who are licensed and in good standing with the California Department of Business Oversight, the Securities and Exchange Commission, the Financial Industry Regulatory Authority or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Treasurer/Auditor shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the Authority's account with that firm has reviewed the Authority's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the Authority that are appropriate under the terms and conditions of this Investment Policy.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

The Authority is empowered by California Government Code § 53601 et seq. to invest in the following:

- a. Bonds issued by the Authority.
- b. United States Treasury Bills, Notes and Bonds.
- c. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by, or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- d. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 40% of the Authority's money which may be invested pursuant to this policy.
- e. Monies held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

- f. Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies.

Such investments shall be limited to securities that at the time of the investment have a term remaining to maturity of five years or less, or as provided above.

The Authority shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

9.0 COLLATERALIZATION

All certificates of deposit must be collateralized by United States Treasury Obligations. Collateral must be held by a third party trustee and valued on a monthly basis. The percentage of collateralizations on repurchase and reverse agreements will adhere to the amount required under California Government Code 53601(j)(2).

10.0 SAFEKEEPING AND CUSTODY

All security transactions entered into by the Authority shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the Authority by book entry, physical delivery or by third party custodial agreement evidenced by safekeeping receipts.

11.0 DIVERSIFICATION

The Authority will diversify its investments by security type and institution. Assets shall be diversified to mitigate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

Diversification strategies shall be reviewed and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- a. Portfolio maturity dates shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.
- b. Maturities selected shall provide for stability of income and liquidity.
- c. Disbursement and payroll dates shall be covered through maturities of investments, marketable United States Treasury bills or other cash equivalent instruments such as money market mutual funds.

12.0 REPORTING

The Treasurer/Auditor shall submit to each member of the Board an investment report at least quarterly. Pursuant to California Government Code 53646, the report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for Authority by third party contracted managers. The report will also include the source of the portfolio valuation. For funds which are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy, and (2) the Authority will meet its expenditure obligations for the next six months. The Treasurer/Auditor shall maintain a complete and timely record of all investment transactions.

13.0 INVESTMENT POLICY ADOPTION

This Investment Policy shall be adopted by resolution of the Authority. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Board.

PASSED, APPROVED and ADOPTED this 21st day of February, 2019, by the following vote:

AYES: _____

NOES: _____

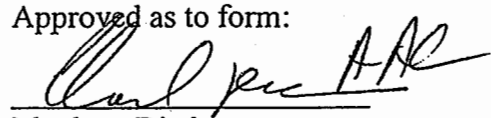
ABSTAIN: _____ ABSENT: _____

Juan Carillo, Chair

ATTEST:

Rebecca J. Smith,
Authority Secretary

Approved as to form:



Matthew Ditzhazy
Authority Counsel

PALMDALE RECYCLED WATER AUTHORITY

BOARD MEMORANDUM

DATE: February 11, 2019 February 21, 2019
TO: BOARD OF DIRECTORS Board Meeting
FROM: Mr. Dennis LaMoreaux, Executive Director, PRWA

RE: AGENDA ITEM NO. 8.1 – DISCUSSION REGARDING CHANGING THE
REGULAR MEETING DATE AND POSSIBLE ADOPTION OF RESOLUTION
NO. PRWA 2019-001

Recommendation:

Palmdale Recycled Water Authority (PRWA) Board to discuss changing the meeting date and possible adoption of Resolution No. PRWA 2019-001 regarding changing the regular meeting date from the third Monday of each month at 7:00 p.m. to the third Thursday of each month at 5:00 p.m.

Background:

At the May 15, 2017 meeting, the Board adopted Resolution No. PRWA 2017-002 setting forth its regular meeting date, time and a location that set all regular meetings of the Board at City of Palmdale City Council Chambers on the third Monday of each month at 7:00 p.m.

At the January 22, 2019 meeting, Chair Carrillo requested a new agenda item be presented at the February 21, 2019 Board meeting for the Board to consider changing the meeting date from the third Monday of each month at 7:00 p.m. to the third Thursday of each month at 5:00 p.m. The regular meeting location will continue to be held in the Palmdale City Council Chambers located at 38300 Sierra Highway, Suite B, Palmdale, California.

Attached to this staff report is Resolution No. PRWA 2019-001, which repeals Resolution No. PRWA 2017-002, and sets forth the change of the meeting date and time to effect the requested change.

Financial Impact:

There is no fiscal impact.

Supporting Documents:

Proposed Resolution No. PRWA 2019-001 for review.

RESOLUTION NO. PRWA 2019-001

**RESOLUTION OF THE PALMDALE RECYCLED WATER AUTHORITY
REPEALING RESOLUTION NO. PRWA 2017-002 AND SETTING FORTH THE
PRWA'S REGULAR MEETING DATE, TIME AND LOCATION**

WHEREAS, Section 4.5 of the "Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority" (hereinafter JPA), authorized the Board of the Palmdale Recycled Water Authority, hereinafter the "Board" to adopt a resolution that sets forth the regular meeting dates, times and locations, and

WHEREAS, at its meeting held on May 15, 2017, the Board adopted Resolution No. PRWA 2017-002 setting forth its regular meeting date, time and a location that set all regular meetings of the Board at City of Palmdale City Council Chambers on the third Monday of each month, and

WHEREAS, at its January 22, 2019 meeting a new agenda item request was made for the Board to consider changing the meeting date from the third Monday of each month at 7:00 p.m. to the third Thursday of each month at 5:00 p.m.

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

Section 1. That Resolution No. PRWA 2017-002 is hereby repealed in its entirety.

Section 2. That the regular meetings of the Board of the Palmdale Recycled Water Authority will be held on the third Thursday of each month at 5:00 PM.

Section 3. That the regular meeting location of the Board of the Palmdale Recycled Water Authority be held in the Palmdale City Council Chambers located at 38300 Sierra Highway, Suite "B", Palmdale California.

Section 4. That should the Authority Board direct that any given meeting not held for any reason, the Authority may adjourn to any future regular meeting date and provide notice of said adjournment as required by law. The Authority Secretary shall cause the notice of adjournment to be posted at the meeting location in Section 3 and maintain said posting until the date of the next meeting. No other notification shall be required.

Section 5. The Clerk of the Authority shall certify to the passage and adoption of this Resolution and enter it into the official records of the Authority.

PASSED, APPROVED and ADOPTED this 21st day of February, 2019, by the following vote:

AYES: _____

NOES: _____

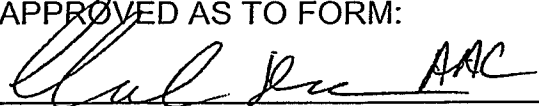
ABSTAIN: _____ ABSENT: _____

Juan Carrillo
Chair

ATTEST:

Rebecca Smith,
Authority Secretary

APPROVED AS TO FORM:



Wm. Matthew Ditzhazy
Authority Counsel

For

