



PALMDALE WATER DISTRICT

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Board of Directors

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Attorneys



November 17, 2011

***Agenda for a Meeting
of the Finance Committee of the Palmdale Water District
Committee Members: Linda Godin-Chair, Gordon Dexter
to be held at the District's office at 2029 East Avenue Q, Palmdale
Monday, November 21, 2011
5:15 p.m.***

NOTE: To comply with the Americans with Disabilities Act, to participate in any Board meeting please contact Dawn Deans at 661-947-4111 x103 at least 48 hours prior to a Board meeting to inform us of your needs and to determine if accommodation is feasible.

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. Please call Dawn Deans at 661-947-4111 x103 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.

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

- 1) Roll call.
- 2) Adoption of agenda.
- 3) Public comments.
- 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 October 24, 2011.

- 4.2) Discussion of status report on cash report at October 31, 2011 and cash flow report through December 31, 2011. (Financial Advisor Egan)
- 4.3) Discussion of status report on financial statements and departmental budget reports for October, 2011. (Finance Manager Williams)
- 4.4) Discussion of status report on Engineering Department Contractual Commitments and Projected Payout Schedule. (Finance Manager Williams)
- 4.5) Consideration and possible action on proposals received for preparation of the District's annual audit for years 2011, 2012, and 2013. (Financial Advisor Egan)
- 4.6) Consideration and possible action on draft 2012 Budget. (Finance Manager Williams)
- 4.7) Consideration and possible action on Financial Advisor Egan contract. (Chair Godin)
- 5) Information items.
- 6) Board members' requests for future agenda items.
- 7) Adjournment.



DENNIS D. LaMOREAUX,
General Manager

DDL/dd

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: October 19, 2011 **October 24, 2011**
TO: FINANCE COMMITTEE **Finance Committee Meeting**
FROM: Mr. Bob Egan, Financial Advisor
RE: ***AGENDA ITEM NO. 4.2 – DISCUSSION OF STATUS REPORT ON
CASH REPORT AT September 31, 2011 AND CASH FLOW REPORT
THROUGH DECEMBER 31, 2011 and 2012***

Attached are a cash report and pie chart for September 30, 2011 and a cash flow report for the period of December, 2010 through December, 2011 and 2012. It is necessary to focus on 2012 now as part of the budget process.

Several items of note:

August water sales were comparable to last August. September through December water sale projections have been decreased based on the trends to date. Projected ending cash is just over \$7 million.

Please note that \$1.7 million of District cash is restricted as a one year reserve for the 1998 bonds. It is not available for operations. Operating cash at September 30 is \$4.61 million, the first time this number has fallen below \$5 million in decades. A covenant of the 1998 bond issue is a district pledge to keep \$5 million in reserve for self insurance on the Littlerock Dam. Since operating funds have always been above that number the District has technically been in compliance.

In September we received \$312,065 related to the Palmdale Redevelopment Agency. This is less than last years \$445,000 but more than many prior years. This amount and its receipt is an unknown until received. Also, the AVEK expected amount of \$686,848 was received last month.

The cash flow through December, 2011 projects operating expenses and operating revenues at a near break-even.. The original 2011 cash flow report expected operating revenues to exceed operating expenses by over \$2 million, similar to 2010. Annually the District must pay \$3.6 million in bond interest and principal. This must be covered by operations as it is in any business. This can be accomplished going forward by a combination of rate increases and cuts in operating expenses or cash will be virtually depleted. This is evidenced by the 2012 and 2013 projections previously presented to the Committee.

PALMDALE WATER DISTRICT
INVESTMENT FUNDS REPORT

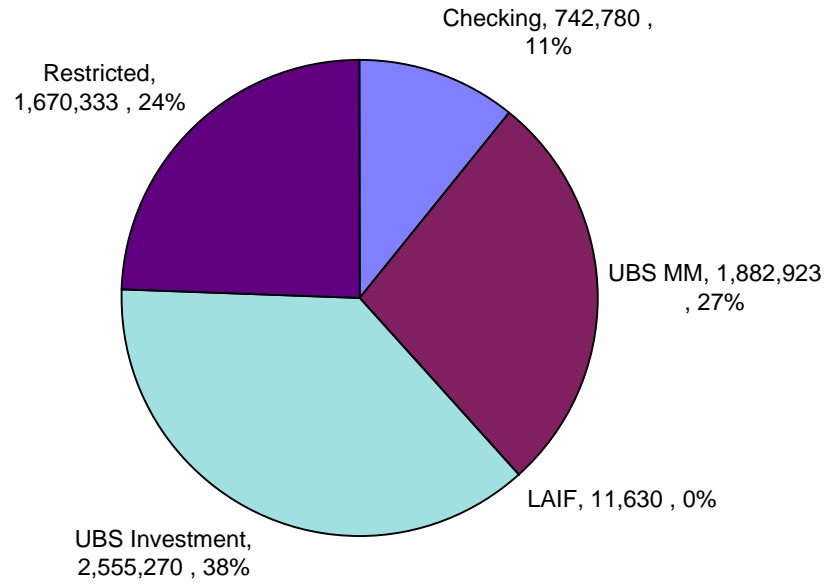
				October 31, 2011			October-11	September-11
DESCR	A/C #						VALUE	VALUE
CASH								
0-0103	Citizens/US Bank - Checking						615,432.60	1,106,169.16
0-0104	Citizens- Merchant						123,647.63	127,327.37
					Bank cash		739,080.23	1,233,496.53
0-0119	PETTY CASH						300.00	300.00
0-0120	CASH ON HAND						3,400.00	3,400.00
	TOTAL CASH						742,780.23	1,237,196.53
INVESTMENTS								
0-0110	UBS ACCOUNT SS 11469 GG							
	UBS RMA Government Portfolio						911,656.82	0.00
	UBS Bank USA Dep acct						250,000.00	161,648.02
							1,161,656.82	161,648.02
0-1110	UBS ACCOUNT SS 11475 GG							
	UBS Bank USA Dep acct						721,265.92	714,821.10
	UBS RMA Government Portfolio						0.00	0.00
							721,265.92	714,821.10
0-0115	LAIF						11,630.12	11,618.98
0-0111	UBS ACCOUNT SS 11432 GG							
	UBS Bank USA Dep acct						0.00	0.00
	UBS RMA Government Portfolio						113,156.82	93,589.75
	Accrued interest						8,908.67	26,043.09
	US GOVERNMENT SECURITIES:							
	ISSUE	EXPIR				MARKET	MARKET	
	DATE	ISSUER	DATE	RATE	PAR	VALUE	VALUE	
		FNMA	04/11/12	5.375	500,000	510,045.00	511,455.00	
		FHLB	01/20/15	3.00	500,000	502,420.00	503,330.00	
		FHLB	04/16/15	2.90	400,000	404,100.00	404,892.00	
		FHLB	10/26/15	1.625	500,000	512,840.00	512,745.00	
		FNMA	07/27/16	2.00	500,000	503,800.00	504,075.00	
						2,400,000.00	2,433,205.00	2,436,497.00
	TOTAL MANAGED ACCOUNT						2,555,270.49	2,556,129.84
	TOTAL INVESTMENTS						4,449,823.35	3,444,217.94
	TOTAL UNRESTRICTED CASH						5,192,603.58	4,681,414.47
RESTRICTED CASH								
0-1120	1998 Debt Reserve Fund							
	FHLB par 1.4Mil matures 10/18/13 3.625% interest						1,486,394.00	1,489,838.00
	Federated Treasury Obligation MM						182,106.67	156,731.67
	Accrued interest						1,832.63	22,978.47
	TOTAL Restricted CASH						1,670,333.30	1,669,548.14
	GRAND TOTAL CASH AND RESTRICTED CASH						6,862,936.88	6,350,962.61
		Checking		742,780				
		UBS MM		1,882,923				
		LAIF		11,630				
		UBS Investment		2,555,270				
		Restricted		1,670,333				
		Total		6,862,937				

REVISED 11 17 11	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	
	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>YTD</u>
Water Sales	1,459,054	1,489,425	1,420,826	1,519,930	1,638,144	1,876,045	2,099,158	2,384,486	2,307,915	1,960,477	1,585,000	1,522,500	21,262,960
	1,459,054	1,489,425	1,420,826	1,519,930	1,638,144	1,876,045	2,099,158	2,384,486	2,307,915	1,960,477	1,585,000	1,522,500	
Beginning Balance	8,122,631	8,838,775	8,297,207	6,943,402	8,069,746	8,131,726	8,013,332	7,522,762	7,222,616	6,350,964	6,862,937	6,591,822	
Water Receipts	2,084,416	1,459,787	1,821,013	1,304,799	1,590,858	1,780,885	2,009,913	2,270,355	2,338,543	2,099,452	1,735,191	1,547,500	22,042,711
Other													
Total Operating Revenue	2,084,416	1,459,787	1,821,013	1,304,799	1,590,858	1,780,885	2,009,913	2,270,355	2,338,543	2,099,452	1,735,191	1,547,500	
Operating Expenses:													
Total Operating Expenses	1,709,979	1,953,541	1,688,453	1,627,314	1,635,685	1,690,346	2,114,887	2,210,427	1,546,460	1,249,035	1,763,300	1,669,600	20,859,027
													403,933
Non-Operating Revenue Expensess:													
Assessments, net	507,568	154,799	6,585	1,597,302	252,354	8,694	225,057	122,827			125,100	1,700,000	4,700,286
Special Avek CIF Payment									686,848	0			686,848
Interest	10	10	10	23,950	21,335	580	9,761	21,854	0	(48)	2,000	2,000	81,462
Grant Re-imbursement				76,200			29,562						105,762
Capital Improvement Fees	492,317	0	0	11,955			27,960			4,774			537,006
													0
DWR Refund	17,417			97,567	23,194	0	591,517			107,201			836,896
Other /Palmdale Redevel Agency	20,607	(1,363)	27,474	23,277	7,966	2,937	10,935	8,276	312,065	6,439			418,613
Total Non-Operating Revenues	1,037,919	153,446	34,069	1,830,251	304,849	12,211	894,792	152,957	998,913	118,366	127,100	1,702,000	7,366,873
Capital Expenditures	(215,396)	(97,151)	(159,142)	(277,284)	(93,934)	(117,036)	(115,187)	(145,801)	(58,286)	(64,943)	(218,240)	(308,860)	(1,871,260)
Deposit refunds									(40,000)	(40,000)	(40,000)	(40,000)	(160,000)
SWP Capitalized	(586,624)	(104,108)	(131,379)	(104,108)	(104,108)	(104,108)	(586,620)	(104,107)	(154,031)	(104,107)	(104,106)	(104,106)	(2,291,512)
Prepaid Insurance (paid) refunded	105,808		2,658					(244,240)					(135,774)
Bond Payments Interest			(1,232,571)						(1,232,571)				(2,465,142)
Principal									(1,170,000)				(1,170,000)
System Work for AVEK													0
5,000 AF banked Water										(240,000)			(240,000)
Capital leases							(11,406)	(18,883)	(7,760)	(7,760)	(7,760)	(7,760)	(61,329)
Legal adjudication fees							(567,175)						(567,175)
Total Cash Ending Balance	8,838,775	8,297,207	6,943,402	8,069,746	8,131,726	8,013,332	7,522,762	7,222,616	6,350,964	6,862,937	6,591,822	7,710,996	(131,309)
											wo CIF % 600	6,432,631	

REVISED 11 17 11	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	
Water Sales	1,515,000	1,500,000	1,595,000	1,520,000	1,750,000	1,876,000	2,200,000	2,200,000	2,200,000	2,000,000	1,660,000	1,597,500	21,613,500
	1,515,000	1,500,000	1,595,000	1,520,000	1,750,000	1,876,000	2,200,000	2,200,000	2,200,000	2,000,000	1,660,000	1,597,500	
Beginning Balance	3,743,339	3,396,453	3,043,136	1,513,340	2,690,023	2,802,707	2,812,991	2,378,589	2,398,274	(254,136)	(347,451)	(113,065)	
Water Receipts	1,548,000	1,506,000	1,557,000	1,550,000	1,658,000	1,825,600	2,070,400	2,200,000	2,200,000	2,080,000	1,796,000	1,622,500	21,613,500
Other													
Total Operating Revenue	1,548,000	1,506,000	1,557,000	1,550,000	1,658,000	1,825,600	2,070,400	2,200,000	2,200,000	2,080,000	1,796,000	1,622,500	
Operating Expenses:													
Total Operating Expenses	1,750,000	1,870,000	1,700,000	1,630,000	1,640,000	1,700,000	2,088,000	1,925,000	2,245,000	2,050,000	1,547,300	1,570,000	21,715,300
Non-Operating Revenue Expensess:													
Assessments, net	440,000	134,000	6,000	1,380,000	218,000	8,000	195,000	125,000			109,000	1,385,000	4,000,000
Special Avek CIF Payment													0
Interest													0
Grant Re-imbursement													0
Capital Improvement Fees	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
DWR Refund													0
Other /Palmdale Redevel Agency													0
Total Non-Operating Revenues	450,000	144,000	16,000	1,390,000	228,000	18,000	205,000	135,000	10,000	10,000	119,000	1,395,000	4,120,000
Capital Expenditures													0
Deposit refunds	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(60,000)
SWP Capitalized	(572,228)	(110,659)	(135,692)	(110,659)	(110,658)	(110,658)	(599,144)	(110,657)	(140,306)	(110,657)	(110,656)	(110,656)	(2,332,630)
Prepaid Insurance (paid) refunded			(65,000)					(257,000)					(322,000)
Bond Payments Interest			(1,179,446)						(1,179,446)				(2,358,892)
Principal									(1,275,000)				(1,275,000)
System Work for AVEK													0
5,000 AF banked Water													0
Capital leases	(17,658)	(17,658)	(17,658)	(17,658)	(17,658)	(17,658)	(17,658)	(17,658)	(17,658)	(17,658)	(17,658)	(17,658)	(211,896)
Legal adjudication fees													0
Total Cash Ending Balance	3,396,453	3,043,136	1,513,340	2,690,023	2,802,707	2,812,991	2,378,589	2,398,274	(254,136)	(347,451)	(113,065)	1,201,121	(2,482,218)

PALMDALE WATER DISTRICT
INVESTMENT FUNDS REPORT

October 31 2011 cash



PWD Cash flow from 1999 thru 2010	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Beginning Cash	26,644,567	24,813,104	27,269,432	26,102,083	27,577,382	32,219,078	72,432,070	61,866,814	57,644,229	34,513,978	15,124,841	8,663,548	
Operating Activities													
Net Operating Revenues	11,330,854	12,183,434	13,100,212	14,626,851	15,781,072	16,773,986	16,734,140	19,778,011	20,135,697	17,586,328	20,168,920	21,684,514	
Net Operating Expenses	8,513,944	8,581,993	10,728,502	12,732,205	11,028,609	11,645,940	15,199,924	16,325,468	19,186,212	19,804,272	19,314,655	20,610,956	
Net cash provided by operating activities	2,816,910	3,601,441	2,371,710	1,894,646	4,752,463	5,128,046	1,534,216	3,452,543	949,485	(2,217,944)	854,265	1,073,558	
Other Sources and Uses of Cash													
Assessments received	3,016,322	3,201,850	2,906,179	3,333,478	3,272,527	2,662,805	3,271,079	4,178,858	4,974,252	5,262,788	5,677,001	5,790,877	
Payments for State Water Project	(5,470,751)	(1,883,177)	(1,599,750)	(1,673,658)	(1,986,349)	(1,597,231)	(1,439,079)	(1,824,566)	(1,755,786)	(2,104,193)	(4,690,034)	(2,535,815)	
Capital Improvement Fees Received	1,410,966	515,362	2,122,327	559,357	2,474,768	3,642,961	4,749,870	9,999,180	3,667,974	619,845	929,696	55,967	
Proceeds on Issuance of Long Term Debt						37,907,664							
1st & 2nd Phase Water Treatment Plant Additions						(1,059,101)	(7,680,166)	(12,734,928)	(24,334,238)	(12,610,247)	(810,758)	0.00	Total Treatment (60,040,196)
Acquisition of Property, Plant & Equipment	(3,588,433)	(2,813,533)	(6,703,817)	(2,860,660)	(2,868,392)	(5,088,721)	(9,080,388)	(5,756,683)	(4,340,349)	(7,320,845)	(5,339,592)	(3,514,159)	
Principal paid on Long Term Debt	(590,000)	(615,000)	(640,000)	(665,000)	(570,000)	(595,000)	(895,000)	(970,000)	(1,005,000)	(1,040,000)	(1,080,000)	(1,125,000)	
Interest Paid on Long Term Debt	(1,117,293)	(1,006,104)	(981,025)	(954,400)	(929,590)	(1,399,015)	(2,738,681)	(2,667,016)	(2,632,782)	(2,595,824)	(2,554,756)	(2,561,976)	
State Grants and Other Income	372,409	57,756	82,834	105,705	122,601	135,930	175,191	225,845	187,038	1,705,595	444,498	2,194,452	
Interest on Investments	1,318,407	1,397,733	1,274,193	1,735,831	373,668	474,654	1,537,702	1,874,182	1,159,155	911,688	108,387	81,179	
Net Cash Provided by Other Sources and Uses	(4,648,373)	(1,145,113)	(3,539,059)	(419,347)	(110,767)	35,084,946	(12,099,472)	(7,675,128)	(24,079,736)	(17,171,193)	(7,315,558)	(1,614,475)	
Net Increase (Decrease) in Cash	(1,831,463)	2,456,328	(1,167,349)	1,475,299	4,641,696	40,212,992	(10,565,256)	(4,222,585)	(23,130,251)	(19,389,137)	(6,461,293)	(540,917)	
Cash End of Year	24,813,104	27,269,432	26,102,083	27,577,382	32,219,078	72,432,070	61,866,814	57,644,229	34,513,978	15,124,841	8,663,548	8,122,631	
Less Restricted Cash	5,144,798	5,120,123	5,118,494	5,000,314	5,000,042	43,079,363	30,462,937	18,943,541	1,392	3,941,838	1,557,257	1,626,294	
Available Operating Cash	19,668,306	22,149,309	20,983,589	22,577,068	27,219,036	29,352,707	31,403,877	38,700,688	34,512,586	11,183,003	7,106,291	6,496,337	

<u>Palmdale Water Cash Flow Model</u>					budget	model
<u>PWD Cash flow from 1999 thru 2010</u>		2010	2011		2012	2012
Beginning Cash		8,663,548	8,122,631		7,710,996	7,710,996
Operating Activities						
Net Operating Revenues		21,684,514	22,042,711		21,765,000	22,000,000
Net Operating Expenses		20,610,956	21,186,409		22,403,696	18,400,000
Net cash provided by operating activities		1,073,558	856,302		(638,696)	3,600,000
Other Sources and Uses of Cash						
Assessments received		5,790,877	4,700,286		4,300,000	4,300,000
Payments for State Water Project		(2,535,815)	(2,291,512)		(2,332,630)	(2,332,630)
Capital Improvement Fees Received		55,967	537,006		746,848	746,848
Infrastructure expenditures		(3,514,159)	(1,871,260)		(2,500,000)	(2,000,000)
Principal paid on Long Term Debt		(1,125,000)	(1,170,000)		(1,220,000)	(1,220,000)
Interest Paid on Long Term Debt		(2,561,976)	(2,465,142)		(2,414,192)	(2,414,192)
State Grants and Other Income		2,194,452	1,211,223		712,000	712,000
Interest on Investments		81,179	81,462		60,000	40,000
Net Cash Provided by Other Sources and Uses		(1,614,475)	(1,267,937)		(2,647,974)	(2,167,974)
Net Increase (Decrease) in Cash		(540,917)	(411,635)		(3,286,670)	1,432,026
Cash End of Year		8,122,631	7,710,996		4,424,326	9,143,022
Less Restricted Cash		1,626,294	1,630,000		1,630,000	1,640,000
Available Operating Cash		6,496,337	6,080,996		2,794,326	7,503,022

PALMDALE WATER DISTRICT BOARD MEMORANDUM

DATE:	November 16, 2011	November 21, 2011
TO:	FINANCE COMMITTEE	Committee Meeting
FROM:	Michael Williams, Finance Manager/CFO	
VIA:	Mr. Dennis LaMoreaux, General Manager	
RE:	<i>AGENDA ITEM NO. 4.3 - STATUS REPORT ON FINANCIAL STATEMENTS AND DEPARTMENTAL BUDGET REPORTS FOR OCTOBER, 2011</i>	

Discussion:

Presented here are Balance Sheet and Profit/Loss Statement for the period ending October 31, 2011. Also included are Year-To-Year comparisons and Month-To-Month Revenue Analysis and Expense Analysis for the month of October. Finally, I have provided individual departmental budget reports through the month of October 2011.

With ten months of the budget year complete, percentages should be at or below 83%. I have reviewed the statements and highlighted areas/items for discussion.

Profit/Loss Statement:

- Our operating revenue is at 78% of budget and operating expense is at 70% of budget. Review of strictly cash operations, our revenue exceeds expenditures by \$3 million. (YTD \$18,335,924-\$15,255,946)
- Water sales are trending to end the year at \$21.6 million or 92% of budget
- Cash expenditures are trending to end the year at \$18.5 million or 85% of budget

Year-To-Year Comparison P&L:

- Total operating revenue is down by 6.4% or \$130,432 due to decreased water sales and change in elevation charges.
- Operating expenditures are down by 55% or \$1.2 million due mainly to water purchases, GAC Media purchases and departmental operations.
- Page 8 of water consumption graphs show units billed were up 1% and the number of active connections are up by .7%.
- Page 8 of water consumption graphs shows total revenue per unit is down 7% and total revenue per connection is down 7%.

Revenue Analysis Year-To-Date:

- Operating Revenue is up by .46% or \$84,000.
- Total revenue is down by 2.3% or \$572,000, which is the result of this year's capital improvement fees offsetting last year's property sales or total revenue would be even lower. Also note the continued reduction in assessments.

Expense Analysis Year-To-Date:

- Cash operating expenses are down 19% or \$2.9 million and total expenses are down 7.5% or \$1.9 million. This is due primarily to departmental operations and water purchases.

Departments:

- Pages 14 through 22 are detailed budgets of each department. There are no significant changes to department status with Administration Department being high due to groundwater adjudication. Most departments are operating at or below the ten month target for the year.

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.

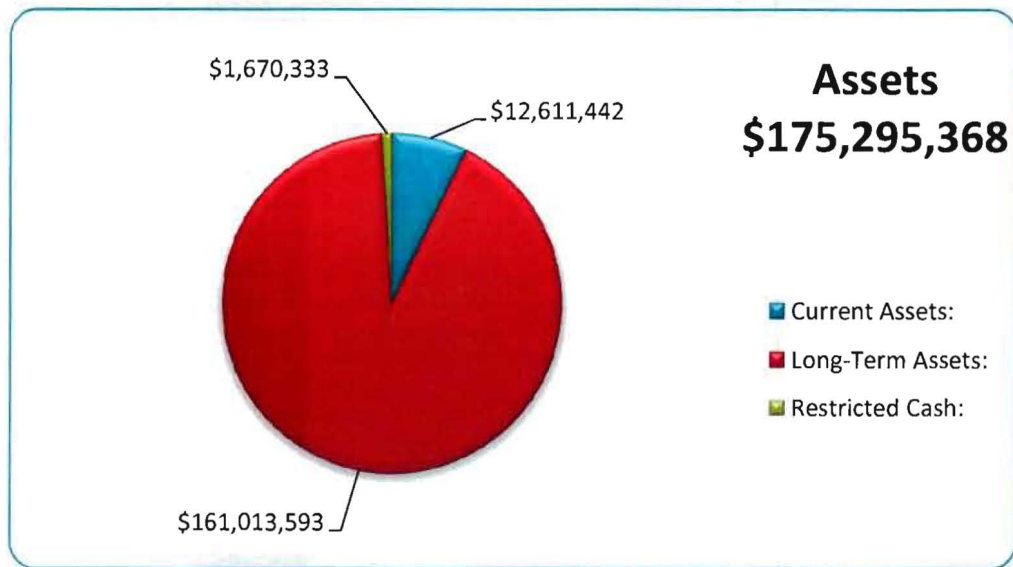
Service Cost Construction: The value of material, parts & supplies from inventory used to construct, repair and maintain our asset infrastructure.

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

Palmdale Water District
Balance Sheet Report
For the Ten Months Ending October 31, 2011

	<u>Year-to-Date 2011</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 742,801
Investments	4,449,823
Market Adjustment	-
	<u>\$ 5,192,624</u>
Receivables:	
Accounts Receivables - Water Sales	\$ 2,073,466
Accounts Receivables - Miscellaneous	60,929
Allowance for Uncollected Accounts	(371,739)
	<u>\$ 1,762,655</u>
Interest Receivable	\$ -
Assessments Receivables	4,698,553
Meters, Materials and Supplies	713,004
Prepaid Expenses	244,605
Total Current Assets	\$ 12,611,442
Long-Term Assets:	
Property, Plant, and Equipment, net	\$ 125,356,679
Participation Rights in State Water Project, net	34,946,441
Bond Issuance Cost, Net	710,473
	<u>\$ 161,013,593</u>
Restricted Cash:	
Debt Reserve Fund - 1998 Bonds	\$ 1,670,333
Rate Stabilization Fund	-
Installment Payment Account - 2004 Bonds	-
Installment Payment Account - 1998 Bonds	-
	<u>\$ 1,670,333</u>
Total Long-Term Assets & Restricted Cash	\$ 162,683,926
Total Assets	<u>\$ 175,295,368</u>
LIABILITIES AND DISTRICT EQUITY	
Current Liabilities:	
Current Interest Installment of Long-term Debt	\$ 201,187
Current Principal Installment of Long-term Debt	1,170,000
Accounts Payable and Accrued Expenses	4,459,564
OPEB Liability	4,121,758
Deferred Assessments	2,666,661
Total Current Liabilities	\$ 12,619,169
Long-Term Debt:	
1998 - Certificates of Participation	\$ 11,811,759
2004 - Certificates of Participation	35,821,142
Total Liabilities	\$ 60,252,070
District Equity	
Revenue from Operations	\$ (1,093,164)
Retained Earnings	116,136,463
Total Liabilities and District Equity	<u>\$ 175,295,368</u>

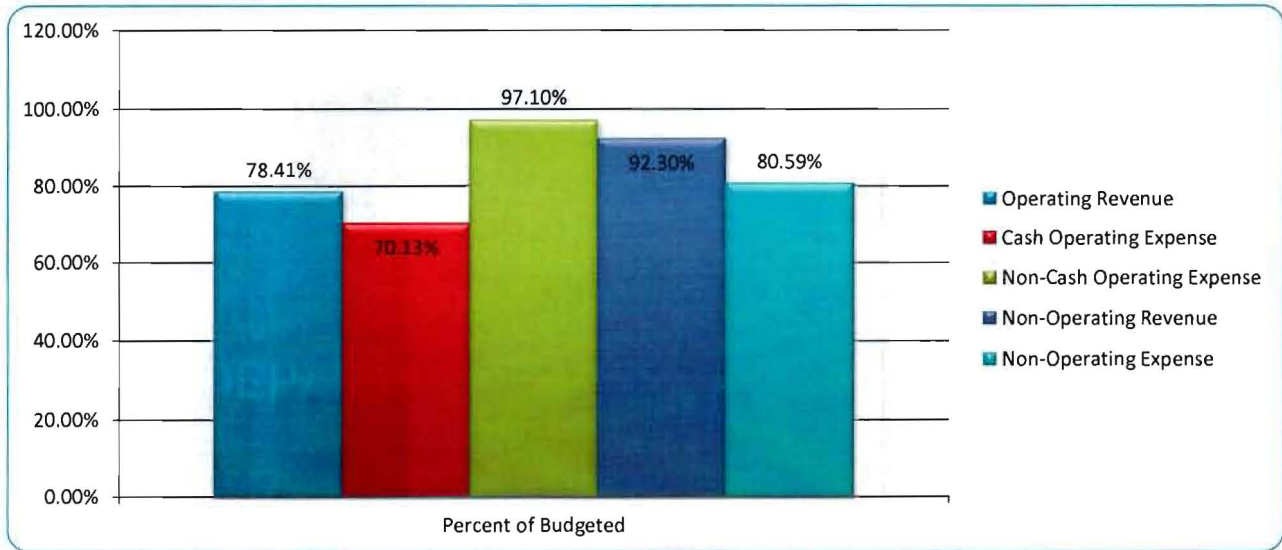
BALANCE SHEET AS OF OCTOBER 31, 2011



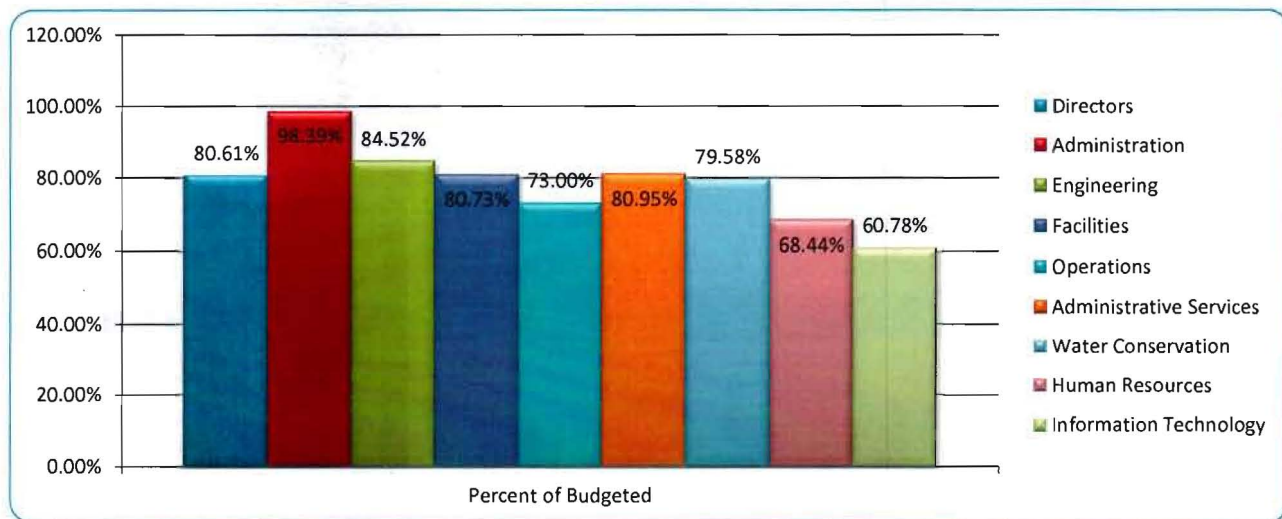
Palmdale Water District
Consolidated Profit and Loss Statement
For the Ten Months Ending October 31, 2011

	Thru September	October	Year-to-Date	Adjustments	Adjusted Budget	% of Budget
Operating Revenue:						
Water Sales	\$ 5,821,450	\$ 768,223	\$ 6,589,673		\$ 9,400,000	70.10%
Meter Fees	7,739,056	862,490	8,601,546		10,650,000	80.77%
Water Quality Fees	1,166,962	153,833	1,320,795		1,600,000	82.55%
Elevation Fees	389,301	52,391	441,692		560,000	78.87%
Other	1,258,679	123,541	1,382,219		1,175,000	117.64%
Total Water Sales	\$ 16,375,447	\$ 1,960,477	\$ 18,335,924	\$ -	\$ 23,385,000	78.41%
Cash Operating Expenses:						
Directors	\$ 106,083	\$ 11,766	\$ 117,849		\$ 146,200	80.61%
Administration	2,999,194	125,829	3,125,023		3,176,000	98.39%
Engineering	867,901	84,683	952,584		1,127,000	84.52%
Facilities	2,464,549	213,240	2,677,789		3,317,000	80.73%
Operations	3,433,712	268,195	3,701,907		5,071,050	73.00%
Administrative Services	2,032,762	203,334	2,236,096		2,762,200	80.95%
Water Conservation	149,815	19,292	169,107		212,500	79.58%
Human Resources	171,339	15,507	186,846		273,000	68.44%
Information Technology	400,897	32,175	433,072		712,500	60.78%
Water Purchases	1,303,942	49,924	1,353,866		3,000,000	45.13%
Water Recovery	(724,786)	(178,378)	(903,165)		(200,000)	451.58%
Capitalized Expenditures	166,114	171	166,285		557,300	29.84%
GAC Filter Media Replacement	821,944	216,742	1,038,686		1,600,000	64.92%
Total Cash Operating Expenses	\$ 14,193,465	\$ 1,062,481	\$ 15,255,946	\$ -	\$ 21,754,750	70.13%
Non-Cash Operating Expenses:						
Depreciation	\$ 5,082,524	\$ 558,953	\$ 5,641,477		\$ 6,850,000	82.36%
OPEB Accrual Expense	1,341,682	201,308	1,542,990		550,000	280.54%
Bad Debts	49,858	4,047	53,904		100,000	53.90%
Service Costs Construction	29,250	(453)	28,797		125,000	23.04%
Capitalized Construction	(775,577)	(58,884)	(834,460)		(1,000,000)	83.45%
Total Non-Cash Operating Expenses	\$ 5,727,737	\$ 704,971	\$ 6,432,709	\$ -	\$ 6,625,000	97.10%
Net Operating Profit/(Loss)	\$ (3,545,755)	\$ 193,025	\$ (3,352,730)	\$ -	\$ (4,994,750)	67.13%
Non-Operating Revenues:						
Assessments (Debt Service)	\$ 2,580,111	\$ 225,609	\$ 2,805,720		\$ 3,384,133	82.91%
Assessments (1%)	\$ 1,231,960	\$ 107,724	\$ 1,339,684		\$ 1,615,867	82.91%
Interest	73,458	(49)	73,410		120,000	61.17%
Capital Improvement Fees	1,219,080	6,439	1,225,519		250,000	490.21%
State Grants	76,200	-	76,200		500,000	15.24%
Other	63,993	(4,774)	59,220		175,000	33.84%
Total Non-Operating Revenues	\$ 5,244,802	\$ 334,950	\$ 5,579,752	\$ -	\$ 6,045,000	92.30%
Non-Operating Expenses:						
Interest on Long-Term Debt	\$ 1,937,137	\$ 208,555	\$ 2,145,692		\$ 2,541,000	84.44%
Amortization of SWP	1,056,114	117,346	1,173,460		1,579,000	74.32%
Other	1,035	-	1,035		-	-
Total Non-Operating Expenses	\$ 2,994,286	\$ 325,901	\$ 3,320,186	\$ -	\$ 4,120,000	80.59%
Net Earnings	\$ (1,295,238)	\$ 202,074	\$ (1,093,164)	\$ -	\$ (3,069,750)	35.61%

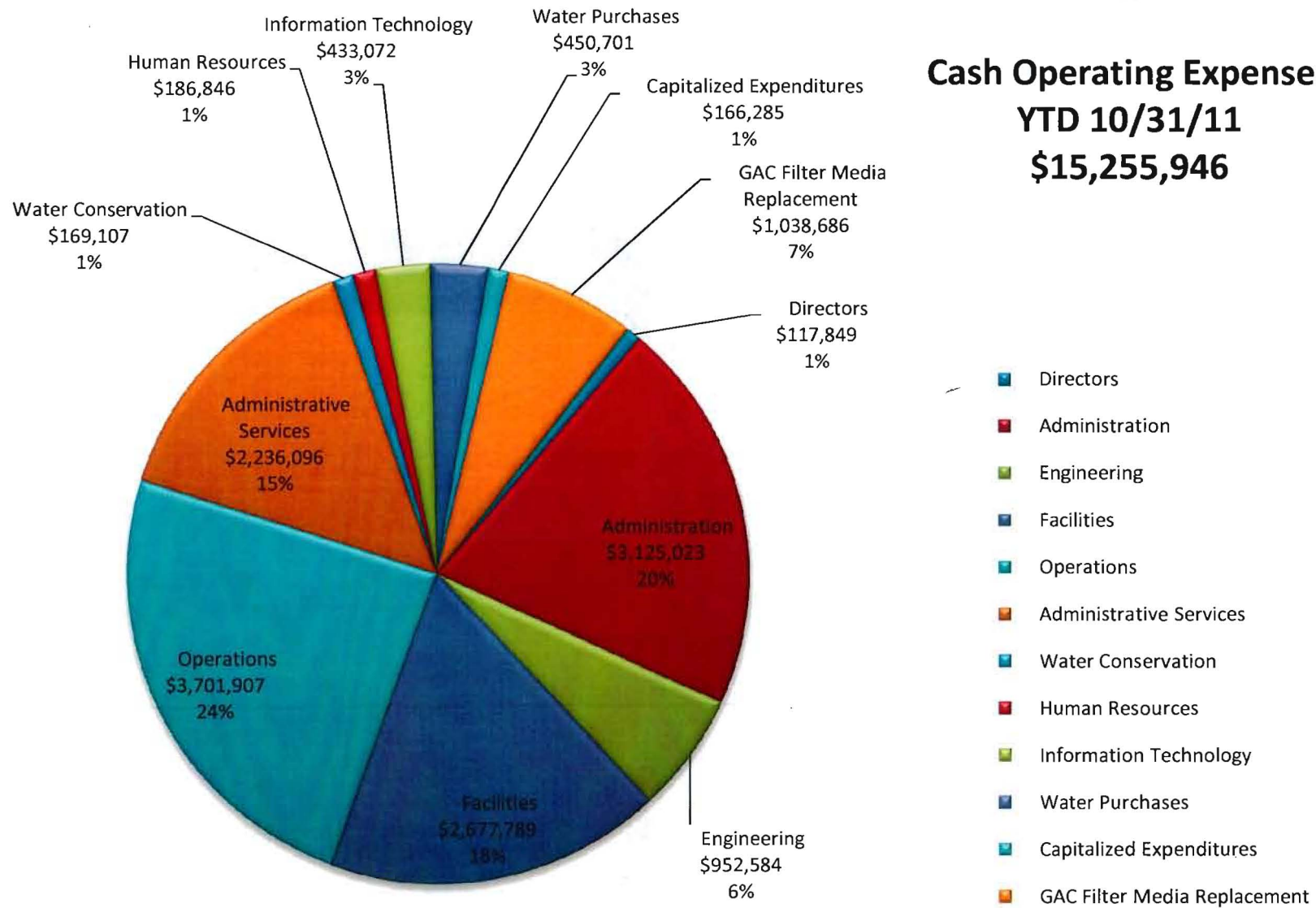
P & L - BUDGET vs. ACTUAL



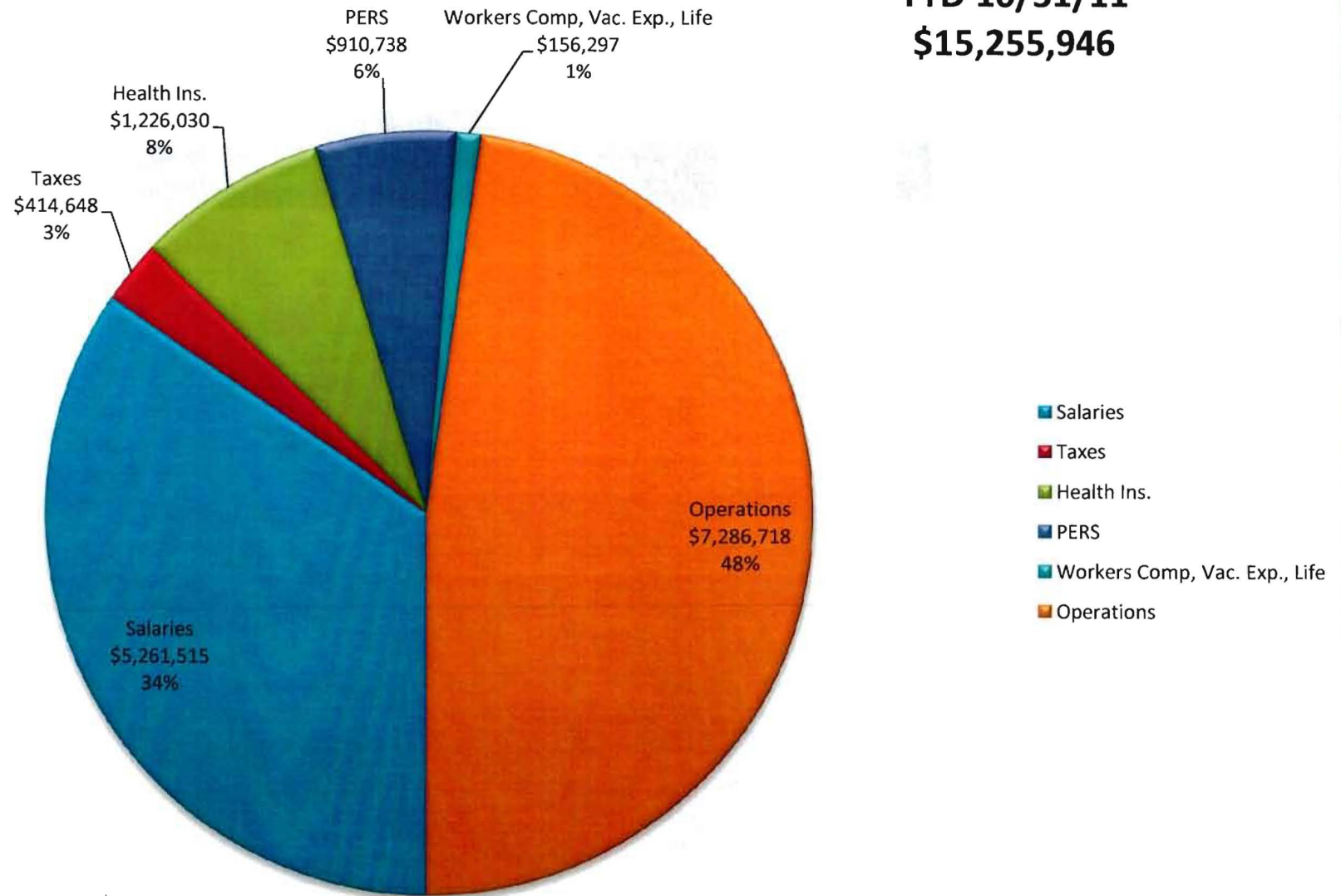
DEPARTMENTAL - BUDGET vs. ACTUAL



Cash Operating Expenses **YTD 10/31/11** **\$15,255,946**



Personnel to Operations Exp
YTD 10/31/11
\$15,255,946

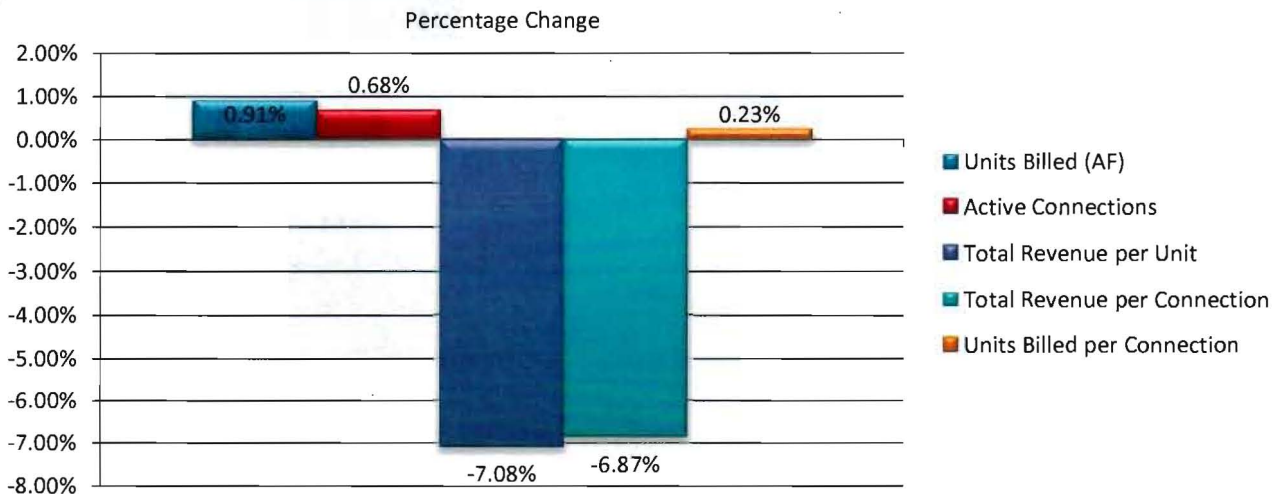
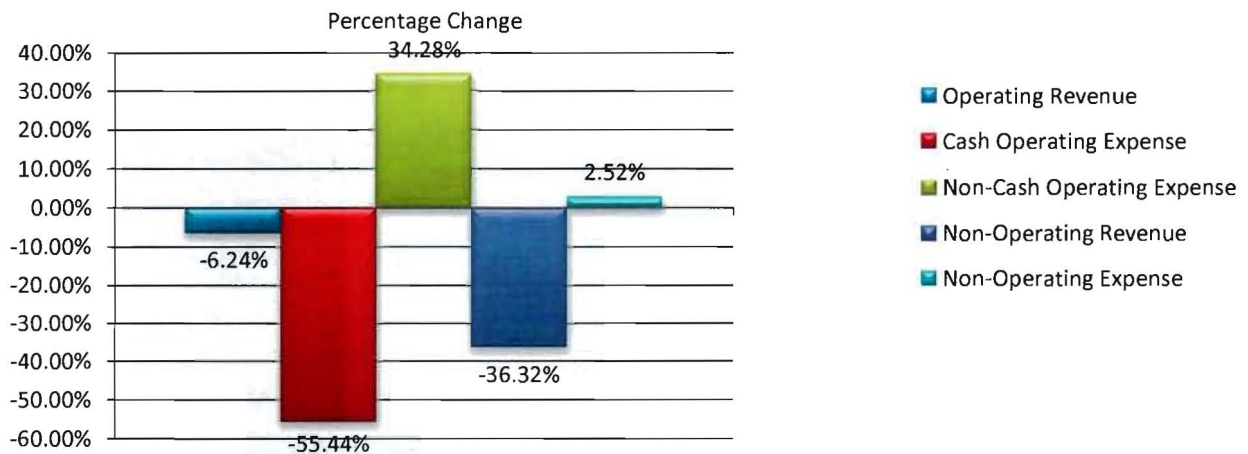


Palmdale Water District
Profit and Loss Statement
Year-To-Year Comparison - October

	2010 October	2011 October	Change	% Change		Consumption Comparison	
					Units Billed	2010	2011
Operating Revenue:						791,163	798,371
Water Sales	\$ 945,155	\$ 768,223	\$ (176,932)	-18.72%	Active	26,087	26,264
Meter Fees	819,404	862,490	43,086	5.26%	Vacant	1,537	1,377
Water Quality Fees	156,028	153,833	(2,195)	-1.41%			
Elevation Fees	80,803	52,391	(28,412)	-35.16%			
Other	89,520	123,541	34,021	38.00%	Rev/unit	\$ 2.64	\$ 2.46
Total Water Sales	\$ 2,090,910	\$ 1,960,477	\$ (130,432)	-6.24%	Rev/con	\$ 80.15	\$ 74.65
					Unit/con	30.33	30.40
Cash Operating Expenses:							
Directors	\$ 10,769	\$ 11,766	\$ 997	9.26%			
Administration	392,291	125,829	(266,462)	-67.92%			
Engineering	94,890	84,683	(10,207)	-10.76%			
Facilities	425,596	213,240	(212,356)	-49.90%			
Operations	248,678	268,195	19,517	7.85%			
Administrative Services	274,031	203,334	(70,696)	-25.80%			
Water Conservation	18,120	19,292	1,173	6.47%			
Human Resources	18,183	15,507	(2,676)	-14.72%			
Information Technology	-	32,175					
Water Purchases	427,144	49,924	(377,220)	-88.31%			
Water Recovery	(128,874)	(178,378)	(49,504)	38.41%			
Capitalized Expenditures	42,759	171	(42,588)	-99.60%			
GAC Filter Media Replacement	488,760	216,742	(272,018)	-55.65%			
Total Cash Operating Expenses	\$ 2,312,347	\$ 1,062,481	\$ (1,282,041)	-55.44%			
Non-Cash Operating Expenses:							
Depreciation	\$ 575,777	\$ 558,953	\$ (16,824)	-2.92%			
OPEB Accrual Expense	44,610	201,308	156,698	351.26%			
Bad Debts	155	4,047	3,892				
Service Costs Construction	4,999	(453)	(5,452)	-109.06%			
Capitalized Construction	(100,531)	(58,884)	41,648	-41.43%			
Total Non-Cash Operating Expenses	\$ 525,010	\$ 704,971	\$ 179,962	34.28%			
Net Operating Profit/(Loss)	\$ (746,447)	\$ 193,025	\$ 971,647	-130.17%			
Non-Operating Revenues:							
Assessments	\$ 500,000	\$ 333,333	\$ (166,667)	-33.33%			
Interest	14,971	(49)	(15,020)	-100.32%			
Capital Improvement Fees	11,044	6,439	(4,605)				
State Grants	-	-	-				
Other	(12)	(4,774)	(4,762)	39614.64%			
Total Non-Operating Revenues	\$ 526,003	\$ 334,950	\$ (191,053)	-36.32%			
Non-Operating Expenses:							
Interest on Long-Term Debt	\$ 212,801	\$ 208,555	\$ (4,246)	-2.00%			
Amortization of SWP	105,085	117,346	12,261	11.67%			
Other	-	-	-				
Total Non-Operating Expenses	\$ 317,886	\$ 325,901	\$ 8,015	2.52%			
Net Earnings	\$ (538,330)	\$ 202,074	\$ 772,579	-143.51%			

YEAR-TO-YEAR COMPARISON

October '10 -To-October '11



	2010	2011	
Units Billed (AF)	1,816	1,833	0.91%
Active Connections	26,087	26,264	0.68%
Non-Active	1,537	1,377	-10.41%
Total Revenue per Unit	2.64	2.46	-7.08%
Total Revenue per Connection	80.15	74.65	-6.87%
Units Billed per Connection	30.33	30.40	0.23%

Palmdale Water District
Revenue Analysis
For the Ten Months Ending October 31, 2011
2011

	Thru September	October	Year-to-Date	Adjusted Budget	% of Budget
Operating Revenue:					
Water Sales	\$ 5,821,450	\$ 768,223	\$ 6,589,673	\$ 9,400,000	70.10%
Meter Fees	7,739,056	862,490	8,601,546	10,650,000	80.77%
Water Quality Fees	1,166,962	153,833	1,320,795	1,600,000	82.55%
Elevation Fees	389,301	52,391	441,692	560,000	78.87%
Other	1,258,679	123,541	1,382,219	1,175,000	117.64%
Total Water Sales	\$ 16,375,447	\$ 1,960,477	\$ 18,335,924	\$ 23,385,000	78.41%
Non-Operating Revenues:					
Assessments	\$ 3,812,071	\$ 333,333	\$ 4,145,404	\$ 5,000,000	82.91%
Interest	73,458	(49)	73,410	120,000	61.17%
Capital Improvement Fees	1,219,080	6,439	1,225,519	250,000	490.21%
State Grants	76,200	-	76,200	500,000	15.24%
Sale of Real Property	-	-	-	-	-
Other	63,993	(4,774)	59,220	175,000	33.84%
Total Non-Operating Revenues	\$ 5,244,802	\$ 334,950	\$ 5,579,752	\$ 6,045,000	92.30%
Total Revenue	\$ 21,620,249	\$ 2,295,427	\$ 23,915,677	\$ 29,430,000	81.26%

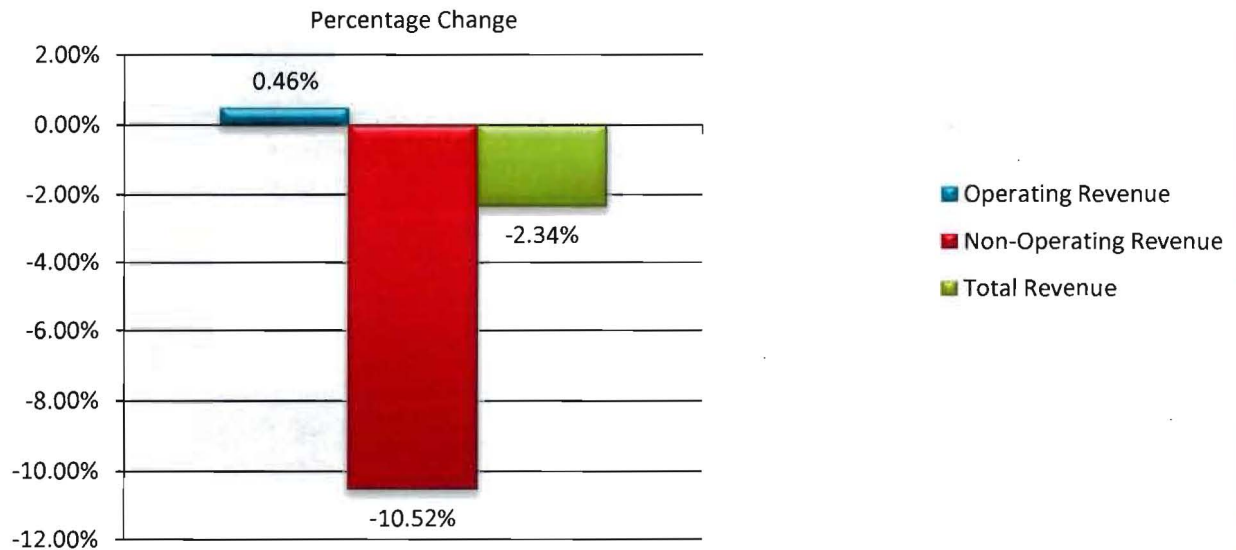
2010 to 2011 Comparison

	Thru September	October	Year-to-Date	% Change
	\$ 56,396	\$ (176,932)	\$ (120,537)	-1.80%
	175,221	43,086	218,307	2.60%
	(37,563)	(2,195)	(39,758)	-2.92%
	(228,792)	(28,412)	(257,204)	-36.80%
	249,350	34,021	283,371	25.79%
	\$ 214,612	\$ (130,432)	\$ 84,179	0.46%
	\$ (687,929)	\$ (166,667)	\$ (854,596)	-17.09%
	(21,988)	(15,020)	(37,007)	-33.52%
	1,159,882	(4,605)	1,155,277	
	76,200	-	76,200	
	(944,207)	-	(944,207)	-100.00%
	(46,975)	(4,762)	(51,737)	-46.63%
	\$ (465,016)	\$ (191,053)	\$ (656,069)	-10.52%
	\$ (250,405)	\$ (321,485)	\$ (571,890)	-2.34%

	2010				
	Thru September	October	Year-to-Date	Adjusted Budget	% of Budget
Operating Revenue:					
Water Sales	\$ 5,765,054	\$ 945,155	\$ 6,710,209	\$ 11,000,000	61.00%
Meter Fees	7,563,835	819,404	8,383,239	10,100,000	83.00%
Water Quality Fees	1,204,525	156,028	1,360,552	2,000,000	68.03%
Elevation Fees	618,093	80,803	698,896	-	-
Other	1,009,328	89,520	1,098,848	1,300,000	84.53%
Total Water Sales	\$ 16,160,835	\$ 2,090,910	\$ 18,251,745	\$ 24,400,000	74.80%
Non-Operating Revenues:					
Assessments	\$ 4,500,000	\$ 500,000	\$ 5,000,000	\$ 6,000,000	83.33%
Interest	95,446	14,971	110,417	200,000	55.21%
Capital Improvement Fees	59,198	11,044	70,242	500,000	14.05%
State Grants	-	-	-	500,000	0.00%
Sale of Real Property	944,207	-	944,207	-	-
Other	110,968	(12)	110,956	50,000	221.91%
Total Non-Operating Revenues	\$ 5,709,819	\$ 526,003	\$ 6,235,822	\$ 7,250,000	86.01%
Total Revenue	\$ 21,870,654	\$ 2,616,913	\$ 24,487,567	\$ 31,650,000	77.37%

REVENUE COMPARISON YEAR-TO-DATE

October '10-To-October '11



Palmdale Water District
Operating Expense Analysis
For the Ten Months Ending October 31, 2011
2011

2010 to 2011 Comparison

	Thru September	October	Year-to-Date	Adjusted Budget	% of Budget	Thru September	October	Year-to-Date	% Change
Cash Operating Expenses:									
Directors	\$ 106,083	\$ 11,766	\$ 117,849	\$ 146,200	80.61%	\$ 8,064	\$ 997	\$ 9,061	7.69%
Administration	2,999,194	125,829	3,125,023	3,176,000	98.39%	183,681	(266,462)	(82,781)	-2.65%
Engineering	867,901	84,683	952,584	1,127,000	84.52%	52,301	(10,207)	42,094	4.42%
Facilities	2,464,549	213,240	2,677,789	3,317,000	80.73%	(945,497)	(212,356)	(1,157,853)	-43.24%
Operations	3,433,712	268,195	3,701,907	5,071,050	73.00%	1,106,380	19,517	1,125,897	30.41%
Administrative Services	2,032,762	203,334	2,236,096	2,762,200	80.95%	(352,639)	(70,696)	(423,336)	-18.93%
Water Conservation	149,815	19,292	169,107	212,500	79.58%	(3,644)	1,173	(2,471)	-1.46%
Human Resources	171,339	15,507	186,846	273,000	68.44%	19,692	(2,676)	17,016	9.11%
Information Technology	400,897	32,175	433,072	712,500	60.78%	400,897	32,175	433,072	
Water Purchases	1,303,942	49,924	1,353,866	3,000,000	45.13%	(1,728,828)	(377,220)	(2,106,048)	-155.56%
Water Recovery	(724,786)	(178,378)	(903,165)	(200,000)	451.58%	(637,683)	(49,504)	(687,188)	76.09%
Capitalized Expenditures	166,114	171	166,285	557,300	29.84%	(49,701)	(42,588)	(92,289)	-55.50%
GAC Filter Media Replacement	821,944	216,742	1,038,686	1,600,000	64.92%	290,563	(272,018)	18,545	
Total Cash Operating Expenses	\$ 14,193,465	\$ 1,062,481	\$ 15,255,946	\$ 21,754,750	70.13%	\$ (1,656,413)	\$ (1,249,866)	\$ (2,906,279)	-19.05%
Non-Cash Operating Expenses:									
Depreciation	\$ 5,082,524	\$ 558,953	\$ 5,641,477	\$ 6,850,000	82.36%	\$ (163,551)	\$ (16,824)	\$ (180,375)	-3.20%
OPEB Accrual Expense	1,341,682	201,308	1,542,990	550,000	280.54%	984,801	156,698	1,141,499	73.98%
Bad Debts	49,858	4,047	53,904	100,000	53.90%	43,442	3,892	47,334	87.81%
Service Costs Construction	29,250	(453)	28,797	125,000	23.04%	6,019	(5,452)	567	1.97%
Capitalized Construction	(775,577)	(58,884)	(834,460)	(1,000,000)	83.45%	(91,908)	41,648	(50,260)	6.02%
Total Non-Cash Operating Expenses	\$ 5,727,737	\$ 704,971	\$ 6,432,709	\$ 6,625,000	97.10%	\$ 778,803	\$ 179,962	\$ 958,765	14.90%
Non-Operating Expenses:									
Interest on Long-Term Debt	\$ 1,937,137	\$ 208,555	\$ 2,145,692	\$ 2,541,000	84.44%	\$ (12,770)	\$ (4,246)	\$ (17,016)	
Amortization of SWP	1,056,114	117,346	1,173,460	1,579,000	74.32%	57,801	12,261	70,062	
Other	1,035	-	1,035	-		535	-	535	
Total Non-Operating Expenses	\$ 2,994,286	\$ 325,901	\$ 3,320,186	\$ 4,120,000	80.59%	\$ 45,566	\$ 8,015	\$ 53,580	1.61%
Total Expenses	\$ 22,915,487	\$ 2,093,353	\$ 25,008,841	\$ 32,499,750	76.95%	\$ (832,045)	\$ (1,061,889)	\$ (1,893,934)	-7.57%

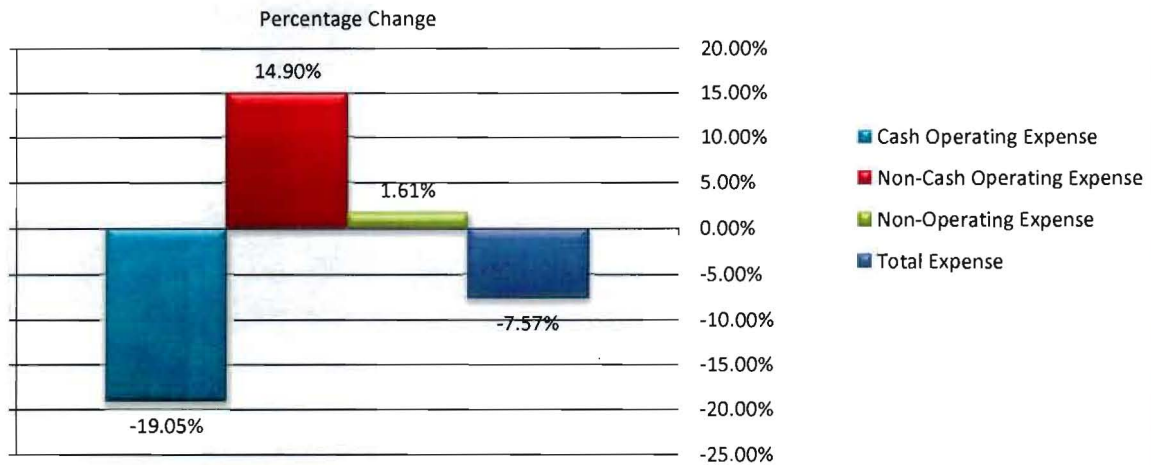
Palmdale Water District
Operating Expense Analysis
For the Ten Months Ending October 31, 2011
2010

2010 to 2011 Comparison

	Thru September	October	Year-to-Date	Adjusted Budget	% of Budget
Cash Operating Expenses:					
Directors	\$ 98,019	\$ 10,769	\$ 108,788	\$ 147,500	
Administration	2,815,513	392,291	3,207,804	3,808,000	84.24%
Engineering	815,599	94,890	910,489	975,000	93.38%
Facilities	3,410,046	425,596	3,835,642	4,970,000	77.18%
Operations	2,327,332	248,678	2,576,010	3,421,500	75.29%
Administrative Services	2,385,401	274,031	2,659,432	3,452,000	77.04%
Water Conservation	153,459	18,120	171,578	285,500	60.10%
Human Resources	151,646	18,183	169,830	206,500	
Water Purchases	3,032,770	427,144	3,459,914	2,600,000	133.07%
Water Recovery	(87,103)	(128,874)	(215,977)	(275,000)	78.54%
Capitalized Expenditures	215,814	42,759	258,574	936,000	
GAC Filter Media Replacement	531,381	488,760	1,020,141	1,216,000	
Total Cash Operating Expenses	\$ 15,849,878	\$ 2,312,347	\$ 18,162,225	\$ 21,743,000	83.53%
Non-Cash Operating Expenses:					
Depreciation	\$ 5,246,076	\$ 575,777	\$ 5,821,852	\$ 5,200,000	111.96%
OPEB Accrual Expense	356,881	44,610	401,491	521,736	
Bad Debts	6,415	155	6,570	75,000	8.76%
Service Costs Construction	23,231	4,999	28,230	200,000	14.12%
Capitalized Construction	(683,669)	(100,531)	(784,200)	(1,200,000)	65.35%
Total Non-Cash Operating Expenses	\$ 4,948,934	\$ 525,010	\$ 5,473,944	\$ 4,796,736	114.12%
Non-Operating Expenses:					
Interest on Long-Term Debt	\$ 1,949,907	\$ 212,801	\$ 2,162,708	\$ 2,551,000	84.78%
Amortization of SWP	998,313	105,085	1,103,398	1,334,000	82.71%
Other	500	-	500	-	
Total Non-Operating Expenses	\$ 2,948,720	\$ 317,886	\$ 3,266,606	\$ 3,885,000	84.08%
Total Expenses	\$ 23,747,532	\$ 3,155,243	\$ 26,902,775	\$ 30,424,736	88.42%

EXPENSE COMPARISON YEAR-TO-DATE

October '10-To-October '11



**Palmdale Water District
2011 Directors Budget
For the Ten Months Ending October 31, 2011**

	YTD ACTUAL 2011	ORIGINAL BUDGET 2011	ADJUSTMENTS 2011	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-01-4000-000 Directors Pay	\$ 33,300	\$ 45,000	\$ -	\$ 11,700	74.00%
Employee Benefits					
1-01-4005-000 Payroll Taxes	4,933	4,200		(733)	
1-01-4010-000 Health Insurance	75,076	85,000		9,924	88.33%
Subtotal (Benefits)	80,009	89,200	-	9,924	89.70%
Total Personnel Expenses	<u>\$113,309</u>	<u>\$134,200</u>	<u>\$ -</u>	<u>\$ 21,624</u>	<u>84.43%</u>
OPERATING EXPENSES:					
1-01-4050-000 Directors Travel, Seminars & Meetings	4,540	12,000		7,460	37.83%
Subtotal Operating Expenses	4,540	12,000	-	7,460	37.83%
Total O & M Expenses	<u>\$117,849</u>	<u>\$146,200</u>	<u>\$ -</u>	<u>\$ 29,084</u>	<u>80.61%</u>

**Palmdale Water District
2011 Administration Budget
For the Ten Months Ending October 31, 2011**

YTD ACTUAL 2011	ORIGINAL BUDGET 2011	ADJUSTMENTS 2011	ADJUSTED BUDGET REMAINING	PERCENT USED
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Personnel Budget:

1-02-4000-000 Salaries	\$ 504,126	\$ 560,000	\$ 55,874	90.02%
Employee Benefits				
1-02-4005-000 Payroll Taxes	32,152	43,000	10,848	74.77%
1-02-4010-000 Health Insurance	87,453	90,000	2,547	97.17%
1-02-4015-000 PERS	74,234	102,000	27,766	72.78%
1-02-4020-000 Worker's Compensation	124,473	200,000	75,527	62.24%
1-02-4025-000 Vacation Benefit Expense	24,284	35,000	10,716	69.38%
1-02-4030-000 Life Insurance	7,541	7,500	(41)	100.54%
Subtotal (Benefits)	\$ 350,136	\$ 477,500	\$ -	73.33%
Total Personnel Expenses	\$ 854,263	\$ 1,037,500	\$ 183,237	82.34%

OPERATING EXPENSES:

1-02-4050-000 Staff Travel	\$ 6,305	\$ 8,000	\$ 1,695	78.81%
1-02-4050-100 General Manager Travel	4,542	5,000	458	90.84%
1-02-4060-000 Staff Conferences & Seminars	378	3,000	2,622	12.60%
1-02-4060-100 General Manager Conferences & Seminars	1,905	4,500	2,595	42.33%
1-02-4070-000 Employee Expense	35,111	50,000	14,889	70.22%
1-02-4080-000 Other Operating	20,120	15,000	(5,120)	134.13%
1-02-4110-000 Consultants*	191,136	180,000	(17,136)	109.85%
1-02-4125-000 Insurance	226,957	350,000	123,043	64.84%
1-02-4130-000 Bank Charges	110,773	125,000	14,227	88.62%
1-02-4135-000 Groundwater Adjudication	1,013,885	425,000	(588,885)	238.56%
1-02-4140-000 Legal Services	404,591	600,000	195,409	67.43%
1-02-4150-000 Accounting Services	23,931	25,000	1,069	95.72%
1-02-4155-000 Contracted Services	22,823	50,000	27,177	45.65%
1-02-4165-000 Memberships/Subscriptions	67,992	110,000	42,008	61.81%
1-02-4175-000 Permits	8,952	20,000	11,048	44.76%
1-02-4180-000 Postage	19,126	45,000	25,874	42.50%
1-02-4190-100 Public Relations - Publications	37,892	32,000	(5,892)	118.41%
1-02-4190-900 Public Relations - Other	1,102	1,000	(102)	110.15%
1-02-4200-000 Advertising	2,629	3,000	371	87.63%
1-02-4205-000 Office Supplies	15,756	20,000	4,244	78.78%
1-02-4215-200 Natural Gas - Office Building	2,877	3,500	623	82.19%
1-02-4220-200 Electricity - Office Building	37,391	44,000	6,609	84.98%
1-02-4230-100 Maintenance & Repair - Office Building	8,196	18,000	9,804	45.53%
1-02-4230-110 Maintenance & Repair - Equipment	615	-	(615)	
1-02-4255-000 Office Furniture*	5,559	-	441	92.65%
1-02-6300-100 Supplies - Janitorial	218	1,500	1,282	14.51%
Subtotal Operating Expenses	\$ 2,270,761	\$ 2,138,500	\$ (132,261)	106.18%
Total Departmental Expenses	\$ 3,125,023	\$ 3,176,000	\$ 50,977	98.39%

* Budget adjustments by General Manager per Appendix A

**Palmdale Water District
2011 Engineering Budget
For the Ten Months Ending October 31, 2011**

	YTD ACTUAL 2011	ORIGINAL BUDGET 2011	ADJUSTMENTS 2011	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-03-4000-000 Salaries	\$ 636,584	\$ 750,000		\$ 113,416	84.88%
Employee Benefits					
1-03-4005-000 Payroll Taxes	48,928	57,500		8,572	85.09%
1-03-4010-000 Health Insurance	125,900	152,500		26,600	82.56%
1-03-4015-000 PERS	113,372	135,500		22,128	83.67%
Subtotal (Benefits)	\$ 288,201	\$ 345,500	\$ -	\$ 57,299	83.42%
Total Personnel Expenses	\$ 924,785	\$ 1,095,500	\$ -	\$ 170,715	84.42%
OPERATING EXPENSES:					
1-03-4050-000 Staff Travel	\$ 4,238	\$ 3,500		\$ (738)	121.09%
1-03-4060-000 Staff Conferences & Seminars	2,557	3,500		943	73.05%
1-03-4155-000 Contracted Services	5,743	5,000		(743)	114.86%
1-03-4165-000 Memberships/Subscriptions	2,422	2,500		78	96.89%
1-03-4230-110 Maintenance & Repair-Office Equipment	599	-		(599)	
1-03-4250-000 General Materials & Supplies	1,140	2,000		860	56.98%
1-03-8100-100 Computer Software - Maint. & Support	11,100	15,000		3,900	74.00%
Subtotal Operating Expenses	\$ 27,799	\$ 31,500	\$ -	\$ 3,701	88.25%
Total Departmental Expenses	\$ 952,584	\$ 1,127,000	\$ -	\$ 174,416	84.52%

**Palmdale Water District
2011 Facilities Budget
For the Ten Months Ending October 31, 2011**

Personnel Budget:

	YTD ACTUAL 2011	ORIGINAL BUDGET 2011	ADJUSTMENTS 2011	ADJUSTED BUDGET REMAINING	PERCENT USED
1-04-4000-000 Salaries	\$ 1,144,326	\$ 1,434,000		\$ 289,674	79.80%
Employee Benefits					
1-04-4005-000 Payroll Taxes	95,454	110,000		14,546	86.78%
1-04-4010-000 Health Insurance	284,110	337,000		52,890	84.31%
1-04-4015-000 PERS	204,829	252,000		47,171	81.28%
Subtotal (Benefits)	\$ 584,393	\$ 699,000	\$ -	\$ 114,607	83.60%
Total Personnel Expenses	\$ 1,728,718	\$ 2,133,000	\$ -	\$ 404,282	81.05%

OPERATING EXPENSES:

1-04-4050-000 Staff Travel	\$ 625	\$ 3,000		\$ 2,375	20.84%
1-04-4060-000 Staff Conferences & Seminars	2,081	3,000		919	69.37%
1-04-4155-000 Contracted Services	23,143	33,000		9,857	70.13%
1-04-4215-200 Natural Gas - Buildings	2,355	4,500		2,145	52.34%
1-04-4220-200 Electricity - Buildings	9,867	17,500		7,633	56.38%
1-04-4225-000 Maint. & Repair - Vehicles	35,550	45,000		9,450	79.00%
1-04-4235-110 Maint. & Rep. Operations - Equipment	4,913	5,000		87	98.26%
1-04-4235-400 Maint. & Rep. Operations - Wells	103,614	150,000		46,386	69.08%
1-04-4235-405 Maint. & Rep. Operations - Boosters	51,924	50,000		(1,924)	103.85%
1-04-4235-410 Maint. & Rep. Operations - Shop Bldgs	5,713	3,000		(2,713)	190.44%
1-04-4235-415 Maint. & Rep. Operations - Facilities	7,318	25,000		17,682	29.27%
1-04-4235-420 Maint. & Rep. Operations - Water Lines	363,927	370,000		6,073	98.36%
1-04-4235-425 Maint. & Rep. Operations - Littlerock Dam	17,679	25,000		7,321	70.72%
1-04-4235-430 Maint. & Rep. Operations - Palmdale Dam	22,699	25,000		2,301	90.79%
1-04-4235-435 Maint. & Rep. Operations - Palmdale Canal	184	5,000		4,816	3.68%
1-04-4235-455 Maint. & Rep. Operations - Heavy Equipment	27,995	40,000		12,005	69.99%
1-04-4235-460 Maint. & Rep. Operations - Storage Reservoirs	3,917	5,000		1,083	78.34%
1-04-6000-000 Waste Disposal	15,715	20,000		4,285	78.58%
1-04-6100-100 Fuel and Lube - Vehicle	104,894	115,000		10,106	91.21%
1-04-6100-200 Fuel and Lube - Machinery	21,457	43,000		21,543	49.90%
1-04-6200-000 Uniforms	12,431	20,000		7,569	62.16%
1-04-6300-100 Supplies - Misc.	36,760	50,000		13,240	73.52%
1-04-6300-800 Supplies - Construction Materials	60,031	100,000		39,969	60.03%
1-04-6400-000 Tools	6,046	12,000		5,954	50.38%
1-04-7000-100 Leases -Equipment	8,230	15,000		6,770	54.87%
Subtotal Operating Expenses	\$ 949,071	\$ 1,184,000	\$ -	\$ 234,929	80.16%
Total Departmental Expenses	\$ 2,677,789	\$ 3,317,000	\$ -	\$ 639,211	80.73%

**Palmdale Water District
2011 Operation Budget
For the Ten Months Ending October 31, 2011**

	YTD ACTUAL 2011	ORIGINAL BUDGET 2011	ADJUSTMENTS 2011	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-05-4000-000 Salaries	\$ 1,339,338	\$ 1,615,000		\$ 275,662	82.93%
Employee Benefits					
1-05-4005-000 Payroll Taxes	103,413	123,500		20,087	83.74%
1-05-4010-000 Health Insurance	288,274	380,000		91,726	75.86%
1-05-4015-000 PERS	227,690	289,000		61,310	78.79%
Subtotal (Benefits)	\$ 619,377	\$ 792,500	\$ -	\$ 173,123	78.15%
Total Personnel Expenses	\$ 1,958,715	\$ 2,407,500	\$ -	\$ 448,785	81.36%
OPERATING EXPENSES:					
1-05-4050-000 Staff Travel	\$ 9,691	\$ 10,800		\$ 1,109	89.73%
1-05-4060-000 Staff Conferences & Seminars	8,088	10,800		2,712	74.89%
1-05-4120-100 Training - Lab Equipment	1,962	7,500		5,538	26.15%
1-05-4155-000 Contracted Services	55,109	73,500		18,391	74.98%
1-05-4175-000 Permits	27,083	51,000		23,917	53.10%
1-05-4215-100 Natural Gas - Wells & Boosters	77,895	150,000		72,105	51.93%
1-05-4215-200 Natural Gas - WTP	1,861	3,000		1,139	62.02%
1-05-4220-100 Electricity - Wells & Boosters	852,225	1,440,000		587,775	59.18%
1-05-4220-200 Electricity - WTP	116,385	190,000		73,615	61.26%
1-05-4230-110 Maint. & Rep. - Office Equipment	334	500		166	66.72%
1-05-4235-110 Maint. & Rep. Operations - Equipment	5,597	15,000		9,403	37.32%
1-05-4235-410 Maint. & Rep. Operations - Shop Bldgs	552	6,000		5,448	9.20%
1-05-4235-415 Maint. & Rep. Operations - Facilities	40,404	38,000		(2,404)	106.33%
1-05-4235-445 Maint. & Rep. Operations - Telemetry	14,490	2,250		(12,240)	644.01%
1-05-4235-450 Maint. & Rep. Operations - Hypo Generator	1,344	7,250		5,906	18.54%
1-05-4236-000 Palmdale Lake Management	13,464	21,000		7,536	64.12%
1-05-4250-000 General Material & Supplies	569	-		(569)	
1-05-4270-300 Telecommunication - Other	2,569	2,250		(319)	114.20%
1-05-4300-300 Testing - Edison	5,385	10,000		4,615	53.85%
3-05-4300-100 R & D - Filter media Testing	-	13,000		13,000	0.00%
1-05-5011-000 Emergency Repair & Recovery	10,235	-			
1-05-6000-000 Waste Disposal	5,535	36,000		30,465	15.37%
1-05-6200-000 Uniforms	5,567	10,000		4,433	55.67%
1-05-6300-100 Supplies - Misc.	7,797	15,000		7,203	51.98%
1-05-6300-200 Supplies - Hypo Generator	4,971	6,750		1,779	73.65%
1-05-6300-300 Supplies - Electrical	1,862	2,700		838	68.96%
1-05-6300-400 Supplies - Telemetry	1,100	8,250		7,150	13.34%
1-05-6300-600 Supplies - Lab	25,303	35,000		9,697	72.29%
1-05-6300-700 Outside Lab Work	57,880	67,500		9,620	85.75%
1-05-6400-000 Tools	6,427	6,500		73	98.88%
1-05-6500-000 Chemicals	380,503	420,000		39,497	90.60%
1-05-7000-100 Leases -Equipment	1,002	4,000		2,998	25.05%
Subtotal Operating Expenses	\$ 1,743,192	\$ 2,663,550	\$ -	\$ 930,593	65.45%
Total Departmental Expenses	\$ 3,701,907	\$ 5,071,050	\$ -	\$ 1,379,378	73.00%

Palmdale Water District
2011 Administrative Services Budget
For the Ten Months Ending October 31, 2011

	YTD ACTUAL 2011	ORIGINAL BUDGET 2011	ADJUSTMENTS 2011	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-06-4000-000 Salaries	\$ 1,228,353	\$ 1,540,000		\$ 311,647	79.76%
Employee Benefits					
1-06-4005-000 Payroll Taxes	101,528	118,000		16,472	86.04%
1-06-4010-000 Health Insurance	302,795	365,000		62,205	82.96%
1-06-4015-000 PERS	221,829	276,500		54,671	80.23%
Subtotal (Benefits)	\$ 626,152	\$ 759,500	\$ -	\$ 133,348	82.44%
Total Personnel Expenses	\$ 1,854,505	\$ 2,299,500	\$ -	\$ 444,995	80.65%
OPERATING EXPENSES:					
1-06-4050-000 Staff Travel	\$ 173	\$ 1,000		827	17.32%
1-06-4060-000 Staff Conferences & Seminars	456	500		44	91.14%
1-06-4155-100 Contracted Services - Infosend	172,885	205,000		32,115	84.33%
1-06-4155-300 Contracted Services - Computer Vendors	14,619	-		(14,619)	
1-06-4165-000 Memberships/Subscriptions	275	500		225	55.00%
1-06-4230-110 Maintenance & Repair - Office Equipment	209	2,000		1,791	10.43%
1-06-4235-440 Maint. & Rep. Operations - Large Meters	5,494	41,000		35,506	13.40%
1-06-4235-470 Maint. & Rep. Operations - Meter Exchanges	123,725	125,000		1,275	98.98%
1-06-4250-000 General Material & Supplies	5,939	4,000		(1,939)	148.47%
1-06-4260-000 Business Forms	5,134	10,000		4,866	51.34%
1-06-4270-100 Telecommunication - Office	23,022	30,000		6,978	76.74%
1-06-4270-200 Telecommunication - Cellular Stipend	13,215	20,000		6,785	66.08%
1-06-4270-300 Telecommunication - Cellular	2,013	-		(2,013)	
1-06-4300-200 Testing - Large Meter Testing	12,000	21,500		9,500	55.81%
1-06-7000-100 Leases - Equipment	2,432	2,200		(232)	110.56%
Subtotal Operating Expenses	\$ 381,591	\$ 462,700	\$ -	\$ 81,109	82.47%
Total Departmental Expenses	\$ 2,236,096	\$ 2,762,200	\$ -	\$ 526,104	80.95%

**Palmdale Water District
2011 Water Conservation Budget
For the Ten Months Ending October 31, 2011**

	YTD ACTUAL 2011	ORIGINAL BUDGET 2011	ADJUSTMENTS 2011	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-07-4000-000 Salaries	\$ 121,125	\$ 150,000		\$ 28,875	80.75%
Employee Benefits					
1-07-4005-000 Payroll Taxes	9,482	11,500		2,018	82.45%
1-07-4010-000 Health Insurance	12,759	15,500		2,741	82.31%
1-07-4015-000 PERS	22,189	27,000		4,811	82.18%
Subtotal (Benefits)	\$ 44,429	\$ 54,000	\$ -	\$ 9,571	82.28%
Total Personnel Expenses	\$ 165,554	\$ 204,000	\$ -	\$ 38,446	81.15%
OPERATING EXPENSES:					
1-07-4050-000 Staff Travel	\$ -	\$ 1,000		\$ 1,000	0.00%
1-07-4060-000 Staff Conferences & Seminars	35	500		465	7.00%
1-07-4190-300 Public Relations - Landscape Workshop/Training	974	2,500		1,526	38.98%
1-07-4190-400 Public Relations - Contests	58	1,500		1,442	3.86%
1-07-4190-500 Public Relations - Education Programs	616	1,000		384	61.65%
1-07-6300-100 Supplies - Misc.	1,869	2,000		131	93.44%
Subtotal Operating Expenses	\$ 3,552	\$ 8,500	\$ -	\$ 4,948	41.79%
Total Departmental Expenses	\$ 169,107	\$ 212,500	\$ -	\$ 43,393	79.58%

**Palmdale Water District
2011 Human Resources Budget
For the Ten Months Ending October 31, 2011**

	YTD ACTUAL 2011	ORIGINAL BUDGET 2011	ADJUSTMENTS 2011	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-08-4000-000 Salaries	\$ 98,292	\$ 124,000		\$ 25,708	79.27%
Employee Benefits					
1-08-4005-000 Payroll Taxes	7,032	9,500		2,468	74.02%
1-08-4010-000 Health Insurance	17,534	38,000		20,466	46.14%
1-08-4015-000 PERS	18,771	23,000		4,229	81.61%
Subtotal (Benefits)	\$ 43,337	\$ 70,500	\$ -	\$ 27,163	61.47%
Total Personnel Expenses	\$ 141,629	\$ 194,500	\$ -	\$ 52,871	72.82%
OPERATING EXPENSES:					
1-08-4050-000 Staff Travel	\$ 1,325	\$ 2,000		\$ 675	66.27%
1-08-4060-000 Staff Conferences & Seminars	1,295	2,000		705	64.75%
1-08-4090-000 Temporary Staffing	1,966	-		(1,966)	
1-08-4095-000 Employee Recruitment*	679	3,000	(500)	1,821	22.63%
1-08-4100-000 Employee Retention*	830	1,000	500	671	82.95%
1-08-4105-000 Employee Relations	3,185	3,000		(185)	106.17%
1-08-4110-000 Consultants	-	1,000		1,000	0.00%
1-08-4120-100 Training-Safety Consultants	13,312	30,000		16,688	44.37%
1-08-4121-000 Safety Program	-	1,000		1,000	0.00%
1-08-4165-000 Membership/Subscriptions	579	1,000		421	57.90%
1-08-4165-100 HR/Safety Publications*	1,246	1,000	750	504	71.17%
1-08-6300-500 Supplies - Safety*	20,801	33,500	(750)	11,949	62.09%
Subtotal Operating Expenses	\$ 45,217	\$ 78,500	\$ -	\$ 33,283	57.60%
Total Departmental Expenses	\$ 186,846	\$ 273,000	\$ -	\$ 86,154	68.44%

* Budget adjustments by General Manager per Appendix A

**Palmdale Water District
2011 Information Technology Budget
For the Ten Months Ending October 31, 2011**

	YTD ACTUAL 2011	ORIGINAL BUDGET 2011	ADJUSTMENTS 2011	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-09-4000-000 Salaries	\$ 156,071	\$ 201,000		\$ 44,929	77.65%
Employee Benefits					
1-09-4005-000 Payroll Taxes	11,725	15,500		3,775	75.65%
1-09-4010-000 Health Insurance	32,128	39,000		6,872	82.38%
1-09-4015-000 PERS	27,824	35,000		7,176	79.50%
Subtotal (Benefits)	\$ 71,678	\$ 89,500	\$ -	\$ 17,822	80.09%
Total Personnel Expenses	\$ 227,749	\$ 290,500	\$ -	\$ 62,751	78.40%
OPERATING EXPENSES:					
1-09-4050-000 Staff Travel	\$ 1,324	\$ 1,500		176	88.29%
1-09-4060-000 Staff Conferences & Seminars	4,621	10,000		5,379	46.21%
1-09-4120-100 Cogsdale Reimplementation & Templates	19,903	120,000		100,097	16.59%
1-09-4155-300 Contracted Services - Computer Vendors	7,739	62,000		54,261	12.48%
1-09-4165-000 Memberships/Subscriptions	340	500		160	67.99%
1-09-8000-100 Computer Equipment - Computers	4,178	45,000		40,822	9.29%
1-09-8000-200 Computer Equipment - Laptops	-	7,500		7,500	0.00%
1-09-8000-300 Computer Equipment - Monitors	639	1,000		361	63.94%
1-09-8000-400 Computer Equipment - Printers	1,911	2,500		589	76.44%
1-09-8000-500 Computer Equipment - Toner Cartridges	12,225	12,000		(225)	101.87%
1-09-8000-600 Computer Equipment - Other	7,133	20,000		12,867	35.67%
1-09-8100-100 Computer Software - Maint. and Support	32,549	55,000		22,451	59.18%
1-09-8100-150 Computer Software - Cogsdale Maint and Support	109,439	70,000		(39,439)	156.34%
1-09-8100-200 Computer Software - Software and Upgrades	3,321	15,000		11,679	22.14%
Subtotal Operating Expenses	\$ 205,323	\$ 422,000	\$ -	\$ 216,677	48.65%
Total Departmental Expenses	\$ 433,072	\$ 712,500	\$ -	\$ 279,428	60.78%

Engineering Department Projected Payout Schedule November - 2011

Project Title	Contractor/Consultant	November	December	January	February	March	April	May	June
Strategic Water Resources Plan CEQA	ESA	7,522	10,000	9,794					
Recycled Water Master Plan CEQA	RMC								
Littlerock Dam Sediment Removal EIR/EIS	Aspen	14,229	20,000	20,000	20,000	20,000			
Cost Recovery Payment	USFS			120,000					
Spec. No. 0903 - 9th/12th Street East S/O Avenue Q Construction	VCI	100,000	150,000	150,000	150,000	150,000	86,400		
Spec. No. 0902 - Ave. Q-3, Division, Sumac Construction	TBD				150,000	150,000	150,000	150,000	150,000
Annual tank maintenance program (Year 5 of 5)	Utility Services						365,000		
Sub-Total Expenditures:		121,751	180,000	299,794	320,000	320,000	601,400	150,000	150,000

Operating projects	Contractor/Consultant	November	December	January	February	March	April	May	June
2011 Granular Activated Carbon Supply 2011 Change-Outs GAC Vessel at Underground Booster Station	Calgon TBD	217,000	100,000	70,000	250,000 40,000		250,000		250,000
Wind Turbine Maintenance Annual Maintenance Contract	Vestas America	5,000	2,500						
Sub-Total Expenditures:		222,000	102,500	70,000	290,000	40,000	250,000	0	250,000

Contractual Commitments and Projected Payout Schedule

Project Title	Contractor/Consultant	Budgeted	Contracted	Spent to Date	Prior Years Remaining	Current Year Remaining	September	October	November	December	January	February	March	April	May	June
2011 Granual Activated Carbon Supply GAC Vessel Underground Booster 2011 Change-Outs	TBD	\$ 1,600,000	\$ -	\$ 818,499	\$ -			\$ 216,742	\$ 217,000	\$ 100,000	\$ 70,000	\$ 40,000	\$ 40,000	\$ 250,000		\$ 250,000
Strategic Water Resources Plan CEQA (PWD/SPCWRPLN)	Environmental Science	\$ 250,000	\$ 222,431	\$ 187,272	\$ -	\$ 55,159	\$ 15,550		\$ 7,522	\$ 10,000	\$ 9,794					
Recycled Water Master Plan CEQA	RMC	\$ 60,000	\$ 102,032	\$ 69,108	\$ 42,924											
Littlerock Dam Sediment Removal Cost Recovery EIR/EIS	Aspen	\$ 150,000	\$ 651,493	\$ 521,937	\$ 129,556		\$ 27,835		\$ 14,229	\$ 20,000	\$ 120,000	\$ 20,000	\$ 20,000	\$ 20,000		
Wind Turbine Maintenance Annual Maintenance Contract	Vestas America	\$ 7,500	\$ 7,500	\$ -	\$ 7,500				\$ 5,000	\$ 2,500						
Spec. No. 1002 - Avenue Q / 10th to 20th St. E. W.M. Replacement Construction (10 AR RCP-05)	BV Construction	\$ 625,000	\$ 553,307	\$ 546,925	\$ -	\$ 6,382	\$ 375	\$ 64,943								
Spec. No. 0903 - Avenue Q / 9th to 12th St. E. W.M. Replacement Construction (11AR RCP08)	VCI	\$ 850,000	\$ 850,000	\$ -	\$ -	\$ 850,000	\$ 3,545		\$ 100,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 86,400		
Spec. No. 0902 - Ave. Q-3, Division, Sumac Construction	TBD	\$ 900,000	\$ -	\$ -	\$ 900,000						\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
WTP Security System Construction	TBD	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ 50,000			\$ 10,000	\$ 20,000	\$ 20,000	\$ 50,000	\$ 70,000	\$ 50,000		
WELL 11A Rehabilitation Construction (11WS RCP23)	TBD	\$ 300,000	\$ 300,000	\$ -	\$ -	\$ 300,000			\$ 75,000	\$ 100,000	\$ 50,000	\$ 75,000				
Water Rebate Program	In-House	\$ 250,000	\$ 250,000	\$ 66,592	\$ -	\$ 183,408	\$ 16,443	\$ 6,805	\$ 18,341	\$ 18,341	\$ 18,341	\$ 18,341	\$ 18,341	\$ 18,341	\$ 18,341	\$ 18,341
Garden Bar Study (10 WS PL-07)	RMC	\$ 40,000	\$ 40,000	\$ 39,849	\$ -	\$ 151	\$ 7,694		\$ 151							
Urban Water Management Plan (10 WS PL-06)	TBD	\$ 20,000	\$ 20,000	\$ 18,952	\$ -	\$ 1,038	\$ 18,952		\$ 519	\$ 519						
Minor Expenditures and Adjustments for Older Projects																
Sub-Total Expenditures: Excluding Expensed P & L		\$ 3,495,000	\$ 3,039,263	\$ 1,420,845	\$ 172,480	\$ 2,346,138	\$ 74,854	\$ 71,748	\$ 218,240	\$ 308,860	\$ 528,341	\$ 463,341	\$ 408,341	\$ 304,741	\$ 168,341	\$ 168,341

Multiple year and budget project

Current year Budget and Project

Prior Year Projects

Projects Included in Expensed P & L

\$ 2,518,618

PALMDALE WATER DISTRICT BOARD MEMORANDUM

AGENDA ITEM NO. 4.5

DATE: November 17, 2011

November 21, 2011

TO: FINANCE COMMITTEE

Committee Meeting

FROM: Mr. Robert M. Egan, Financial Advisor

RE: *AGENDA ITEM NO. 4.5 – CONSIDERATION AND POSSIBLE ACTION ON PROPOSALS RECEIVED FOR PREPARATION OF THE DISTRICT'S ANNUAL AUDIT FOR YEARS 2011, 2012, AND 2013. (\$53,250.00 - BUDGETED)*

Recommendation:

From an economic standpoint, it is recommend that the Finance Committee approve the proposal received from LSL Certified Public Accountants for preparing the District's financial audit for the years 2011, 2012, and 2013 in the total not-to-exceed amount of \$53,250.00 and that this item be presented to the full Board for consideration at the November 23, 2011 Board meeting.

Background:

Charles Z. Fedak & Company has provided the District's auditing services since 2005 and prepared the audits for years 2008, 2009, and 2010 at a cost of \$20,000, \$20,700, and \$21,400, respectively. It is a normal process after five or more years with the same auditor to solicit proposals for auditing services. Accordingly, Requests for Proposals (RFPs) for auditing services were submitted to five auditing firms from a list prepared by Finance Manager Williams. Only two firms and Charles Z. Fedak & Company responded to the RFP.

Supporting Documents:

- Summary of auditing proposals received
- Letter from Robert M. Egan, CPA requesting proposals
- Cost proposal from LSL Certified Public Accountants
- Cost proposal from Brown Armstrong Accountancy Corporation

Strategic Plan Element:

This work is part of Strategic Element 6.0 Financial Management.

Budget:

The annual contractual amounts will be included in the budget for each year through 2013.

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Current cpa Fedak	20,000	20,700	21,400
Brown Armstrong	19,500	20,500	21,500
LSL	17,750	17,750	17,750

ROBERT M. EGAN, CPA

20910 MARTINEZ ST.
WOODLAND HILLS, CALIFORNIA 91364
(818) 346-2026 FAX (818) 704-8009

Lance, Soll & Lunghard
203 North Brea Blvd.
Suite 203
Brea, CA 92821

Attn: Richard Kikuchi
richard.kikuchi@lslcpas.com

Richard:

I am the financial advisor for the Palmdale Water District, 2029 East Avenue Q, Palmdale, CA 93550.

I have attached the 2010 and 2009 audit report. We are asking you to review and prepare an audit proposal for 2011, 2012 and 2013. We would like an all inclusive fee quote that includes out-of-pocket expenses. We have no disputes with our current CPA firm, this is strictly a normal process after five or more years with the same auditor.

Minimum requirements are current water district clients and that your firm has been peer reviewed. Please provide the names of those water district's and the date and results of your most recent peer review.

The District provides a complete audit package with detailed backup for audit.

Please try to get back to me by Friday.

I will be happy to answer any questions at the number above

Thank you,



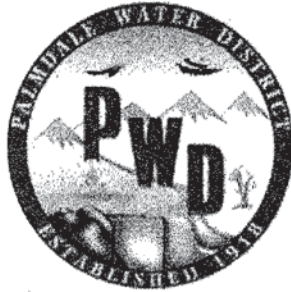
Bob

We're focused on you



PALMDALE WATER DISTRICT

**PROPOSAL TO PROVIDE
PROFESSIONAL AUDITING SERVICES**



**PROPOSAL TO PROVIDE
PROFESSIONAL AUDITING SERVICES**

Prepared by:

Lance, Soll & Lunghard, LLP
Certified Public Accountants
203 N. Brea Blvd, Suite 203
Brea, California 92821-4056
(714) 672-0022



October 20, 2011

Contact Person:

Richard K. Kikuchi, CPA, Partner
richard.kikuchi@slcpas.com

PALMDALE WATER DISTRICT
PROPOSAL TO PROVIDE PROFESSIONAL AUDITING SERVICES

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PALMDALE WATER DISTRICT
PROPOSAL TO PROVIDE PROFESSIONAL AUDITING SERVICES

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CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
- A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA

October 20, 2011

Palmdale Water District
Robert M. Egan, CPA
Financial Advisor
2029 East Avenue Q
Palmdale, CA 93550

Lance, Soll & Lunghard, LLP is pleased to respond to your Request for Proposal for Professional Auditing Services. As a leader in the field of governmental accounting and auditing, we appreciate this opportunity given to us to present our professional qualifications. Our Firm consists of approximately 50 talented individuals and our philosophy is to "focus" on our client needs and to provide outstanding service.

Because of our extensive governmental experience, dedication to excellence and determination to retain the brightest and most talented professionals, we are certain that Lance, Soll & Lunghard, LLP is the most qualified accounting firm to provide professional auditing services to the Palmdale Water District.

The annual services that would be provided for the Palmdale Water District, for the fiscal year ending June 30, 2011 through June 30, 2013 would be as follows:

1. Perform a financial audit of the Basic Financial Statements of the Palmdale Water District. We understand that Lance, Soll & Lunghard, LLP will be preparing this report. Our audit would express an opinion as to whether the financial statements and associated notes conform to accounting principles generally accepted in the United States of America.
2. Perform a review and make recommendations on the internal control structure, which consists of the Control Environment, Accounting System and Control Procedures. Annually, we will prepare and issue the SAS 115 "management letter". Also, we shall make an immediate and written report of any irregularities and illegal acts or indication of illegal acts coming to our attention.



CERTIFIED PUBLIC ACCOUNTANTS

Palmdale Water District
Robert M. Egan, CPA
Financial Advisor
October 20, 2011

The sections that follow describe the benefits your organization would receive from Lance, Soll & Lunghard, LLP. This proposal is a firm and irrevocable offer for the fiscal years ending June 30, 2011 through June 30, 2013 for ninety days. For purposes of this proposal, Richard K. Kikuchi, Partner is authorized to make representations for our firm. I can be reached at the address above or by phone at (714) 672-0022.

Very truly yours,

Richard K. Kikuchi, Partner
LANCE, SOLL & LUNGHARD, LLP

INTRODUCTION TO LANCE, SOLL & LUNGHARD, LLP

Lance, Soll & Lunghard, LLP is a regional public accounting firm that has met the auditing needs of governmental entities, including special districts, throughout California for over 80 years. This experience has led to the development of efficient procedures that provide numerous client benefits. Our clients have grown to understand that an audit from Lance, Soll & Lunghard, LLP provides them with a wealth of knowledge, confidence and value added services. For this and many other reasons, Lance, Soll & Lunghard, LLP has consistently been named one of the "Top Accounting Firms" in the state of California.

We meet the independence requirements as defined by Auditing Standards Generally Accepted in the United States of America and the U.S. General Accounting Office's *Government Auditing Standards* (2007 revision). We are a partnership consisting of seven partners who do not own any other business organization that has in the past, or will in the future, be providing services, supplies, materials or equipment to the Palmdale Water District. Lance, Soll & Lunghard, LLP will provide written notice of any professional relationship entered into during the period of the proposed agreement.

LICENSE TO PRACTICE IN CALIFORNIA

We are a public accounting firm licensed by the State of California, Department of Consumer Affairs, as a Public Accounting Partnership. All of our partners are Certified Public Accountants licensed by the State of California. As a firm, we are members of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. All key staff to be assigned to this engagement are or will be licensed by the State of California to practice as Certified Public Accountants.

FIRM QUALIFICATIONS AND EXPERIENCE

LOCATIONS OF OFFICES

We have two offices in the Southern California and one in the Northern California area which provide services to the western region of the United States. Our headquarters are located in Orange County in the City of Brea, California, our Temecula Valley office is located in the City of Murrieta, California and our Silicon Valley office is located in the City of San Jose, California. The audit for the Palmdale Water District will be staffed out of our Orange County office.

NUMBER OF PERSONNEL

We presently have seven partners. Professional staff consists of seven managers, ten seniors and twenty associates. Governmental staff consists of two partners, four managers, five seniors and ten staff auditors.

Local government expertise is led by the following partners:

Richard K. Kikuchi, C.P.A., Partner
Bryan S. Gruber, C.P.A., Partner

Firm Qualifications and Experience (Continued)

RANGE OF ACTIVITIES

Our activities overall cover auditing, compilation and review services, management services and income tax preparation. Approximately **60%** of our practice deals with governmental auditing and related services. Generally, our municipal services break down into the following major classifications:

Financial Auditing:

Governmental Entities (See **Appendix A** for an additional breakdown)

Management Services:

Agreed Upon Procedures

Internal Audits

Compliance Reviews (Franchise Fees, Lease Agreements, etc.)

GFOA Award Program

We prepare the financial statements and footnote disclosures for most of our clients that have received the GFOA award. All of our governmental partners, managers and seniors have been closely involved in the preparation of these reports. Our government clients which are presently receiving these awards are as follows:

San Diego County Water Authority
Three Valleys Municipal Water District
Foothill Transit Authority
City of Cathedral City
City of Chino Hills
City of Vista
City of Escondido
City of Fontana
City of Malibu
City of Manhattan Beach
City of Menifee
City of South Pasadena
City of Rancho Cucamonga
City of West Hollywood
City of Thousand Oaks

Orange County Water District
City of Yorba Linda
City of Colton
City of Glendora
City of Claremont
City of Emeryville
City of La Mirada
City of La Quinta
City of Monrovia
City of Ontario
City of Palm Springs
City of Temecula
City of Walnut
City of Simi Valley
City of San Carlos

Federal Single Audit – OMB Circular A-133

We perform single audit services for all of our cities that have federal grants and meet the requirements as stipulated under OMB Circular A-133. These engagements fully comply with OMB Circular A-133 and include preparing the Schedule of Federal Expenditures along with all required opinions.

Firm Qualifications and Experience (Continued)

Our procedures in this area were reviewed by the State Controller's Office acting in their capacity as cognizant agency and we were given high marks for our approach and documentation. Presently, we perform or have performed the Federal Single Audits for the following government clients:

Foothill Transit Authority
City of Azusa
City of Cathedral City
City of Claremont
City of Fontana
City of Ontario
City of Big Bear Lake
City of Palm Springs
City of Thousand Oaks
City of Temecula
City of Vista

City of San Carlos
City of Chino Hills
City of La Quinta
City of Yorba Linda
City of Rancho Cucamonga
City of Monrovia
City of Imperial Beach
City of Walnut
City of West Hollywood
City of Coronado
City of Lancaster

REFERENCES OF GOVERNMENTAL CLIENTS

As previously mentioned, we have over 80 years of experience auditing local governments (including water districts, special districts, cities, joint powers authorities and single audits performed under OMB Circular A-133).

A complete listing of current audit clients, along with phone numbers of contact personnel and references as to services provided, is contained in **Appendix A** to this proposal. We welcome you contacting any or all of these to get their opinion on the services we provide.

PEER REVIEW

We are members of the American Institute of Certified Public Accountant's Private Companies Practice Section, which has the requirement for peer review along with Generally Accepted Government Auditing Standards. We have participated in the peer review program since its inception and have undergone several peer reviews. The first review was conducted by Arthur Young & Company (now Ernst & Young) and the most recent by R.H. Johnston Accountancy Inc. Overall, they confirmed what we already knew, that our approach and procedures are in compliance with technical and professional pronouncements. All of these peer reviews covered governmental engagements. Our most recent peer review, conducted by R.H. Johnston Accountancy Inc., is included in **Appendix C** to this proposal.

DISCIPLINARY ACTION

There have been no disciplinary actions against our organization since its inception. All of our Single Audit reports are desk reviewed either by the Federal cognizant agency or the State Controller's Office acting as the Oversight Agency. We have never had a report rejected by any of these agencies. In fact, we are highly regarded and recognized by the staff of the State Controller's Office as a firm that always submits top quality reports.

PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

PERSONNEL ASSIGNED TO THE AUDIT

The most critical component in the successful completion of an audit is the personnel assigned to carry out the responsibilities. We have assembled a **Lance, Soll & Lunghard, LLP Team** composed of individuals with the optimum mix of talents. The individuals assigned have experience in performing the tasks for which they are responsible, as well as familiarity with all municipal accounting operations. In addition, each has developed extensive skills in a variety of other complementary subjects through their work with clients in other industries. Thus, the experience gained on previous assignments can be applied and tailored to the unique needs of your organization.

The partners at Lance, Soll & Lunghard, LLP are routinely an integral part of the audit process and will be overseeing and supervising staff personnel in the field. For the Palmdale Water District, the personnel assigned to the engagement would be as follows:

Partner	Richard K. Kikuchi, CPA
Audit Manager	Kelly A. Culver, CPA
Auditor	Trevor Agrelius, license in process

Resumes for these individuals are located in **Appendix B**.

STAFF AUDITORS

The firm's policy of assigning seniors to an engagement requires that the senior have at least two years of government auditing experience. He or she must have demonstrated a high degree of understanding of governmental accounting and auditing, as well as of the firm's overall client philosophy. Having been assigned to the engagement before is also an important factor in assigning a manager or auditor to an engagement. Any changes in personnel will be approved by the Palmdale Water District. Lance, Soll & Lunghard, LLP's philosophy is to provide **quality audit services with minimal disruption to District staff**. Our focused efforts to obtain and retain quality staff have further enabled us to provide this to our clients.

CONTINUING EDUCATION

As a firm policy, and in compliance with the continuing education requirements promulgated by the AICPA, General Accounting Office and the California Society of CPAs, all our staff auditors (certified and non-certified) meet the requirement of 40 hours of continuing education every year, with at least 24 hours in governmental accounting and auditing in a two year period. For our educational programs, we utilize in-house seminars, California Society of CPAs attendance courses, AICPA training video tapes, and self-study AICPA/California Society of CPAs materials. Our formal education program was reviewed by independent firms during our peer review process and no exceptions were noted.

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT / SANITARY DISTRICTS

Similar engagements performed would be as follows:

Orange County Water District – Audit and preparation of a Comprehensive Annual Financial Report (CAFR) which receives the National award. Last audit performed was for June 30, 2011. Total hours were 485. Engagement partner is Mr. Richard K. Kikuchi and Mr. Bryan S. Gruber. Contact person: Mr. Kevin Greene, Accounting Manager (714) 378-3283.

San Diego County Water Authority - Audit and preparation of a Comprehensive Annual Financial Report (CAFR) which receives the National award. Also involves the Quantification Settlement Agreement JPA which is a joint powers authority including Imperial Irrigation District, Coachella Valley Water District, State Department of Fish and Game and the San Diego County Water Authority. Last audit performed was for June 30, 2011. Total hours were 524. Engagement partner is Mr. Richard K. Kikuchi. Contact person: Mr. Rod Greek, Controller (858) 522-6679.

Three Valleys Municipal Water District – Audit and preparation of a Comprehensive Annual Financial Report (CAFR) which receives the National award. Lance, Soll & Lunghard also prepares the state controllers report. Last audit performed was for June 30, 2011. Total hours were 230. Engagement partner is Mr. Richard K. Kikuchi and Mr. Bryan S. Gruber. Contact person: Mr. James Linthicum, Chief Finance Officer (909) 621-5568.

Orange County Sanitation District – Lance, Soll & Lunghard currently provides annual internal audit services for the District in order to provide feedback and guidance on the internal controls of the District and also to perform various special audits under the direction of the governing board. Last audits were performed for June 30, 2011. Total hours are approximately 600. Engagement partner is Mr. Richard K. Kikuchi and Mr. Bryan S. Gruber. Contact person: Mr. Mike White, Controller (714) 593-7570.

A complete listing of current government audit clients is contained in **Appendix A** to this proposal. We welcome you contacting any or all of these to get their opinion on the services we provide.

SPECIFIC AUDIT APPROACH

With regard to District staff time, we recognize that the Palmdale Water District's finance department staff is being fully utilized and thus we would attempt to keep assistance of District staff at a minimum. LSL is able to do this because of our extensive experience auditing similar agencies.

PROPOSED SEGMENTATION OF ENGAGEMENT

We utilize a standardized governmental audit program which we will tailor to the Palmdale Water District's operations. The tailoring is necessary to accommodate specific client circumstances and to recognize differences in local statutes, ordinances, and similar unique characteristics. Our audit programs are organized using the financial statement (balance sheet) category approach. This approach takes full advantage of our accumulated experience. The primary benefit is that the risk of omitting important procedures is substantially reduced. We believe that this approach tends to be the most effective and efficient for an entity such as the

Specific Audit Approach (Continued)

Palmdale Water District. In a standardized program, the audit procedures are listed in the most logical sequence, and that improves efficiency. The savings in effort and time gained by using a standardized audit program can free an auditor's attention for unusual or difficult situations that may arise. The audit programs are designed to increase audit efficiency by linking financial statement assertions, audit objectives, and procedures that are basic to most governmental audit engagements.

LEVEL OF STAFF AND NUMBER OF HOURS TO BE ASSIGNED

The level of personnel assigned to the engagements and number of hours estimated to be spent on each proposed segment is as follows:

Segment	Partner	Manager	Senior	Staff	Total
District Audit	16.0	20.0	60.0	40.0	136.0
Total	16.0	20.0	60.0	40.0	136.0

SAMPLE SIZE AND EXTENT OF STATISTICAL SAMPLING

Our approach is to utilize statistical sampling in the areas of receipts, disbursements, utility billing and payroll. Here we develop a statistical conclusion based upon an initial computer selected random sample of 20 transactions. If errors are noted in the sample, the sample size will be expanded. We believe that a random selection can be the most efficient, while providing each item in the population an equal chance of being selected. Additionally, for receipts and disbursements, we select a stratified sample of all transactions over a specified dollar limit for review. This allows us to cover all high dollar value transactions not otherwise selected in the random sample. Our samples are selected randomly utilizing IDEA data analysis software.

EXTENT OF EDP SOFTWARE

Our traditional approach is to "audit around" the computer, which means that we verify output by agreeing it, through our audit tests, with corresponding source input transactions. We do not choose to use audit software that runs through the District's computer system, such as a test deck. We do use portable computers in the field, with CaseWare and IDEA audit software, for financial statement preparation, analytical procedures, and data analysis. Like other aspects of the internal control structure, computer controls are documented in our memoranda and questionnaires. We will consider whether specialized skills are needed to consider the effect of computer processing on the audit, to understand the internal control structure policies and procedures or to design and perform audit procedures. The decision to use a computer specialist in audit planning is a matter of our professional judgment. We will consider the complexity of the computer system and assess whether we can identify the types of misstatements that might occur. Bryan S. Gruber (a partner at LSL) is LSL's IT Specialist and will be involved in the planning and performance of the audit and also in assessing the IT controls of the District.

Specific Audit Approach (Continued)

ANALYTICAL PROCEDURES

We use analytical procedures as an overall review of the financial information in the preliminary and final stages of the audit. These procedures are designed to assist us in planning our audit and in assessing the propriety of the conclusions reached and in the evaluation of the overall financial statement presentation. The procedures to be utilized consist of determining percentage increases and decreases between significant revenue, expenditure and balance sheet accounts, reading the financial statements and related notes, and we focus on overall relationships within the financial statements. Once determined, these are reviewed to determine if the changes appear reasonable or require further analysis. For all significant differences, explanations are obtained as to why the situation occurred and additional substantive procedures may be applied and related evidence gathered to resolve concerns and questions.

APPROACH TO UNDERSTANDING DISTRICT'S INTERNAL CONTROL STRUCTURE

To gain an understanding of the Palmdale Water District's internal control structure, we will perform procedures as required by the new Auditing Standards, primarily SAS 104-111. This will include completing forms taken from the Local Government Publication of Practitioners Publishing Company. These forms meet the technical standards of the AICPA and allow us to document the major transaction classes, purpose of funds, the structure of the District and to quantify materiality. We will review and make recommendations on the internal control structure, which consists of Control Environment, Accounting System and Control Procedures. We will review internal controls in the area of cash; investments; revenues and receivables; expenditures and accounts payable; payroll; inventories; property and equipment, debt and debt service; insurance and claims. In addition, during the performance of the Single Audit (if one is required), we will review areas of internal controls over federal grants, including general requirements; specific requirements; claims for advances and reimbursements and amounts claimed or used for matching. Based on the result of our review, we will issue a formal internal control report (SAS 115 Letter) that will identify any significant deficiencies and or material weaknesses. This report is required by the *Government Auditing Standards* issued by the Comptroller General of the United States, as well as the Single Audit Act. In addition, we will also issue a separate communication letter directly to the governing board. This letter would communicate any significant deficiencies or material weaknesses in the internal control system and other matters that we feel should be communicated to the governing board. All internal control issues will initially also be discussed with management of the District.

APPROACH TO DETERMINING LAWS AND REGULATIONS SUBJECT TO AUDIT

The Laws and Regulations that will be subject to audit test work are determined from the municipal code of the District (we would ask for access to a volume of the Code during our fieldwork), applicable sections of Governmental Code for the State of California and our extensive experience with governmental entities.

Specific Audit Approach (Continued)

DRAWING ON SAMPLE SIZES

For the purpose of tests of controls and tests of compliances with laws and regulations, we use audit sampling. Tests of controls are procedures directed towards determining the effectiveness of the design or operation of an internal structure policy or procedures. Normally, audit sampling is used for tests of controls that involve inspection of documents and reports indicating performance of the policy or procedures and, in many cases, reperformance of the application of the policy or procedures. These sampling procedures test the operating effectiveness of an internal control structure policy or procedures by determining how the policy or procedure was applied, the consistency with which it was applied during the audit period, and by whom it was applied.

To achieve this goal, we draw samples in the area of disbursements, receipts and payroll. Each document selected will be tested for various attributes that are designed to verify compliance with different aspects of internal controls. Additionally, each sample item will be tested for coding to the proper accounts and posting to the general ledger.

SERVICES TO BE PROVIDED

Perform a financial audit of the Basic Financial Statements of the Palmdale Water District. We understand that Lance, Soll & Lunghard, LLP will assist in preparing this report. Our audit would express an opinion as to whether the financial statements and associated notes conform to accounting principles generally accepted in the United States of America. **All working papers and reports will be retained (at our expense) for a minimum of seven (7) years, unless we are notified by the Palmdale Water District of the need to extend that retention period.**

We will also provide the Palmdale Water District with additional financial services, collectively known as retainer services. This will include services not strictly within the purview of the audit, including but not limited to rendering assistance in ensuring that appropriate financial controls and procedures are in place and maintained; providing the District with payroll tax advice and other pertinent tax law changes; updating District staff with the latest development in governmental accounting and reporting issues; and assisting the District in implementing new GASB requirements. These services will be provided up to a maximum of 16 hours per year at **no additional cost** to the Palmdale Water District.

LSL LISTING OF GOVERNMENTAL AUDIT CLIENTS

	Client	Contact Person	Service Code	Years	Telephone
*	Azusa	Mr. A. Kreimeier, Finance Director	F, S	14	626-812-5291
	Banning	Ms. M. Green, Accounting Manager	F, S	13	951-922-3118
	Bell Gardens	Ms. K. Krause, Finance Director	F, S	7	562-806-7708
	Big Bear Lake	Ms. K. Smith, Finance Manager	F, S	14	909-866-5831
	California City	Ms. K. Bailey, Finance Director	F, S	34	760-373-8661
	Canyon Lake	Ms. L. Moss, City Manager	F	16	909-244-2955
*	Cathedral City	Mr. K. Biersack, Fiscal Officer	F, S	2	760-770-0378
*	Chino Hills	Ms. J. Lancaster, Finance Director	F, S	14	909-364-2600
*	Claremont	Mr. A. Pirrie, Acting Finance Director	F, S	7	909-399-5460
	Clearlake	Mr. M. Vivrette, Finance Director	F	3	707-994-8201
*	Colton	Ms. B. Johnson, Finance Director	F, S	11	909-370-5000
	Coronado	Ms. L. Suelter, Finance Director	F, S	5	619-522-7300
	Duarte	Ms. K. Petersen, Finance Director	F	5	626-357-7931
	East Kern Airport District	Mr. S. Witt, General Manager	F, S	34	661-824-3341
*	Escondido	Mr. G. Rojas, Finance Director	F, S	2	760-839-4322
*	Emeryville	Ms. K. Reid, Accounting Manager	F, S	8	510-596-4352
*	Fontana	Ms. L. Strong, Director of Admin. Services	F, S	18	909-350-6778
*	Foothill Transit Authority	Mr. R. Hasenohrl, Finance Director	F, S	7	626-967-2274
*	Glendora	Ms. E. Stoddard, Accounting Manager	F, S	8	626-914-8238
	Greater Los Angeles Vector Control	Mr. K. Bayless, District Manager	F	2	562-758-6501
	Hidden Hills	Ms. C. Paglia, City Clerk	F	26	818-888-9281
	Imperial Beach	Mr. M. McGrane, Finance Director	F	8	619-628-1361
	Irwindale	Mr. L. Nomura, Finance Director	F	16	626-430-2200
*	La Mirada	Mr. K. Prelgovisk, Finance Director	F, S	8	562-943-0131
*	La Quinta	Mr. J. Falconer, Finance Director	F, S	5	760-777-7150
	Lancaster	Ms. B. Boswell, Finance Director	F, S	21	661-723-6000
*	Malibu	Ms. R. Feldman, Finance Director	F	8	310-456-2489
*	Manhattan Beach	Mr. B. Moe, Finance Director	F	9	310-802-5553
*	Menifee	Mr. W. Welch, Accountant	F	2	951-672-6777
*	Monrovia	Mr. M. Alvarado, Director of Admin. Services	F, S	11	626-932-5510
*	Murrieta	Ms. J. Canfield, Finance Director	F, S	20	951-698-1040
*	Ontario	Mr. G. Yee, Director of Admin. Services	F, S	13	909-395-2000
	Orange County LAFCO	Ms. C. Emery, Assistant Executive Officer	F	4	714-834-2556
*	Palm Springs	Mr. G. Kiehl, Finance Director	F, S	2	760-323-8229
*	Rancho Cucamonga	Ms. T. Layne, Finance Officer	F, S	34	909-989-1851
	Rolling Hills	Mr. J. Walker, Finance Director	F	3	310-377-1521
	Riverside County LAFCO	Mr. G. Spiliotis	F	4	951-369-0631
	San Bern County LAFCO	Ms. K. Rollings-McDonald	F	4	909-383-9900
	San Carlos	Ms. R. Mendenhall, Acting Admin Svcs Dir	F, S	New	650-802-4221
*	San Diego County Water Authority	Mr. E. Sandler, Finance Director	F, S	6	858-522-6600
	San Dimas	Ms. B. Bishop, Finance Director	F, S	51	909-394-6200
	San Marino	Ms. L. Bailey, Finance Director	F	19	626-300-0700
*	Simi Valley	Ms. L. Garg, Dep Dir/Fiscal Services	F, S	4	805-583-6747
*	South Pasadena	Mr. C. Thai, Finance Director	F	9	626-403-7250
*	Temecula	Ms. G. Roberts, Finance Director	F, S	4	951-694-6430
*	Thousand Oaks	Mr. J. Adams, Interim Finance Director	F, S	4	805-449-2235
*	Three Valleys Water District	Mr. R. Hansen, General Manager	F	4	909-626-4631
*	Vista	Mr. D. Nielsen, Finance Manager	F	3	760-639-6170 x1023
*	Walnut	Ms. C. Londo, Finance Director	F	40	909-595-7543
*	West Hollywood	Mr. P. Arevalo, City Manager	F, S	21	323-848-6400
*	Wildomar	Mr. G. Nordquist, Finance Director	F	3	951-677-7751
*	Yorba Linda	Ms. P. Parisien, Accounting Manager	F, S	12	714-961-7142

Service Codes:

F - Financial Audit

S - Single Audit of Federal Grants in accordance with OMB Circular A-133

* - Participates in Award Programs and has received or anticipates receiving outstanding award

RICHARD K. KIKUCHI, CPA ENGAGEMENT PARTNER



Education: Bachelor of Arts Degree in Business Administration with an emphasis in Accounting - California State University, Fullerton 1985

License: Certified Public Accountant - California 1991

Continuing Education: Total hours were 142 in last three years of which 64 were in governmental accounting and auditing subjects. Mr. Kikuchi has met the Governmental Auditing Standards requirement for governmental CPE

Memberships: California Society of Certified Public Accountants
American Institute of Certified Public Accountants
California Society of Municipal Finance Officers (Associate Member)
Government Finance Officers Association (Associate Member)

Experience: Over twenty years experience in governmental audits.

He is currently involved on the following major municipal engagements.

City of Azusa	City of Canyon Lake
City of Big Bear Lake	City of Yorba Linda
City of Colton	City of Temecula
City of Imperial Beach	City of Coronado
City of Yorba Linda	City of West Hollywood
City of Monrovia	City of La Quinta
City of Malibu	City of Manhattan Beach
San Diego County Water Authority	City of Menifee
Orange County Sanitation District	City of Wildomar
Three Valleys Water District	Foothill Transit Authority

- This work entailed the preparation of the Comprehensive Annual Financial Report for those entities involved in the award programs of the California Society of Municipal Finance Officers and the Government Finance Officers Association of the United States and Canada.
- Mr. Kikuchi has the responsibility for overseeing federal single audits for these and other clients of our firm. These audits have met the requirements of the OMB and have been desk reviewed by the State Controller's Office.

Richard K. Kikuchi, CPA, Partner (Continued)

Achievements: Mr. Kikuchi recently sat on the California State Board of Accountancy's Qualifications Committee, which is an advisory committee established to examine and to make recommendations for all applicants for the license of Certified Public Accountant.

He currently serves as a technical reviewer for the Government Finance Officers Association (GFOA) and the California Society of Municipal Finance Officers (CSMFO).

Mr. Kikuchi sat on the CSMFO Special Districts Technical Committee and teaches an Introductory Governmental Accounting course through the CSMFO Career Development Committee.

Mr. Kikuchi currently sits on the California Society of CPAs Governmental Accounting and Auditing Committee (GAA)

KELLY A. CULVER, CPA

AUDIT MANAGER



Education: Bachelor of Arts Degree in Business Administration with an emphasis in Accounting – California State University, Fullerton 2003

License: Certified Public Accountant – California 2008

Continuing Total hours were 132 in last three years of which 74 were in governmental accounting and auditing subjects. Ms. Culver has met the Governmental Auditing Standards requirement for governmental CPE.

Memberships: California Society of Certified Public Accountants
American Institute of Certified Public Accountants

Experience: Over seven years experience in governmental audits. During her time with the firm, Ms. Culver has performed all phases of our governmental audits, including CAFR audits, redevelopment agency audits and Single Audits. She also specialized in compliance audits and agreed-upon procedures. She has made numerous presentations to City Councils, Boards of Directors and Audit Committees. She has been involved in the following government engagements:

San Diego County Water Authority

Ms. Culver served as the Audit Senior for the San Diego County Water Authority for fiscal year 2005-2006 through 2007-2008 and the Audit Manager for fiscal years 2009 through current. As the Audit Manager, it has been Ms. Culver's responsibility to oversee the fieldwork for all areas of the financial audit, including preparation and review of the Comprehensive Annual Financial Report and the Single Audit in accordance with A-133. The San Diego County Water Authority receives the GFOA Award for Excellence in Financial Reporting each year.

City of Coronado

Ms. Culver served as the Audit Manager for the City of Coronado for fiscal year 2007-2008 through current. The City of Coronado is a complex city consisting of a variety of governmental and business-type funds including water, storm drainage and a golf course. They also have a complex and unique redevelopment agency. As the Audit Manager, it has been Ms. Culver's

Kelly A. Culver, CPA, Audit Manager (Continued)

responsibility to oversee the fieldwork for all areas of the financial audit, including preparation of the Comprehensive Annual Financial Report, the audit of the Coronado Community Development Agency and the Single Audit in accordance with A-133.

Ms. Culver has also been involved in the following engagements:

City of Big Bear Lake	City of Banning
City of Coronado	City of La Quinta
City of Fontana	City of Imperial Beach
City of Lancaster	City of Monrovia
City of Menifee	City of Montclair
City of Rancho Cucamonga	City of San Dimas
City of Wildomar	City of Vista
San Diego County Water Authority	
Three Valleys Water District	

Achievements: Ms. Culver has been involved with teaching current audit and accounting related material at Lance, Soll & Lunghard, LLP's in house training seminars.

She also currently serves as a technical reviewer for the Government Finance Officers Association (GFOA).

TREVOR AGRELIUS AUDITOR

Education: Bachelor of Arts Degree in Accounting – University of La Verne, 2010

License: Certified Public Accountant – In Process

Experience: Mr. Agrelius has progressed in an outstanding manner. During his time with the firm, Mr. Agrelius has performed all phases of our government audits, including water districts, other special districts, CAFR audits, redevelopment agency audits and Single Audits. He has been involved in the following municipal engagements:

Three Valleys Water District

Orange County Sanitation District

San Diego County Water Authority

City of Rancho Cucamonga

R.H. JOHNSTON ACCOUNTANCY INC.

A Professional Corporation
21300 Victory Boulevard, Suite 750
Woodland Hills, California 91367
(818) 346-9800
Fax (818) 346-0609

Appendix C

System Review Report

October 28, 2010

To the Partners of Lance, Soll & Lunghard, LLP
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Lance, Soll & Lunghard, LLP (the firm) in effect for the year ended May 31, 2010. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, and an audit of employee benefit plan.

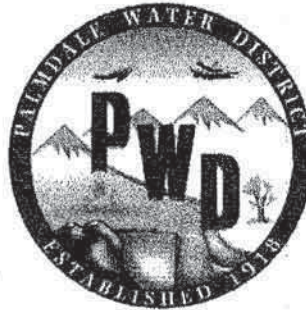
In our opinion, the system of quality control for the accounting and auditing practice of Lance, Soll & Lunghard, LLP in effect for the year ended May 31, 2010, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Lance, Soll & Lunghard, LLP has received a peer review rating of *pass*.

R.H. Johnston Accountancy Inc.

**AUDIT WORK COST PROPOSAL**

Service	2011	2012	2013
District Audit and Related Reports	\$17,750	\$17,750	\$17,750
Total for Fiscal Year (not-to-exceed)	\$17,750	\$17,750	\$17,750

PROPOSAL TO



FOR PROFESSIONAL AUDITING SERVICES

**FOR
FISCAL YEARS ENDING
December 31, 2011, 2012 AND 2013**

October 21, 2011



**Brown Armstrong
Accountancy Corporation**
790 East Colorado Boulevard, Suite 908B
Pasadena, California 91101
Tel (626) 240-0920
Fax (626) 240-0922
Mobile (626) 375-3600

Contact: Eric S. Berman, MSA, CPA, Principal
eberman@bacpas.com

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BROWN ARMSTRONG

Certified Public Accountants

October 21, 2011

Mr. Robert M. Egan, CPA
20910 Martinez Street
Woodland Hills, California 91364

RE: Palmdale Water District Proposal
2029 East Avenue Q
Palmdale, CA 93550

Dear Mr. Egan:

Brown Armstrong Accountancy Corporation wants to be the Palmdale Water District's auditors. This proposal will demonstrate to you that our firm is uniquely qualified to serve as their auditors.

We believe that we are proposing to you the best possible value, with unparalleled expertise, service and timeliness. At Brown Armstrong, we understand that your timeframes must be met. We have developed an approach by which specific deliverables are achieved within set timeframes. We will work with you to develop a timeline that meets your specific requirements and details meeting dates, field work dates, status reporting dates and final report dates.

At Brown Armstrong, we also understand that you are concerned with audit quality. In these days of heightened awareness of fraud, waste and abuse, we approach our audits with a view that our audits are the management of a government's most important tool to give other stakeholders reasonable assurance that the Palmdale Water District (the District), is performing with integrity in accordance with laws, regulations and generally accepted accounting principles.

Our firm partners, managers, and seniors are actively involved in trade associations and entities that write the accounting and auditing standards. I am a member of the Government Accounting Standards Advisory Council, which advises the Government Accounting Standards Board (GASB) on new accounting standards. You may be also familiar with my work – I author the *Governmental GAAP Guide* and *Governmental GAAP Practice Manual* series and the twice a month *Governmental GAAP Update Service*.

Our firm is also involved with the Government Finance Officers Association, the Association of Government Accountants and the California Society of Certified Public Accountants. Four of our partners are pro bono recognized reviewers for the GFOA Certificate of Achievement Award Committee. We enthusiastically contribute our time to this Award process because as we review CAFR's from all across the United States, we maintain current, up-to-date knowledge of accounting principles.

We have recently become a member of PKF North America, an association of legally independent accounting firms. This accounting firm association is one of the first of its kind, celebrating 40 years in business and providing its members with highly specialized

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EMAIL info@bacpas.com

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SHAFER, CALIFORNIA 93263

TEL 661.746.2145

FAX 661.746.4218

8050 N. PALM AVENUE

SUITE 300

FRESNO, CALIFORNIA 93711

TEL 559.476.3592

FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B

PASADENA, CALIFORNIA 91101

TEL 626.240.0920

FAX 626.240.0922



REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

technical resources, thought leadership and professional development opportunities that will empower us to better serve our clients. To learn more about the benefits of our PKF membership, please visit www.pkfnan.org/client.

We have thoroughly read your request for proposal and performed the due diligence required to ensure that we understand the needs of the District and its operational environment. In submitting this proposal, we are dedicated to performing the required scope of services and issuing our auditor's reports in accordance with the District's time frames. All of our work-papers will be retained by us for at least three (3) years from the dates the audits are finalized and they will be available for review during normal business hours to representatives of the District, and applicable Federal and State agencies.

Our approach, people, commitment to timelines, and dedication to financial reporting excellence makes Brown Armstrong the best-qualified firm to meet your needs.

I will be the engagement partner and primary liaison responsible for all services to Palmdale Water District (the District), and I am authorized to contractually bind the Firm. I can be contacted at: 790 East Colorado Boulevard, Pasadena, California 91101, Tel (626) 240-0920, Fax (626) 240-0922, Mobile (626) 375-3600 or e-mail: eberman@bacpas.com.

I confirm that the information provided in this proposal is accurate and that the terms and conditions of this proposal are a firm and irrevocable offer for a minimum of 120 days after submission. Please call me if I can clarify or expand on any item contained in this proposal. We appreciate the opportunity to provide you with the outstanding service you expect.

Sincerely,

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to be 'E. Berman', with a long horizontal flourish extending to the right.

By: Eric S. Berman, CPA
Firm Principal

DETAILED PROPOSAL

GENERAL REQUIREMENTS

The purpose of this proposal is to demonstrate our qualifications, competence, and capacity to undertake an independent audit of Palmdale Water District (the District), in conformity with the requirements of the request for proposals.

1. STATEMENT OF INDEPEDENCE

Our firm, its shareholders and employees are independent of Palmdale Water District, as defined by Generally Accepted Auditing Standards and U.S. General Accounting Office's Government Auditing Standards (1994 edition, with all subsequent amendments).

We have had no professional relationships involving Palmdale Water District for the past five (5) years. We do not have a conflict of interest relative to performing the proposed audit. In the event our firm is to enter into any professional relationships during the period of our agreement, we will provide the District with written notice of this fact.

2. LICENSE TO PRACTICE IN CALIFORNIA

Our firm and all key professional staff assigned to your audit are properly licensed to practice in the State of California.

3. FIRM QUALIFICATIONS AND EXPERIENCE



Established in 1974, Brown Armstrong is one of the largest accounting firms serving the Central Valley. We have built a full service accounting and consulting Firm serving clients from San Diego to Sonoma County. Both Peter C. Brown and Burton H. Armstrong began their public accounting careers with Big Eight International accounting firms. Brown moved to Bakersfield in 1974 to form a local accounting firm specializing primarily in tax services. Armstrong joined Brown's Firm in 1985, which led to the formation of an audit division that has grown to encompass half of our client base. Andrew Paulden joined the Firm in 1985 and is the managing partner. The dimension that Brown Armstrong is able to offer Palmdale Water District is dedicated years in public accounting,

which has enabled us to become a true advisor to your organization and assistant to your financial success.



As stated in our transmittal letter, we believe one of the reasons we are best qualified to be your auditors is because of our extensive auditing experience, including several large governmental entities. We are proud of our governmental experience and the governmental entities we have as clients. Exhibit II provides a summary of these clients. Brown Armstrong's accountants have the expertise to provide audit, accounting and tax services. In addition to these services, the Firm's accountants and consultants practice in the areas of risk assessment and Sarbanes-Oxley solutions, state and local tax, estate planning/wealth transfer, and information technology. Our firm also performs peer reviews for other accounting firms.

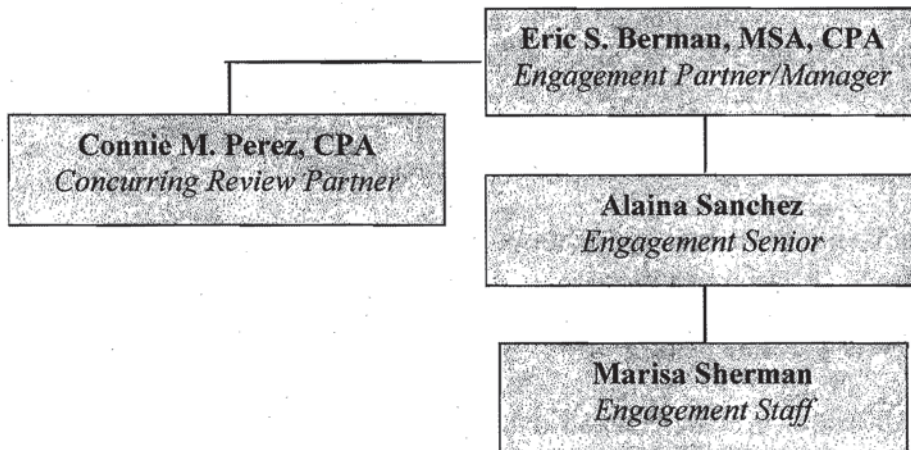
Size and Location of the Firm - The majority of the services provided to your District will be from our office located in Pasadena, California. The technical reviewer/consultant assigned to your engagement will be Connie M. Perez, CPA. The Firm now employs 80 people as follows:

<u>Personnel</u>	<u>Total</u>	<u>Government *</u>
Shareholders (Partners)	13	8
Managers	17	9
Seniors	7	5
Staff Accountants	23	21
Technicians and Other Support	<u>20</u>	<u>0</u>
Total	<u>80</u>	<u>43</u>

* Indicates employees involved in providing services to local governments.



We propose the following engagement team for your audit:



All assigned personnel will be employed on a full-time basis. No part-time staff will be used on the engagement. We are not proposing as a joint venture or consortium.

Range of Activities Performed by the Local Office - Brown Armstrong is a full service accountancy corporation emphasizing audit, accounting, taxation, bookkeeping and business consulting services.

External Quality Control Reviews - As part of our commitment to quality control, our firm is a member of the Center for Public Firms Auditors Section (Center) of the American Institute of Certified Public Accountants (AICPA). We have completed several External Quality Control reviews under the AICPA's guidance, all of which included one or more governmental audits and resulted in unqualified opinions. Exhibit III of this proposal contains a copy of our most recent unqualified opinion.

Desk or Field Reviews and Disciplinary Actions - Our firm has been subjected to one field review during the past three years. All of our reports are subjected to annual desk reviews by federal and state cognizant agencies. All of our reports for the past three years were accepted by these agencies. We have had no disciplinary action taken against the Firm or any of its members nor do we have any actions pending at the date of this proposal.



4. PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

Brown Armstrong uses risk based audit techniques on all audit engagements in accordance with Statement on Auditing Standards (SAS) No. 104-111, under which, we will perform initial risk assessment on all significant audit areas and transaction cycles. We will tailor our audit program for each audit area in accordance with the result of our risk assessment and will concentrate only on the audit areas with significant audit risks, including fraud, and non-compliance risks.

We emphasize "hands-on" partner involvement and consistency of staff assignments in our audits. We believe this emphasis benefits our clients in two ways:

1. A superior, quality audit is delivered on time; and
2. We reduce the cost of the audit - in audit fees, and in that unseen cost, the "training of an auditor" unfamiliar with the District's personnel and procedures.

We have put together an extremely qualified audit team for Palmdale Water District's audit. This audit team consists of three audit partners (one engagement partner, one engagement partner/manager and one engagement concurring partner), one senior staff, and two audit staff.

Engagement Partner/Manager: Mr. Eric S. Berman, MSA, CPA has over twenty years of governmental and commercial auditing, accounting and controllership experience. Mr. Berman will be the engagement partner/manager and will manage the audit services provided to you as specified in the request for proposal. He is a partner on the City of Pasadena Water and Power department audit and was the Chief Financial Officer of the Massachusetts Water Pollution Abatement Trust and is also our firm's quality control partner.

Mr. Berman enjoys working one-on-one with her clients and will be a "hands-on" partner with the Palmdale Water District.

Concurring Review Partner: Ms. Connie M. Perez, CPA, will be the concurring engagement partner. She has over ten years of experience with our firm and has experience with cities, retirement systems, counties and special districts throughout California.

Engagement Senior: Ms. Alaina Sanchez, will be the engagement senior. She has over two years of governmental auditing and accounting experience. She has assisted with the audit engagements for the Los Angeles County Employees' Retirement Association, California e-Recording Transaction Network JPA, San Joaquin Council of Governments, County of Riverside, County of Kern, City of Visalia, City of Seaside, Santa Cruz Metropolitan Transit District, and numerous other governmental agencies.

Engagement Staff: Ms. Marisa Sherman will be the engagement staff. She has participated with several audits, including the City of Pasadena, Riverside Transit Agency, Pasadena Fire and Police Retirement System, as well as several other governmental entities.



Please note that we have assembled an extremely well-qualified team. Exhibit I of this proposal contains resumes for these team members detailing their government auditing experience, information on relevant local government auditing, continuing professional education for the last three years, and membership in professional organizations relevant to the performance of your audit.

Each year Brown Armstrong organizes four days of CPE seminars in Bakersfield (two two-day sessions covering 32 hours of CPE) for its professional staff and clients' personnel. The course materials cover emerging issues, current pronouncements, auditing standards, risk alerts, information systems, reporting issues and other topics of interest which concern auditing and accounting with an emphasis on governmental issues. Course materials are prepared by professional lecturers, our partners, managers and seniors based on their own experience, research and learning. All Brown Armstrong professionals and many clients and their accounting staff attend these seminars.

In-house training is provided to our junior professional staff annually and covers a range of topics from taxation to information systems. These sessions are usually conducted over several days, both in spring and late fall. Frequently our clients request that members of their accounting divisions be included in our in-house training, and we are happy to help our client's staff achieve their continuing professional education requirements. Additionally, all of our licensed staff attend seminars throughout the state to meet the 80 hour CPE requirement.

Our firm policy is to maintain staffing continuity for all audits. In the unlikely event that key team members must be replaced, we will only do so with the acceptance of Palmdale Water District. Any staffing replacements during the term of the agreement will have the same or better qualifications and experience of the staff that they replace. The quality of the staff over the term of the agreement will be assured because of our aggressive in-house governmental audit and accounting continuing education classes, and our unexcelled on the job training.

5. SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

Our firm has extensive California Governmental experience. We currently audit counties, cities, and numerous other local governments. Exhibit II of this proposal presents a summary of our recent governmental experience.

Following is a list of the most significant engagements performed in the last five years that are similar to your District's engagement:

Client	Scope of Work	Date(s)	Hours	Partner/Manager
Port Hueneme Water Agency Shelly Kluksdahl 250 North Ventura Blvd. Port Hueneme, CA 93041 (805) 986-6500	Financial & Compliance Audits	1999 to Present	200	Andrew Paulden <i>Partner</i> Thomas Young <i>Manager</i>



Belridge Water Storage Agency Greg Hammett P.O. Box 250 Lost Hills, CA 93249 (661) 762-7316	Financial & Compliance Audits	2000 to Present	200	Andrew Paulden <i>Partner</i> Thomas Young <i>Manager</i>
Kern Tulare Water District Skye Grass 5001 California Avenue, Suite 202 Bakersfield, CA 93309 (661) 327-3132	Financial & Compliance Audits	2006 to Present	250	Andrew Paulden <i>Partner</i> Rosalva Flores <i>Manager</i>
Casitas Municipal Water District Denise Collin 1055 Ventura Avenue Oakview, CA 93022 (805) 649-2251 x103	Financial & Compliance Audits	2010 to Present	400	Andrew Paulden <i>Partner</i> Rosalva Flores <i>Manager</i>
City of Pasadena Water and Power Shari Thomas 150 South Los Robles, Suite 200 Pasadena, CA 91101 (626) 744-4515	Financial & Compliance Audits	2011 to Present	145	Eric Berman <i>Partner</i> Brian Henderson <i>Manager</i>

6. SPECIFIC AUDIT APPROACH

The audit will be done in accordance with generally accepted auditing standards as published by the American Institute of Certified Public Accountants and by the Comptroller General of the United States. We will express an opinion on the financial statements that will enable the District to meet the requirements of the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting.

If conditions are discovered which lead to the belief that material errors, defalcations, or other irregularities may exist, or if any other circumstances are encountered that require extended services, we will promptly notify the District's Finance Director. We will not perform extended services unless mutually agreed upon by both parties.

In accordance with Government Auditing Standards, we will perform a compliance audit by selecting necessary procedures for testing to express an opinion regarding compliance with the provisions of any and all Federal, State, and District Statutes, Ordinances Administrative Code and rules and regulations.

Following is our detailed audit work plan to be followed to perform the services included in your request for proposal.



We will begin with an entrance conference with District Management during the month of January 2012. During this time we will begin the following procedures:

Planning

During this phase of the audit, we will:

- < Confer with management to coordinate our efforts with the District's efforts in terms of confirmations, schedules to be prepared, and critical dates to be met to ensure a smooth flow of the audit process;
- < Prepare a preliminary assessment of the District's internal control structure including controls over federal and state financial assistance programs;
- < Perform review of the Electronic Data Processing (EDP) controls relating to the District's computer system, (a more detailed explanation of the computer software used in the engagement is explained on page 15);
- < Perform planning analytical procedures consisting of: (1) Comparative analytics (current balances versus budget and prior year); and (2) Predictive analysis (revenues and expenditures/expenses susceptible to such testing based on our expectations);
- < Confer with management regarding the results of our planning;
- < Submit questionnaires and requests for information to management regarding internal control. Our approach will emphasize transaction processing; investments, cash receipts, cash disbursements, payroll, capital assets, and external reporting;
- < Obtain an understanding of general ledger and related reports available for audit; and
- < Obtain basic information from management relating to risk assessment, including fraud risks.

Internal Control Evaluation and Audit Risk Assessment

During this phase we will obtain an understanding of and evaluate key components of the District's internal control structure. We will also assess risk factors, including fraud risk relating to significant audit areas and transaction cycles. Procedures will consist of:

- < Reviewing questionnaires and documents obtained from management regarding the internal control structure.
- < Performing walk-throughs and tests of compliance with policies and procedures.
- < Identifying risk factors, including fraud risk, relating to significant audit areas and transaction cycles.



- < Interviewing key management personnel to verify or resolve complicated issues.
- < Summarizing potential significant deficiencies and opportunities for efficiencies and improvements for discussion with management.

Test of Controls and Compliance

Based on our preliminary assessment of the internal control structure and risk factors, we anticipate performing internal control testing in the following areas:

<u>Area</u>	<u>Sample Size</u>
Receipts and revenues;	40-60+
Disbursements and accounts payable;	40-60+
Payroll and related liabilities;	40-60+
Capital assets additions; and	40-60+

Mr. Ramirez and staff assistants will perform internal control testing in June, with direct supervision by Ms. Flores. Sample sizes will depend on the extent of reliance placed on the given sample and the volume of transactions involved. Statistical and random sampling will be used to ensure that all samples truly represent the population being tested. We will use audit command language (ACL) software and your on-site automated data system on an "inquiry only" basis for purposes of identifying the postings of items selected for testing. Findings will be discussed with management for accuracy and the process of recommendations immediately started.

Establishment of Final Audit Plan

Our audit plan will be based on the following:

- Results of our compliance and control testing;
- Analytical procedures applied to interim financial statements of the District;
- Results of our risk assessment;
- Results of audit brainstorming and team discussions; and
- Discussions with management.

Final Field Work

We expect to begin the final stages of the work in August (subject to the District's approval).

During this phase, we will perform both analytical and substantive procedures such as variance analysis between prior year actual balances vs. current year actual balances and between current year actual balances vs. budget balances, predictive testing, confirming account balances, vouching revenues and expenditures and reviewing estimates for unpaid claims.

At the end of our field work, we will discuss any proposed adjustments with management, and we will request a representation letter from management regarding the audit.



Completion of the Audit

At the completion of all of the above procedures, we will draft the basic financial statements and notes and GAAP compliance at our manager and partner level. We will also review and comment on the CAFR sections for submission to the GFOA award program. We will then issue drafts of all required reports, and discuss these drafts with appropriate District personnel. Upon approval by the District, we will issue our reports in final form and be available for a presentation to the District Board of Directors, if required.

On the following pages, we have detailed our proposed project schedule for the District's engagement. This proposed project schedule includes the number and type of personnel and amount of hours by segment and phase. We will finalize this schedule after initial discussions with District personnel by documenting those discussions, proposing a written schedule and gaining agreement.

Proposed Project Schedule – Palmdale Water District

Detailed Audit Schedule for the Palmdale Water District			
Time Period	Audit Tasks	Staff	Hours
November	Contract Award		
January	Planning and Administration		
	<ul style="list-style-type: none"> Review and obtain copies of key work papers of prior audit firm. 	Partner	2
		Supervisory Staff	8
	<ul style="list-style-type: none"> Review and evaluate District's accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements. 	Professional Staff	2
		Phase Total	12
	<ul style="list-style-type: none"> Entrance Conference with Management to discuss audit approach, timing, assistance and issues. 		
	<ul style="list-style-type: none"> Prepare overall memo confirming audit procedures, timing and assistance. 		
	<ul style="list-style-type: none"> Prepare detailed work plan and audit programs, audit budget and staffing schedule. Provide schedules to District Management. 		



Detailed Audit Schedule for the Palmdale Water District			
Time Period	Audit Tasks	Staff	Hours
February	Internal Control Structure		
	• Obtain and document our understanding of the following key internal control systems through walkthroughs, interviews of staff, and reviews of supporting documentation:	Partner	3
		Supervisory Staff	17
		Professional Staff	20
		Travel	5
		Phase Total	45
	◊ Budgeting		
	◊ Revenue, billing, accounts receivable and cash collections		
	◊ Purchasing, expenditures, accounts payable and cash disbursements		
	◊ Capital assets and journal entry procedures		
	◊ Debt issuance		
	◊ Payroll		
	◊ Other significant internal control systems as necessary.		
	• Perform testing of the internal control system and evaluate the effectiveness of the District's systems. Select large dollar and random samples of transactions in key operating systems. (Sample size designed to meet assessed / required level of risk, but generally higher in 2011 than in previous years.) Review supporting documentation of selected transactions, evaluate transactions, evaluate adequacy of support and approvals and conclude on degree of adherence to accuracy and compliance with the District's policies.		
	• Prepare to the District's Management a memo concerning management letter points and identify issues, if any.		
	Single Audit and Other Interim Audit Tasks		
	• Single Audit—obtain or prepare a preliminary Schedule of Expenditures of Federal Awards from the latest closed period.		
	• Single Audit—perform audit tests of grant programs and Compliance with Federal Laws and regulations. Review grant documents; select sufficient number of transactions for tests for compliance of Federal General and Specific requirements using the latest OMB Compliance Supplement.		



Detailed Audit Schedule for the Palmdale Water District			
Time Period	Audit Tasks	Staff	Hours
February	Single Audit (if necessary) and Other Interim Audit Tasks (continued)		
	• Review minutes of District Board meetings and other key committees.	Partner	1
		Supervisory Staff	8
	• Coordinate and assist District staff in the preparation of all appropriate confirmation requests including:	Professional Staff	20
		Clerical	1
	◊ Bank accounts	Phase Total	30
	◊ Investment accounts		
	◊ Federal grants		
	◊ Revenue from governmental agencies		
	◊ Bond and other debts		
March	◊ Attorney letters		
	◊ Others, as required		
	• Hold progress conference with Management		
	Year End Audit Procedures		
	• Entrance conference with Management.		
	• Follow-up on all outstanding confirmations.		
	• Verify and validate account balances by including invoices, vouchers, resolutions, minutes, and other documentation, as required.		
	• Perform analytical review of revenues and expenditures. Determine reasons for material differences between budget and actual.		
	• Perform payroll testing from journals to W-2 amounts (cross fiscal year). Tie W-2's to other available information.		
	• Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing staff.		



Detailed Audit Schedule for the Palmdale Water District			
Time Period	Audit Tasks	Staff	Hours
March	Year End Audit Procedures (Continued)		
	• Perform review of subsequent events by discussions with Management and review of all minutes of the District's Board and key committees.	Partner	11
		Supervisory Staff	41
		Professional Staff	39
	• Validate all analytical procedures, assumptions and perform additional testing as necessary. Discuss any proposed adjustments.	Travel	5
		Phase Total	96
	• Hold exit conference with management.		
March	Financial Reporting		
	• Draft OMD A-133 Single Audit Report and Assessment District stand alone reports.	Partner	1
		Supervisory Staff	8
	• Review the District's CAFR and comment and make recommendations for compliance with the GFOA requirements.	Professional Staff	1
		Clerical	1
	• Issue draft reports on:	Travel	1
	◊ OMB A-133 Single Audit Report (if necessary). Also data collection form	Phase Total	11
	◊ Agreed-Upon Procedures Report		
	◊ Report to Audit Committee		
	◊ Findings and Recommendations		
	◊ District's financial statements		
	◊ GANN Limit report		
	• Finalize reports and present to Management.		
	◊ Assessment District's stand alone reports		
	• Finalize Audit Reports and Financial Statements Delivered		
	• Available to present all reports to the District's Board and Committees.		

Summary of Professional Audit Hours and Staff support for the year ending December 31, 2011

Personnel	Hours
Partner	18
Supervisory Staff	82
Professional Staff	82
Clerical	2
Travel	11
Total Hours	195



Information Technology Auditing

Sound, secure information technology is a key element of internal controls. Since 2002, the AICPA has reached the conclusion that information systems management has been the issue most likely to affect the accounting profession in the future – for good reason. All entities must deal with data and technology security as it affects a broad spectrum of stakeholders. For governments this means employees, taxpayers, vendors, customers, bondholders and other parties.

Governments exist in an inherently risky information technology environment. There are complex demands of government and the sensitivity of information most governments process and possess. Many governments operate in a 24x7x365 environment especially in the areas of public safety, finance and healthcare. Because of the importance and risk of this sensitive information, technology security is an essential element of internal controls. There are four broad areas of risk that Brown Armstrong focuses on: **strategic planning, physical security, data security and continuity.**

Strategic planning is a key audit risk. Our team will interview IT staff and management as part of interim testing to discuss the direction of IT in the System and the environment it operates in. Physical security is essential for information technology internal controls. Our team will focus on the policies and procedures of physical access to IT. Because of the tremendous rise in e-commerce and the related exponential increase in identity theft, data security is especially important. Our team will make observations of facilities, including whether or not sensitive printed data is left on desks at night, if USB keys can be activated on computers without a pass-word, if there are shredders or a shredding service utilized and many other inquiries. Inquiries and testing at a minimum includes an analysis of access from and to the internet to the System and whether standard controls are in place over sensitive data.

Finally, as many recent events have proven out, continuity of government is absolutely essential in the information age. One of the goals of any mission critical entity, including the District, is to sustain the continuity of government. One of the more interesting events of September 11, 2001 was the fact that the Port Authority of New York and New Jersey made payroll the next day even though the authority's servers were located in the World Trade Center. Fortunately, the authority had a fail-over —a "hot site" in Staten Island, New York City. Since then, data continuity has proven to be essential time and time again. Our team will inquire about at a minimum:



- What is the system of backing up data, how often is it done and where is the backup data stored?
- How often is backup data regularly tested, restored and compared to live data?
- Does the government have agreements with other governments for continuity purposes? How often are disaster simulations exercises performed and are findings remediated?

Our audit team has access to IT audit programs and we include access to certified ethical hackers and certified information systems auditors through our affiliation with PKF North America. We may perform additional tests of controls off-cycle from interim or year-end work.

Extent of Use of EDP Software in the Engagement

Brown Armstrong uses HP Proliant servers running Microsoft Windows Server 2003 for Active Directory and Microsoft Exchange Server 2003 for our email, and we have a centralized data storage system running on a Netapp disk array. Our network backbone is comprised of Cisco routers and switches and we have WAN connections to all of our offices. Our servers are on protected power and have redundant drive arrays to eliminate any single points of failure. All of our data is backed up by both tapes and off-site (out of the state) storage facilities on a daily basis. In addition, our IT system is peer reviewed by a third party IT consulting firm on a semi-annual basis to ensure we are up-to-date on security and efficiency issues.

Our firm is paperless and utilizes CCH Pfx Engagement software. Our staff is equipped with portable computer equipment that enables them to work effectively from the field. To enhance data security, our laptops have both hard drive encryption technology and tracking software to help us locate them in case they are lost or stolen, and client data is regularly cleared off the local drives after jobs are completed. The data on each laptop in our main auditing software (CCH Pfx Engagement) is synched both with the central file room in our headquarters and between each laptop in the field so there are multiple copies of the data available in case a laptop fails. Also we use ACL software in performing your audit procedures. Several of the procedures will include:

- Selections of authorizations effecting controls procedures,
- Tests for duplicate payments, and
- Tests for potential employee fraud.

In performing such procedures, our clients are requested to provide us with their disbursements, payroll and other modules in either Dbase, ASCII or spread-sheet formats. ACL is able to read such files and perform various data mining functions such as sorting, recalculating, comparing, etc.



The District's audit will be made in accordance with generally accepted auditing standards. Generally accepted auditing standards are included in Statements on Auditing Standards published by the AICPA and in *Government Auditing Standards* published by the United States General Accountability Office (GAO) (and to be updated and in effect for fiscal 2013.) The primary purpose of our work is to express an opinion on the financial statements and that such an examination is subject to the inherent risk that errors or irregularities may not be detected.

If conditions are discovered which lead to the belief that material errors, defalcations or other irregularities may exist, or if any other circumstances are encountered that require extended services, we will advise you immediately in writing. No procedures will be performed unless authorized in advance by the District.

7. IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

We currently do not anticipate any audit problems. In the event problems are identified, we will resolve the problem as follows:

- Discussion with audit team.
- Consultation and discussion with appropriate District personnel.
- Consultation and discussion with liaison(s).
- Resolution with appropriate District personnel.



PRICE PROPOSAL

**PALMDALE WATER DISTRICT
EXHIBIT**

DISTRICT AUDIT PRICE FORM

Service	Hours	Staff Classification(s)	Amounts (by Classification)		
			2011	2012	2013
District Audit and Related Reports	18	Partner	\$ 3,168	\$ 3,326	\$ 3,485
	82	Supervisory Staff	8,200	8,610	9,020
	82	Professional Staff	6,888	7,232	7,577
	2	Clerical	100	105	110
Travel	11	All Staff Levels	1,144	1,227	1,308
Annual Update Session (if an additional cost) *					
Total for Fiscal year (not-to-exceed)	195		\$ 19,500	\$ 20,500	\$ 21,500

* Each year Brown Armstrong organizes four days of CPE seminars in Bakersfield (two, two-day sessions covering 32 hours of CPE) for its professional staff and clients' personnel. One of the two-day CPE seminars is in the middle of January. It covers accounting and auditing updates relating to for-profit businesses (FASB, PCAOB, and SAS). Another two-day CPE seminar covering primarily governmental accounting and auditing updates (GASB, Yellowbook, and Single Audit) is typically in May. The fees for our January 2011 CPE were \$95 per person per day.

We also have the availability of Eric S. Berman, CPA, MSA, who is the Firm's lead governmental practice consultant. His consulting fees range from \$400 to \$600 an hour, depending on consulting provided. Consulting generally ranges from training to cost accounting, rate reviews, revenue maximization and cost avoidance. Specialized attestation engagements are also available (typically agreed upon procedures). Should we be engaged by the District, we are and will be precluded from many types of consulting by *Government Auditing Standards* and *Generally Accepted Auditing Standards*. **Should we not be engaged by the District in response to this proposal, we would be pleased to offer you a wide range of consulting and/or training services.**

Rates for Additional Professional Services

We do not anticipate that additional services will be necessary to complete the audit. In the event that additional services are necessary to either supplement the services requested in the Request for Proposal, or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the agreement between the District and the Firm. Any such additional work agreed to between the District and the Firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the bidding proposal.



Manner of Payment

Brown Armstrong agrees to progress payments on the basis of hours of work completed during the course of the engagement in accordance with the bidding proposal. Interim billings shall cover a period of not less than one (1) calendar month.



EXHIBITS



**EXHIBIT I
RESUMES OF AUDIT TEAM MEMBERS**

Eric S. Berman, MSA, CPA

Connie M. Perez, CPA

Alaina Sanchez

Marissa Sherman





Resume of Eric S. Berman, MSA, CPA

Principal – Pasadena Office
Brown Armstrong
Accountancy Corporation

Academic Background:

Boston University, 1983
Bachelor of Science Degree in Broadcast Journalism
Bentley College (Now Bentley University), 1992
Masters of Science in Accountancy

Summary of Experience:

Retirement Systems:

Los Angeles County Employees' Retirement Association
Ventura County Employees' Retirement Association
Kern County Employees' Retirement Association
San Mateo County Employees' Retirement Association
Tulare County Employees' Retirement Association
Marin County Employees' Retirement Association
Fresno City Employees' Retirement System
Los Angeles City Employees' Retirement System
Contra Costa County Employees' Retirement Association
Sonoma County Employees' Retirement Association
Fresno County Employees' Retirement Association
San Joaquin County Employees' Retirement Association
Fresno City Fire and Police Retirement System

Corporations:

Capello Capital Corporation
CGI, Inc. (Consulting)
Eide Bailly, LLP (training)
Strothman and Company (training)
Meiners + Company (training)

Commonwealth of Massachusetts

States:

Commonwealth of Massachusetts (as deputy comptroller)
State of Maine (consulting / training)
State of Oregon (consulting / training)
State of Tennessee (consulting / training)
State of Texas (consulting / training)

Cities:

City of Seaside
City of Pasadena

Counties:

County of Riverside
County of Tulare

Non-Profits:

California Hispanic Chamber of Commerce
TJ Arts (as Treasurer)

Special Districts:

San Joaquin Council of Governments

Deputy Comptroller

Other Professional
Experience:

Responsible for three Bureaus, including the Financial Reporting and Analysis Bureau responsible for preparing the Commonwealth's two independently audited financial statements, fixed asset and the Commonwealth's debt accounting, the Accounting Bureau responsible for the management of the Commonwealth's capital project funds, establishing and maintaining spending and revenue authorizations for over 150 state departments, 61 separate audits, pensions, OPEB, tobacco trust, maintaining the accuracy and integrity of the Commonwealth's ledgers for its funds the receivables, e-Commerce, PCI compliance, revenue maximization and cost avoidance, and the Federal Cost Accounting Bureau which was in charge of preparing, negotiating and implementing a number of cost plans with the federal government and federal aid billing for the Commonwealth. In charge of the financial relationships between the Commonwealth and its authorities, schools of higher education and their foundations. In charge of the Commonwealth's annual Single Audit. In charge of the compliance portion of implementation of the American Recovery and Reinvestment Act for Massachusetts and was the co-facilitator to the partnership of the United States General Accountability Office, the Office of Management and Budget and the fifty states in implementing the stimulus.

Massachusetts Water Pollution Abatement Trust

Chief Financial Officer

In charge of reporting, investments, budgeting, personnel, and the daily operations of the \$2 billion government banking instrumentality. Coordinator of investment bidding process for guaranteed investment contracts, repurchase agreements and escrows and was responsible for issuing over \$1 billion in tax-exempt bonds and \$1.2 billion in loans. Structured the first 30-year bond issue for a state revolving fund, involving two years of negotiations with EPA and Congress. Member of the Council of Infrastructure Financing Authorities workgroups on EPA relations, financial reporting and auditing, leadership and membership.

Robert Ercolini and Company

Senior Accountant

Audit clients included municipalities (Provincetown, Truro, Orleans, Melrose, Hanover, Massachusetts) and public colleges (Framingham State College and Fitchburg State College). Real estate, mutual fund, not for profit and public housing projects as well.



BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

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Services for 37 Years

Resume of Eric S. Berman, MSA, CPA (Continued)

**Partner – Pasadena Office
Brown Armstrong
Accountancy Corporation**

Professional Associations:

Governmental Accounting Standards Advisory Council to GASB - AGA representative
American Institute of Certified Public Accountants - chairman of Government Performance and Accountability Committee, state and local government expert panel, operational task force
Association of Governmental Accountants - national chairman of financial management standards board
California Society of Certified Public Accountants, Governmental Auditing and Accounting Committee
Governmental Accounting Standards Board - derivatives, OPEB, financial reporting (GASB-34) task forces, others.
Massachusetts Society of Certified Public Accountants, chairman of governmental accounting and auditing committee
National Association of State Auditors, Comptrollers and Treasurers, chairman of OPEB, derivatives task forces, joint middle management conference, NASC conferences chairman

Continuing Education:

SEC and Financial Reporting Conference, 2011
Trainer on Governmental Accounting and Auditing nationwide from 1994-present

Publishing:

Commerce Clearinghouse (CCH) – Wolters Kluwer

Governmental GAAP 2011 to present Guide (formerly *Miller's Governmental GAAP Guide*)
Governmental GAAP 2011 to present Practice Manual
Governmental GAAP Update Service
2007 GAAP Guide Levels B, C, and D (editor)
Single Audit - Knowledge Based Audits

London School of Economics – Risk Waters

Derivatives Accounting and Risk Management: Key Concepts and the Impact of IAS 39 (chapter)

Bureau of National Affairs

Fundamental Principles of Governmental Accounting

Government Accounting Standards Board

Editor, reviewer, task force member of various standards and guides

AICPA

Editor, reviewer, task force member, author on various audit risk alerts, checklists and guides focusing on state and local government





Resume of Connie M. Perez, CPA

**Partner
Brown Armstrong
Accountancy Corporation**

Academic Background:

California State University, Bakersfield, 2000
Bachelor of Science in Accounting

Summary of Experience:

Retirement Systems:

Contra Costa County Employees' Retirement Association
Fresno County Employees' Retirement Association
Los Angeles County Employees' Retirement Association
Marin County Employees' Retirement Association
Merced County Employees' Retirement Association
Orange County Employees' Retirement System
San Bernardino County Employees' Retirement Association
San Diego City Employees' Retirement System
San Diego County Employees' Retirement Association
San Mateo County Employees' Retirement Association
Tulare County Employees' Retirement Association
Ventura County Employees' Retirement Association
Pasadena Fire and Police Retirement System
Kern County Employees' Retirement Association

Pension Plans:

San Francisco Bay Area Rapid Transit Money Purchase Plan
San Francisco Bay Area Rapid Transit Deferred Compensation Plan
North Bakersfield Recreation & Park District Pension Plan
Derrell's Mini Storage, Inc. - 401(k) Plan
MBIA - 401(k) Plan
HCM, Inc. - 401(k) Plan
Western Drilling - 401(k) Plan

Financial Institutions:

Mojave Desert Bank
Mission Bank
Finance & Thrift

University & Community College

Foundation & Auxiliary Organizations:

California State University Bakersfield Foundation
California State University Bakersfield Student Union
California State University Bakersfield Associated Students, Inc.
California State University Bakersfield Children's Center
California Polytechnic San Luis Obispo Associated Students, Inc.
California Polytechnic San Luis Obispo University Union
California Polytechnic San Luis Obispo Children's Center
Porterville College Foundation
Victor Valley Community College District
Kern Community College District

Professional Associations:

California Society of Certified Public Accountants, Director
American Institute of Certified Public Accountants
State Association County Retirement Systems, Affiliate Member
Children Joining Children for Success, Treasurer - 501(c)(3) organization
Latina Leaders of Kern County, Board Member
California Hispanic Chamber of Commerce, Treasurer

Continuing Education:

Governmental Accounting & Auditing Update, 2003-2010
GASB Update, 2009 (Governmental)
Advanced Workshop for Implementation of New Audit Standards, 2008
Accounting and Auditing Update - 2004, 2007- 2011
Planning for EBP Audit Season, 2008
GASB Update with Special Focus on Derivatives, 2008

Cities:

City of Coalinga
City of Madera
City of Delano

Transit Agencies:

Santa Cruz Metropolitan Transit District
Golden Empire Transit

School Districts:

Inyo County Office of Education
Madera Unified School District
Greenfield Union School District
Standard School District
Bakersfield City School District
Norris School District
Richgrove Elementary School District
Taft Union High School District
Yosemite Union High School District

Non-Profit:

Boy Scouts of America
Goodwill Industries of South Central California
Greater Bakersfield Legal Assistance
YMCA

Health Care:

Heritage Provider Network

Commercial:

San Joaquin Refining Co., Inc.

Agriculture:

A & P Growers, Inc.

Special Districts:

North Bakersfield Recreation & Park District
San Joaquin Valley Air Pollution Control District
Minter Field Airport District
Shafter Recreation & Parks District



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Resume of Alaina C. Sanchez

**Staff Accountant
Brown Armstrong
Accountancy Corporation**

Academic Background:

California Polytechnic State University, San Luis Obispo, 2009
Bachelor of Science in Business Administration, Concentration in Accounting

Summary of Experience:

Retirement Systems:

Ventura County Employees' Retirement Association
Orange County Employees' Retirement System
Tulare County Employees' Retirement Association
Marin County Employees' Retirement Association
Los Angeles County Employees' Retirement Association
Imperial County Employees' Retirement System
Fresno City Employees' Retirement System

School Districts:

Castaic Union School District
Saugus Unified School District
Richgrove Elementary School District
Taft Union High School District
Visalia Unified School District
Sierra Sands Unified School District
Delano Union School District

Pension Plans:

Golden Empire Transit Pension

Special Districts:

Pixley Public Utilities District
San Joaquin Council of Governments
Kern Council of Governments
California e-Recording Transaction Network, JPA
Kern Water Bank Authority
Rosamond Community Services District
Fresno Metropolitan Flood Control District
Minter Field Airport District

Oil & Gas:

Tri-Valley Oil & Gas Corp.
Petro Development Partners, LLC

Cities:

City of Visalia
City of Seaside

Transit Districts:

Riverside Transit Agency
Golden Empire Transit District
Napa County Transportation & Planning Agency
Santa Cruz Metropolitan Transit District
Central Contra Costa Transit Authority

Counties:

County of Kern
County of Tulare
County of Riverside

Agriculture:

A&P Growers
Blackwell Land, LLC
BLC Farmlands, LLC

Financial Institutions:

Mojave Desert Bank

Commercial Entities:

Pismo Coast Village, Inc.
Hallmark Apartments
La Fiesta Apartments
Skyway Apartments
Sunset Apartments
Tehachapi Housing Association II
Spiral Technologies

Continuing Education:

Fall Federal and California Tax Update Seminar, 2010-2011
Single and General Audit Update, 2010
GASB Update 2010
Audit Watch University Level 2: Experienced Staff Training, 2010
The Financial Meltdown and Great Recession, 2009-2010
Accounting and Auditing Update, 2009-2010
Tax Gear-Up Training, 2010
Pro System Fx Portal Training, 2009



**BROWN ARMSTRONG
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Resume of Marisa Sherman, MA

Staff Accountant

**Brown Armstrong
Accountancy Corporation**

Academic Background:

University of Southern California, 2011
Leventhal School of Accounting
Master of Accounting Degree

University of California, Los Angeles
Bachelor of Art Degree

Summary of Experience:

Retirement Systems:

San Mateo County Employees' Retirement Association
Pasadena Fire and Police Retirement System
Ventura County Employees' Retirement Association

Special Districts:

Riverside Transit Agency

Cities:

City of Pasadena



**BROWN ARMSTRONG
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**EXHIBIT II
SUMMARY OF RECENT GOVERNMENTAL AUDIT EXPERIENCE**

Special Districts	Governmental Retirement Systems	Counties	Cities
Port Hueneme Water Agency North Bakersfield Recreation And Park District Shafter Recreation & Park District Bear Mountain Recreation & Park District San Joaquin Valley Air Pollution Control District Westside Cemetery District Westside Mosquito and Control Vector District Minter Field Airport District Fresno Metropolitan Flood Control District McAllister Ranch Irrigation District Belridge Water Storage District Mojave Public Utility District Bear Valley Springs Homeowners' Association Pine Mountain Homeowners' Association Kern Tulare Water District Pasadena Water and Power Rag-Gulch Water District Rose Bowl Operating Company Pasadena Convention and Operating Company Casitas Municipal Water District	Ventura County Employees' Retirement Association Los Angeles County Employees' Retirement Association Kern County Employees' Retirement Association San Bernardino County Employees' Retirement Association Tulare County Employees' Retirement Association City of Fresno Employees' Retirement System Merced County Employees' Retirement Association San Francisco Bay Area Rapid Transit Deferred Compensation and Money Purchase Plans Sonoma County Employees' Retirement Association Los Angeles City Employees' Retirement System Stanislaus County Employees' Retirement Association County of Fresno Employees' Retirement Association	County of Kern County of Kings County of Merced County of Riverside County of Santa Barbara County of Stanislaus County of Tulare	City of Bakersfield City of Chowchilla City of Delano City of Fresno City of Madera City of Modesto City of Pasadena City of Santa Barbara City of Tehachapi City of Tulare City of Visalia
Transit		Health Care	
Central Contra Costa Transit Authority Fresno Council of Governments Kern Council of Governments Fresno Transit Golden Empire Transit Santa Cruz Metropolitan Transit District San Joaquin Regional Transit District North County Transit Antelope Valley Transit Authority Napa County Transportation and Planning Agency		Kern Health Systems Kern Medical Center Heritage Provider Network Community Health Plan Heritage California Medical Group	
School Districts	College Districts	Non-profits	
Mojave Unified School District Inyo Co. Office of Education Richgrove School District Taft High School District Bakersfield City School District	Kern Community College District San Luis Obispo Co. Community College District College of the Sequoias Community College District	Goodwill of California Pasadena Chamber of Commerce Boy Scouts of America Kern County Library Foundation Kern County Bar Association	



EXHIBIT III
EXTERNAL QUALITY CONTROL REVIEW REPORT



WEAVER
AND
TIDWELL

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

System Review Report

To the Shareholders of
Brown Armstrong Paulden McCown Starbuck Thornburgh & Keeter, A.C.
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Brown Armstrong Paulden McCown Starbuck Thornburgh & Keeter, A.C. (the firm) in effect for the year ended October 31, 2008. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based upon our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Brown Armstrong Paulden McCown Starbuck Thornburgh & Keeter, A.C. in effect for the year ended October 31, 2008, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Brown Armstrong Paulden McCown Starbuck Thornburgh & Keeter, A.C. has received a peer review rating of pass.

Weaver and Tidwell, L.L.P.
WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 30, 2009

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INDEPENDENT CONTRACTOR AGREEMENT

This INDEPENDENT CONTRACTOR AGREEMENT ("Agreement") is made, entered into and effective as of September 1, 2011, by and between PALMDALE WATER DISTRICT (hereinafter "District"), and ROBERT M. EGAN (hereinafter "Egan" or "Financial Advisor").

RECITALS

A. Egan is a certified public accountant duly licensed in the State of California and has been performing accounting, financial, investment and other services for the District since November 1, 1994.

B. The District wishes to formalize its arrangement with Egan, as an independent contractor on certain terms as set forth in this Agreement, and Egan is agreeable to the proposed arrangement.

C. The parties are therefore entering into this Agreement to set forth the terms and conditions under which Egan will continue to serve as a financial advisor to the District.

AGREEMENTS

Now, therefore, in consideration of the mutual promises herein set forth, the parties agree as follows:

1. INDEPENDENT CONTRACTOR. Egan is retained by the District only for the purposes of and to the extent set forth in this Agreement and Egan's relationship to the District, shall, during the term of this agreement, be that of an independent contractor. Under no circumstances shall Egan look to the District as his employer, or as a partner, agent, or principal. Egan shall not be entitled to any benefits accorded to the District's employees, including workers' compensation, disability insurance, vacation, or sick pay. Egan shall be responsible for providing, at Egan's expense, and in Egan's name, disability, workers' compensation, or other insurance as well as any licenses or permits usual or necessary for performance of the services

Egan renders. Egan may use any employees or subcontractors as Egan deems necessary to perform the services required of Egan by this Agreement and Egan shall be solely responsible for the compensation of such employees or subcontractors. The District shall not control, direct, or supervise Egan's employees or subcontractors in the performance of those services.

Egan shall pay, when and as due, any and all taxes incurred as a result of Egan's compensation, including estimated taxes, and shall provide the District with proof of payment on demand. Egan shall indemnify the District for any claims, losses, costs, fees, liabilities, damages, or injuries suffered by the District arising out of Egan's failure to pay any and all taxes due. This engagement is for an unspecified period of time and subject to termination as allowed by law or as set forth herein.

2. **DUTIES AND OBLIGATIONS OF FINANCIAL ADVISOR.** As the Financial Advisor to the District, Egan shall regularly perform certain duties and functions on a monthly basis, others on a quarterly or annual basis, and as requested by the Board of Directors. Though he is engaged directly by the Board of Directors, Egan shall regularly report to the District's Finance Committee (a standing committee established by the Board of Directors) and coordinate his services with and through the General Manager. The services and duties to be provided by Egan are as follows:

Monthly Services and Duties

1. Prepare 12-month cash-flow projections and cash and investment reports for the Finance Committee;
2. Monitor and report to the Finance Committee on intra-district loans and the State Water Project transactions; and
3. Attend all Finance Committee meetings unless the committee Chairperson specifies otherwise.

Quarterly Services and Duties

Prepare quarterly assessment of District finances.

Annual Services and Duties

1. Prepare annual State Water Project assessment rate calculations and make recommendations regarding the same; and
2. Prepare the annual State Controller report.

Services and Duties as Requested by Board of Directors

1. Provide recommendations on investments, project financings and rate settings as requested by the Board of Directors or the Finance Committee;
2. Participate as a member of the District's financing team on any debt issuance contemplated by the District;
3. Prepare monthly recurring entries and assist as needed on other accounting issues;
4. Assist on the preparation of the annual budget;
5. Assist in the preparation and conduct of the annual audit, including appropriate footnote disclosure; and
6. Such other services and duties as may be requested by the Board of Directors.

3. **COMPENSATION.** Egan shall be compensated for his services on an hourly basis. Commencing with the effective date of this Agreement, his hourly rate for the services described above shall be \$225.00, which rate shall be subject to adjustment at the discretion of the District, but only if, in the opinion of the Board of Directors, Egan's performance has been satisfactory, as determined by the evaluation to be conducted in accordance with Section 5, below.

4. DUTIES AND OBLIGATIONS OF DISTRICT. The District shall provide Egan with an annual performance review, the compensation set forth above, and any expense reimbursements approved in advance by the Board of Directors.

5. ANNUAL REVIEW. The Board of Directors of the District shall conduct an annual evaluation of Egan's performance either by the full Board or by the Finance Committee. At a minimum, the evaluation shall consist of a conference with the Financial Advisor to review his performance. This performance evaluation shall occur during the months of January or February of each year this Agreement is in effect.

6. TERMINATION OF AGREEMENT.

A. This Agreement shall terminate on the death of the Financial Advisor. In addition, this Agreement may be terminated by Egan at any time, without cause, upon no less than 60 days' prior written notice to the District. The Financial Advisor shall be entitled to compensation to and through the effective date of termination, but shall not be entitled to any additional compensation.

B. The District may terminate the Financial Advisor's services and thereby terminate this Agreement, at any time, with or without cause, upon no less than 30 days' prior written notice to the Financial Advisor.

7. GENERAL PROVISIONS.

A. This Agreement constitutes the entire agreement between the parties. No amendments to this Agreement may be made except by a writing signed by both parties.

B. The validity, interpretation, performance and effect of this Agreement shall be construed in accordance with the laws of the State of California.

C. Any notice or communication required or permitted to be given under this Agreement shall be effective when deposited, postage prepaid, in the United States Mail. Any notice shall be addressed as follows:

Palmdale Water District
2029 East Avenue Q
Palmdale, CA 93550

Notice to the Financial Advisor shall be addressed to his last-known address as reflected on the records of the District.

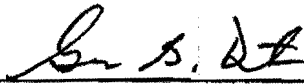
D. If any provisions of this Agreement are held invalid and unenforceable, the remainder of this Agreement shall nevertheless remain in full force and effect.


E. The failure of either party to insist on strict compliance with any of the terms, covenants or conditions of this Agreement by either party shall not be deemed as a waiver of that term, covenant or condition, nor shall any waiver or relinquishment of any right or power at any one time or times be deemed a waiver or relinquishment of that right or power for all or any other time.

F. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which the party may be entitled.

IN WITNESS WHEREOF, the parties have executed this INDEPENDENT CONTRACTOR AGREEMENT as of the date first hereinabove written.

PALMDALE WATER DISTRICT

By: 
Gordon G. Dexter, President


ROBERT M. EGAN