



PALMDALE WATER DISTRICT

2029 East Avenue Q • Palmdale, California 93550 •

Telephone (661) 947-4111
Fax (661) 947-8604
www.palmdalewater.org

Board of Directors

ROBERT E. ALVARADO
Division 1

GORDON G. DEXTER
Division 2

GLORIA DIZMANG
Division 3

KATHY MAC LAREN
Division 4

STEVE R. CORDOVA
Division 5

LAGERLOF, SENECAL, GOSNEY & KRUSE LLP
Attorneys



June 7, 2012

*Agenda for Regular Meeting
of the Board of Directors of the Palmdale Water District
to be held at the District's office at 2029 East Avenue Q, Palmdale
Wednesday, June 13, 2012
7:00 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) Pledge of Allegiance.
- 2) Roll Call.
- 3) Adoption of Agenda.
- 4) Public comments for non-agenda items.
- 5) Presentations:
 - 5.1) 2011 Draft Audit and Management Report. (Lance, Soll & Lunghard, LLP/Financial Advisor Egan/Finance Manager/CFO Williams)

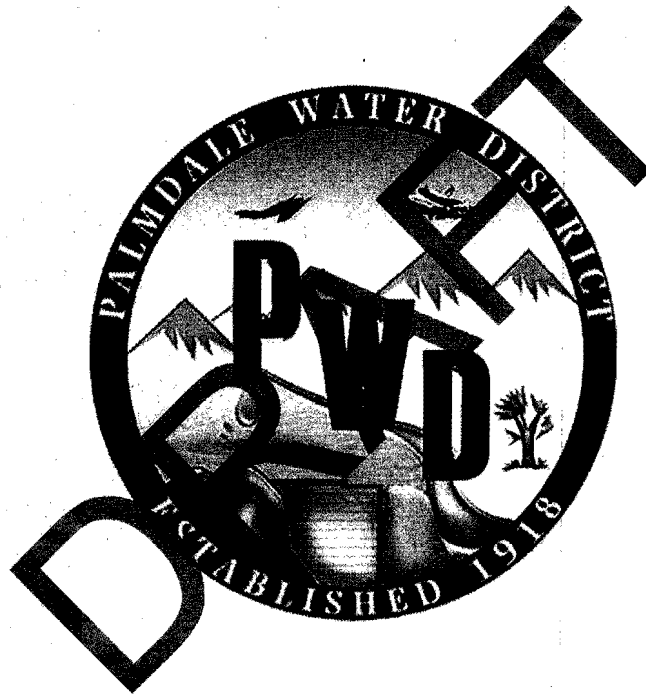
- 6) Action Items - Consent Calendar (The public shall have an opportunity to comment on any action item as each item is considered by the Board of Directors prior to action being taken.)
 - 6.1) Approval of minutes of regular meeting held May 23, 2012.
 - 6.2) Payment of bills for June 13, 2012.
- 7) Action Items - Action Calendar (The public shall have an opportunity to comment on any action item as each item is considered by the Board of Directors prior to action being taken.)
 - 7.1) Consideration and possible action on acceptance and filing of 2011 Audit and Management Report. (Lance, Soll & Lunghard, LLP/Financial Advisor Egan/Finance Manager/CFO Williams)
 - 7.2) Status report on Cash Flow Statement and Current Cash Balances as of April, 2012. (Financial Advisor Egan)
 - 7.3) Status report on 2012 Financial Statements, Revenue and Expense and Departmental Budget Reports for April, 2012. (Finance Manager/CFO Williams)
 - 7.4) Status report on committed contracts issued. (Engineering Manager Knudson)
 - 7.5) Status report on comparative personnel expenses. (Chair Dexter/Finance Manager/CFO Williams)
 - 7.6) Status report on level pay plans. (Finance Manager/CFO Williams)
 - 7.7) Consideration and possible action on Resolution No. 12-7 Authorizing the Submission of an Application to the California Department of Water Resources to Obtain a Local Groundwater Assistance Grant for the Littlerock Creek Recharge and Recovery Project and to Enter Into an Agreement with Respect Thereto. (No Budget Impact – Engineering Manager Knudson)
 - 7.8) Consideration and possible action on Palmdale Fin and Feather Club Dock Platform Construction Guidelines and Procedures for new construction or replacement of docks at Palmdale Lake and approval of construction of new Dock 29A. (No Budget Impact – Facilities Committee/Treatment Plant Supervisor Boka/Systems Supervisor Jeters)
 - 7.9) Consideration and possible action on declaring District vehicles as surplus and offering same for sale. (Savings based on sale price – Facilities Committee/Equipment Mechanic Supervisor Hardenbrook/Facilities Manager Moore)
 - 7.10) Consideration and possible action on professional services agreement for monitoring and reporting of wind turbine. (\$10,000/year – Budgeted – Facilities Committee/Engineering Manager Knudson)
 - 7.11) Consideration and possible action on Pipeline Relocation Agreement for APN's 3053-005-902, 903, 905. (No Budget Impact – Facilities Committee/Engineering Manager Knudson)

- 8) Information Items:
 - 8.1) Reports of Directors: Meetings, Committee meetings, and general report.
 - 8.2) Report of General Manager.
 - 8.3) Report of Attorney.
- 9) Public comments on closed session agenda matters.
- 10) Closed session under:
 - 10.1) Government Code Section 54956.9(a), existing litigation: *Antelope Valley Ground Water Cases*.
 - 10.2) Government Code Section 54956.9(a), existing litigation: *City of Palmdale vs. Palmdale Water District, Case No. BC413432 (Rate Litigation)*.
 - 10.3) Government Code Section 54956.9(a), existing litigation: *City of Palmdale vs. Palmdale Water District and Palmdale Water District Public Facilities Corporation, Case No. BC413907 (Validation Action)*.
 - 10.4) Government Code Section 54956.9(a), existing litigation: *Palmdale Water District vs. City of Palmdale, Case No. BC420492 (Recycled Water Litigation)*.
 - 10.5) Government Code Section 54956.9(a), existing litigation: *United States, et al. v. J-M Manufacturing Company, Inc., et al., United States District Court for the Central District of California Case No. ED CV06-0055-GW*.
 - 10.6) Government Code Section 54956.9(a), pending litigation: *Central Delta Water Agency vs. Department of Water Resources, Sacramento Superior Court Case No. 34-2010-80000561*.
 - 10.7) Government Code Section 454956.9(a), existing litigation: *Aqualliance , et al. v. Butte Water District, Butte County Superior Case No. 156719*.
- 11) Public report of any action taken in closed session.
- 12) Board members' requests for future agenda items.
- 13) Adjournment.



DENNIS D. LaMOREAUX,
General Manager

DDL/dd



**Palmdale Water District
Annual Financial Report
December 31, 2011 and 2010**

**Palmdale Water District
Board of Directors as of December 31, 2011**

<u>Director Name</u>	<u>Division</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Term Expires</u>
Robert Alvarado	1	Secretary	Elected	12/15
Gordon Dexter	2	President	Elected	12/13
Gloria Dizmang	3	Vice President	Elected	12/15
Kathy Mac Laren	4	Treasurer	Elected	12/15
Steve Cordova	5	Director	Elected	12/13

**Palmdale Water District
Dennis LaMoreaux, General Manager
2029 East Avenue Q
Palmdale, California 93550
(661) 947-4111 – www.palmdalewater.org**

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Pomona Water District

Annual Financial Report

For the Years Ended December 31, 2011 and 2010

**Palmdale Water District
Annual Financial Report
For the Years Ended December 31, 2011 and 2010**

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Financial Section

- 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
- Deborah A. Harper, CPA

INDEPENDENT AUDITORS' REPORTS

Board of Directors
Palmdale Water District
Palmdale, California

We have audited the accompanying financial statements of the Palmdale Water District (the "District") as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the District as of December 31, 2010 were audited by other auditors whose report dated April 8, 2011, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Board of Directors
Palmdale Water District
Palmdale, California

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Lance, Soll & Rayburn, LLP

Brea, California
May 8, 2012

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Palmdale Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Palmdale Water District (District) provides an introduction to the financial statements of the District for the years ended December 31, 2011 and 2010. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2011, the District's net assets decreased 1.86% or \$2,151,269 from \$115,884,972 to \$113,733,703. In 2010, the District's net assets decreased 4.12% or \$4,987,250 from \$121,123,712 to \$116,136,462.
- The District's 2011 operating revenues increased 0.09% or \$19,862 due to an increase in miscellaneous related water service fees while in 2010 the District's operating revenues increased 2.93% or \$615,963 due to an increase in water service revenues.
- The District's 2011 non-operating revenues (excluding capital contributions) decreased 8.08% or \$(549,169) due primarily to the sale of capital assets and a decrease of \$(293,797) in property tax revenue. In 2010, non-operating revenues increased 11.51% or \$742,054 due primarily to an increase of \$977,971 on the gain on the sale of a capital asset, netted against a decrease of \$135,806 in property tax revenue.
- The District's total expenses decreased 11.3% or \$2,611,252 due primarily to a \$2.83 million decrease in purchased water charges for the year, while in 2010 the District's total expenses increased 15.83% or \$4,629,934 due primarily to a \$2.28 million increase in operating expenses, a \$917,803 decrease in overhead absorption, a \$1.34 million increase in depreciation and amortization expense, and a \$394,688 increase in non-operating expenses.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Assets includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides

Palmdale Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010

answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the District in a way that helps answer this question. These statements include assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 25 through 47.

Statement of Net Assets

Condensed Statement of Net Assets					
	2011	2010	Change	2009	Change
Assets:					
Current assets	\$ 14,472,020	12,750,435	1,721,585	15,514,902	(2,764,467)
Non-current assets	2,530,409	2,530,165	244	2,326,026	204,139
Capital assets, net	158,808,157	162,207,271	(3,399,114)	164,783,602	(2,576,331)
Total assets	175,810,586	177,487,871	(1,677,285)	182,624,530	(5,136,659)
Liabilities:					
Current liabilities	10,022,294	10,051,718	(29,424)	10,580,126	(528,408)
Non-current liabilities	52,054,589	51,551,180	503,409	50,920,692	630,488
Total liabilities	62,076,883	61,602,898	473,985	61,500,818	102,080
Net assets:					
Net investments in capital assets	109,996,828	112,276,514	(2,279,686)	113,778,417	(1,501,903)
Restricted for debt service	1,494,919	1,449,982	44,938	1,361,890	88,092
Unrestricted	2,241,956	2,158,476	83,480	5,983,405	(3,824,929)
Total net assets	113,733,703	115,884,972	(2,151,268)	121,123,712	(5,238,740)
Total liabilities and net assets	\$ 175,810,586	177,487,870	(1,677,283)	182,624,530	(5,136,660)

Palmdale Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$112,933,703 and \$115,884,972 as of December 31, 2011 and 2010, respectively.

A portion of the District's net assets, 98% and 96% as of December 31, 2011 and 2010, respectively, reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of years 2011 and 2010, the District showed a positive balance in its unrestricted net assets of \$2,241,956 and \$2,158,476, respectively, which may be utilized in future years.

Statement of Revenues, Expenses and Changes in Net Assets

	2011	2010	Change	2009	Change
Revenues:					
Operating revenues	21,650,444	21,640,582	19,862	21,024,619	615,963
Non-operating revenues	92,973	7,187,244	(1,194,271)	6,445,188	742,056
Total revenues	21,743,417	28,827,826	(1,174,409)	27,469,807	1,358,019
Expenses:					
Operating expenses	20,480,879	23,092,131	(2,611,252)	20,813,544	2,278,587
Overhead absorption	(476,966)	(576,109)	99,143	(1,493,912)	917,803
Depreciation expense	7,285,492	7,010,721	274,771	5,971,865	1,038,856
Non-operating expenses	3,817,000	4,344,299	(527,299)	3,949,611	394,688
Total expenses	31,106,405	33,871,042	(2,764,637)	29,241,108	4,629,934
Net loss before capital cont.	(3,452,988)	(5,043,216)	(3,939,045)	(1,771,301)	(3,271,915)
Capital contributions	1,225,519	55,967	1,169,551	2,234,509	(2,178,542)
Change in net assets	(2,227,469)	(4,987,249)	(2,769,494)	463,208	(5,450,457)
Net assets, beginning of year	115,884,973	121,123,712	(1,599,942)	120,660,504	463,208
Restatements	-	(251,490)	(4,369,436)	-	(251,490)
Net assets, beginning of year as restated	115,884,973	120,872,222	(5,969,378)	120,660,504	211,718
Net assets, end of year	113,657,504	115,884,973	(4,369,436)	121,123,712	(4,987,249)

The statement of revenues, expenses and changes of net assets shows how the District's net assets changed during the years. In the case of the District, net assets decreased by \$4,217,034 and decreased by \$4,987,251 for the years ended December 31, 2011 and 2010, respectively.

A closer examination of the sources of changes in net assets reveals that:

The District's 2011 operating revenues increased 0.09% or \$19,862 due to an increase in miscellaneous related water service fees, while in 2010 operating revenues increased 2.93% or \$615,963 due to an increase in water service revenues.

The District's 2011 non-operating revenues (excluding capital contributions) decreased 8.08% or \$(549,169) due primarily to no sale of capital assets and a decrease of \$(293,797) in property tax revenue. In 2010, non-operating revenues increased 11.51% or \$742,054 due primarily to an increase of \$977,979 on the gain on the sale of a capital asset, netted against a decrease of \$135,806 in property tax revenue.

Palmdale Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010

The District's total expenses decreased 11.3% or \$2,764,637 due primarily to a \$2.83 million decrease in purchased water charges for the year, while in 2010 the District's total expenses increased 15.83% or \$4,629,934 due primarily to a \$2.28 million increase in operating expenses, a \$917,803 decrease in overhead absorption, a \$1.34 million increase in depreciation and amortization expense, and a \$394,688 increase in non-operating expenses.

Capital Asset Administration

At the end of year 2011, the District's investment in capital assets amounted to \$158,808,157 (net of accumulated depreciation and amortization). This investment in capital assets includes land, land rights, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles, State Water Project entitlement, and construction-in-process. There were numerous capital asset additions in the year 2011 (See Note 8).

Changes in capital asset amounts for 2011 were as follows:

	Balance 2010		Deletions	Transfers	Balance 2011
Capital assets:					
Non-depreciable assets	12,143,131	2,921,582	(140,559)	(8,598,695)	6,325,459
Depreciable assets	51,039,279	2,558,480	-	8,598,695	262,196,234
Accumulated depreciation and amortization	(109,974,919)	(8,738,617)	-	-	(109,713,536)
Total capital assets, net	\$ 163,207,271	(3,258,555)	(140,559)	-	\$ 158,808,157

Changes in capital asset amounts for 2010 were as follows:

	Balance 2009	Adjustments	Additions	Deletions	Transfers	Balance 2010
Capital assets:						
Non-depreciable assets	\$ 11,042,477	-	3,084,276	-	(1,983,622)	12,143,131
Depreciable assets	248,553,279	(2,360,836)	2,965,698	(102,704)	1,983,622	251,039,059
Accumulated depreciation and amortization	(94,812,154)	2,109,346	(8,374,815)	102,704	-	(100,974,919)
Total capital assets, net	\$ 164,783,602	(251,490)	(2,324,841)	-	-	\$ 162,207,271

Debt Administration

In 2011, long-term debt decreased by \$1,119,428, due to regular principal payments and amortization on the District's outstanding debts. In 2010, long-term debt decreased by \$1,074,428, due to regular principal payments and amortization on the District's outstanding debts (See Note 8).

Changes in long-term debt amounts for 2011 were as follows:

	Balance 2010	Additions/ Deletions	Principal Payments	Balance 2011
Long-term debt:				
1998 COPs	\$ 13,360,483	61,531	(800,000)	12,622,014
2004 COPs	36,570,274	(10,959)	(370,000)	36,189,315
Total long-term debt	\$ 49,930,757	50,572	(1,170,000)	\$ 48,811,329

Changes in long-term debt amounts for 2010 were as follows:

	Balance 2009	Additions/ Deletions	Principal Payments	Balance 2010
Long-term debt:				
1998 COPs	\$ 14,068,952	61,531	(770,000)	13,360,483
2004 COPs	36,936,233	(10,959)	(355,000)	36,570,274
Total long-term debt	\$ 51,005,185	50,572	(1,125,000)	\$ 49,930,757

Palmdale Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Finance Manager at 2029 East Avenue Q, Palmdale, CA 93550 or by phone (661) 947-4111.

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Basic Financial Statements

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**Palmdale Water District
Statements of Net Assets
December 31, 2011 and 2010**

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents (note 2)	\$ 5,263,244	\$ 4,547,765
Investments (note 2)	538,275	1,948,571
Accounts receivable -		
Water sales and services, net (note 3)	1,766,827	1,868,922
Property taxes	3,835,848	3,411,921
Interest	30,945	25,401
Other	10,296	13,107
Prepaid expenses	319,901	249,878
Materials and supplies	712,744	684,870
Total current assets	14,472,020	12,750,435
Non-current assets		
Restricted - investments (note 2)	1,661,732	1,626,295
Note receivable - property taxes (note 4)	164,519	161,817
Deferred charges, net (note 5)	704,158	742,052
Capital assets - not being depreciated (note 6)	6,325,459	12,143,131
Capital assets - being depreciated, net (note 6)	152,482,698	150,064,140
Total non-current assets	161,338,566	164,737,435
Total assets	\$ 175,810,586	\$ 177,487,870
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,289,084	\$ 1,518,055
Customer deposits for water service	2,394,026	2,215,256
Construction and developer deposits	1,702,807	1,743,020
Deferred property tax assessments	2,500,000	2,500,000
Accrued interest payable	603,548	616,286
Long-term liabilities - current:		
Compensated absences (note 7)	312,829	289,101
Certificates of participation (note 8)	1,220,000	1,170,000
Total current liabilities	10,022,294	10,051,718
Non-current liabilities		
Long-term liabilities - non-current:		
Compensated absences (note 7)	104,276	96,367
Other post employment benefits payable (note 15)	4,358,984	2,694,056
Certificates of participation (note 8)	47,591,329	48,760,757
Total non-current liabilities	52,054,589	51,551,180
Total liabilities	62,076,883	61,602,898
Net assets		
Net investment in capital assets (note 9)	109,996,828	112,276,514
Restricted for debt service (note 10)	1,494,919	1,449,982
Unrestricted (note 11)	2,241,956	2,158,476
Total net assets	113,733,703	115,884,972
Total liabilities and net assets	\$ 175,810,586	\$ 177,487,870

See accompanying notes to the basic financial statements

Palmdale Water District
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2011 and 2010

	2011	2010
Operating revenues:		
Water sales - commodity charge	\$ 828,995	\$ 7,841,545
Monthly water service charge	10,540,401	10,049,688
Water quality fees	1,544,000	1,567,034
Elevation fees	514,356	801,877
Other water service charges	1,441,691	1,380,438
Total operating revenues	21,660,444	21,640,582
Operating expenses:		
Purchased water	1,921,397	4,752,425
Operations and Production	5,141,790	3,567,635
Facilities	3,686,533	5,188,578
Engineering	1,366,272	1,281,197
Water conservation	368,826	313,260
Administration	4,608,946	4,159,831
Finance and customer service	3,387,115	3,829,205
Total operating expenses	20,480,879	23,092,131
Operating income(loss) before overhead absorption	1,179,565	(1,451,549)
Overhead absorption	476,966	576,109
Operating income(loss) before depreciation expense	1,656,531	(875,440)
Depreciation	(7,285,492)	(7,010,721)
Operating income/(loss)	(5,628,961)	(7,886,161)
Non-operating revenue (expense):		
Property taxes	5,562,065	5,855,862
Investment earnings	78,519	88,771
Rental income	123,406	116,979
Legal settlements	177,000	(391,900)
Gain/(loss) on sale/disposition of capital assets	-	977,979
State Water Project amortization expense	(1,453,125)	(1,364,095)
Interest expense - long-term debt	(2,502,981)	(2,550,410)
Deferred charges amortization expense	(37,894)	(37,894)
Other, net	228,982	147,652
Total non-operating revenues, net	2,175,973	2,842,944
Net loss before capital contributions	(3,452,988)	(5,043,217)
Capital Contributions:		
Capital contributions	-	(92,810)
Capital improvement fees	1,225,519	148,777
State capital grants	76,200	-
Total capital contributions	1,301,719	55,967
Change in net assets	(2,151,269)	(4,987,250)
Net assets, beginning of year	115,884,972	121,123,712
Restatements	-	(251,490)
Net assets, beginning of year as restated	115,884,972	120,872,222
Net assets, end of year	\$ 113,733,703	\$ 115,884,972

See accompanying notes to the basic financial statements

**Palmdale Water District
Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from customers	\$ 21,788,599	\$ 21,684,514
Cash payments to employees for services	(6,577,400)	(6,572,271)
Cash payments for services and goods	(12,347,303)	(14,038,685)
Net cash provided by operating activities	<u>2,843,878</u>	<u>1,073,558</u>
Cash flows from non capital financing activities:		
Property tax revenue	4,826,073	5,790,877
Other non-operating revenues (expense)	<u>605,589</u>	<u>264,631</u>
Cash provided by non-capital financing activities	<u>5,431,662</u>	<u>6,055,508</u>
Cash flows from capital and related financing activities:		
Cash paid for construction and acquisition of capital assets and state water project	(5,339,503)	(6,049,974)
Proceeds on sale of capital assets	-	977,979
Proceeds from capital contributions	1,225,519	55,967
Proceeds from state capital grants	-	1,293,171
Principal paid on long-term debt	(1,170,000)	(1,125,000)
Interest paid on long-term debt	<u>(2,465,142)</u>	<u>(2,561,976)</u>
Net cash used by capital and related financing activities	<u>(7,749,126)</u>	<u>(7,409,833)</u>
Cash flows from investing activities:		
Proceeds from and sale (purchase) of investments	116,090	(1,689,383)
Interest and investment earnings	<u>72,975</u>	<u>81,179</u>
Net cash provided (used) by investing activities	<u>189,065</u>	<u>(1,608,204)</u>
Net decrease in cash and cash equivalents	715,479	(1,888,971)
Cash and cash equivalents, beginning of the year	<u>4,547,765</u>	<u>6,436,736</u>
Cash and cash equivalents, end of the year	<u>\$ 5,263,244</u>	<u>\$ 4,547,765</u>
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 5,263,244	\$ 4,547,765
Total cash and cash equivalents	<u>\$ 5,263,244</u>	<u>\$ 4,547,765</u>

Continued on next page

See accompanying notes to the basic financial statements

Palmdale Water District
Statements of Cash Flows (continued)
For the Years Ended December 31, 2011 and 2010

	2011	2010
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (5,628,961)	\$ (7,886,161)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation Expense	7,285,492	7,010,721
Changes in assets and liabilities:		
(Increase)Decrease in assets:		
Accounts receivable - Water sales and services, net	108,155	94,008
Accounts receivable - Other	(429,362)	31,513
Prepaid expenses	(70,023)	16,379
Materials and supplies	(27,874)	119,024
Increase(Decrease) in liabilities		
Accounts payable and accrued expenses	(228,971)	13,243
Customer deposits for water service	179,070	115,163
Construction and developer deposits	(40,213)	(196,752)
Compensated absences	31,637	8,672
Other post employment benefits payable	1,664,928	1,747,748
Total adjustments	8,472,839	8,959,719
Net cash provided by operating activities	\$ 2,843,878	\$ 1,073,558

See accompanying notes to the basic financial statements

Notes to the Basic Financial Statements

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Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards No. 14, The Financial Reporting Entity, and No. 39, Determining Whether Certain Organizations Are Component Units (an amendment to No. 14). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election.

B. Basis of Accounting and Measurement

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its customers on a continuing basis be financed or recovered primarily through user charges (water sales and services), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues, such as water sales and service fees, result from exchange transactions associated with the principal activities of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grant funding and investment income, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

C. Financial Reporting

The District's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB No. 34 and its related GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net assets replaces the balance sheet and reports assets, liabilities, and the difference between them as net assets, not equity. A statement of revenues, expenses and changes in net assets replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

Under GASB No. 34, enterprise funds, such as the District, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

**Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010**

D. Implementation of New Governmental Accounting Standards Board (GASB) Statements

The District did not adopt any new GASB Statement pronouncements in 2011. See Note 17 for further details.

E. Assets, Liabilities and Net Assets

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net assets during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Investments and Investment Policy

The District has adopted an investment policy directing management to deposit funds in financial institutions.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Accounts Receivable and Allowance for Uncollectible Accounts

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

5. Property Taxes and Assessments

The County of Los Angeles Assessor's Office assesses all real and personal property within the County each year. The County of Los Angeles Tax Collector's Office bills and collects the District's share of property taxes and assessments. The County of Los Angeles Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Los Angeles, which have not been credited to the District's cash balance as of December 31. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

**Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010**

E. Assets, Liabilities and Net Assets, continued

6. Materials and Supplies

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

7. Prepaid Expenses

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

8. Restricted Assets

Certain assets of the District are restricted for use in accordance or debt covenant and, accordingly are shown as restricted assets on the accompanying statement of net assets. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

9. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Littlerock Dam	50 years
Buildings, wells and distribution system	40 years
Machinery and equipment	3-20 years

10. State Water Project – Participation Rights

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

11. Deferred Charges

The deferred charges are from bond issuance costs that will be amortized using the straight-line method over the remaining life of the respective debt service.

12. Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and sick leave are recorded when benefits are earned. Cash payment of unused vacation is available to those qualified employees when retired or terminated.

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

E. Assets, Liabilities and Net Assets, continued

13. Customer Deposits

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

14. Net Assets

The financial statements utilize a net assets presentation. Net assets are categorized as follows:

- **Net Investment in Capital Assets** – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Assets** – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of restricted or net investment in capital assets.

15. Water Sales

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

16. Capital Improvement Fees

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

17. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

18. Reclassification

The District has reclassified certain prior year information to conform to current year presentations.

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

(2) Cash and Investments

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

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 263,244	\$ 4,547,765
Investments - short-term	2,300,275	1,948,571
Restricted - investments	1,661,732	1,626,295
Total cash and investments	<u>\$ 9,463,250</u>	<u>\$ 8,122,631</u>

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

	<u>2011</u>	<u>2010</u>
Cash on hand	\$ 3,700	\$ 3,700
Deposits with financial institutions	5,247,913	3,979,957
Investments	4,211,637	4,138,974
Total cash and investments	<u>\$ 9,463,250</u>	<u>\$ 8,122,631</u>

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
District Issued Bonds	5 years	None	None
Federal Agency Obligations	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage Of Portfolio</u>	<u>Investment in One Issuer</u>
Investment Contracts	None	None	None
Money Market Mutual Funds	N/A	None	None

**Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010**

(2) Cash and Investments, continued

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, federally insured is unlimited for non-interest bearing accounts through December 31, 2012 and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

(2) Cash and Investments, continued

Interest Rate Risk, continued

Investment maturities as of December 31, 2011, were as follows:

Investment Type	Total Investment	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Federal Agency Obligations	\$ 2,425,116	50,000	-	1,918,866	-
Money Market Mutual Funds	113,159	113,159	-	-	-
Local Agency Investment Fund (LAIF)	11,630	11,630	-	-	-
Cash with fiscal agent:					
Investment Contracts	1,661,732	-	1,479,625	-	-
Total	\$ 4,211,637	813,789	1,479,625	1,918,866	-

Investment maturities as of December 31, 2010, were as follows:

Investment Type	Total Investment	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Federal Agency Obligations	\$ 1,948,571	-	527,505	1,421,066	-
Money Market Mutual Funds	552,531	552,531	-	-	-
Local Agency Investment Fund (LAIF)	11,577	11,577	-	-	-
Cash with fiscal agent:					
Investment Contracts	1,626,295	131,357	-	1,494,938	-
Total	\$ 4,138,974	695,465	527,505	2,916,004	-

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings as of December 31, 2011, were as follows:

Investment Type	Total Investment	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AAA	Not Rated
Federal Agency Obligations	\$ 2,425,116	AAA	-	2,425,116	-
Money Market Mutual Funds	113,159	N/A	-	-	113,159
Local Agency Investment Fund (LAIF)	11,630	N/A	-	-	11,630
Cash with fiscal agent:					
Investment Contracts	1,661,732	AAA	-	1,479,625	182,107
Total	\$ 4,211,637		-	3,904,741	306,896

Credit ratings as of December 31, 2010, were as follows:

Investment Type	Total Investment	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AAA	Not Rated
Federal Agency Obligations	\$ 1,948,571	AAA	-	1,948,571	-
Money Market Mutual Funds	552,531	N/A	-	-	552,531
Local Agency Investment Fund (LAIF)	11,577	N/A	-	-	11,577
Cash with fiscal agent:					
Investment Contracts	1,626,295	AAA	-	1,494,938	131,357
Total	\$ 4,138,974		-	3,443,509	695,465

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

(2) Cash and Investments, continued

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

Issuer	Investment Type	Invested Amount	
		2011	2010
Federal National Mortgage Association	Federal Agency Obligation	\$ 1,522,060	\$ 1,027,920
Federal Home Loan Bank	Federal Agency Obligation	2,382,681	2,415,589
Total		\$ 3,904,741	\$ 3,443,509

(3) Accounts Receivable – Water Sales and Services – Net

The balance at December 31, consists of the following:

	2011	2010
Accounts receivable - water sales and services	\$ 2,025,104	\$ 2,255,135
Allowance for uncollectible accounts	(264,336)	(386,213)
Accounts receivable - water sales and services, net	<u>\$ 1,760,767</u>	<u>\$ 1,868,922</u>

(4) Note Receivable – Property Taxes from State

Under the provisions of the State of California Proposition 1A and as part of the 2010 fiscal year State of California budget package passed by the California State Legislature on July 28, 2009, the State of California borrowed 8.0% of the amount of property tax revenue apportioned to cities, counties and special districts. The State of California is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California State Legislature may consider only one additional borrowing within a ten-year period. The borrowing by the State of California was recognized as a note receivable in the accompanying financial statements are as follows:

The balance at December 31, consists of the following:

	2011	2010
Property taxes from state	\$ 161,817	\$ 159,159
Accrued interest	2,702	2,658
Note receivable - property taxes from state	<u>\$ 164,519</u>	<u>\$ 161,817</u>

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

(5) Deferred Charges

The deferred charges balance relates to the bond issuance costs for the District's 1998 and 2004 certificates of participation. The balance is being amortized over the lives of the respective debt issuances. The deferred charges net balances are as follows:

The balance at December 31, consists of the following:

	2011	2010
1998 Certificates of participation issuance costs, net	\$ 168,696	\$ 183,053
2004 Certificates of participation issuance costs, net	535,462	558,999
Deferred charges, net	<u>704,158</u>	<u>742,052</u>

(6) Capital Assets

Changes in capital asset amounts for 2011 were as follows:

	Balance 2010	Additions	Deletions	Transfers	Balance 2011
Non-depreciable assets:					
Land and land rights	\$ 1,155,763	\$ 500	\$ -	\$ -	\$ 1,156,263
Construction-in-process	10,987,368	2,921,082	(140,559)	(8,598,695)	5,169,196
Total non-depreciable assets	<u>12,143,131</u>	<u>2,921,582</u>	<u>(140,559)</u>	<u>(8,598,695)</u>	<u>6,325,459</u>
Depreciable assets:					
Buildings, wells and distribution system	192,394,453	114,849	-	6,427,216	198,936,518
SWP - participation rights	49,479,086	2,225,748	-	-	51,704,834
Machinery and equipment	9,165,520	217,883	-	2,171,479	11,554,882
Total depreciable assets	<u>251,039,059</u>	<u>2,558,480</u>	<u>-</u>	<u>8,598,695</u>	<u>262,196,234</u>
Accumulated depreciation & amortization:					
Buildings, wells and distribution system	(79,146,155)	(6,079,231)	-	-	(85,225,386)
SWP - participation rights	(15,376,721)	(1,453,125)	-	-	(16,829,846)
Machinery and equipment	(6,452,043)	(1,206,261)	-	-	(7,658,304)
Total accumulated depreciation & amortization	<u>(100,974,919)</u>	<u>(8,738,617)</u>	<u>-</u>	<u>-</u>	<u>(109,713,536)</u>
Total depreciable assets, net	<u>150,064,140</u>	<u>(6,180,137)</u>	<u>-</u>	<u>8,598,695</u>	<u>152,482,698</u>
Total capital assets, net	<u>\$ 162,207,271</u>	<u>\$ (3,258,555)</u>	<u>\$ (140,559)</u>	<u>\$ -</u>	<u>\$ 158,808,157</u>

Changes in capital asset amounts for 2010 were as follows:

	Balance 2009	Adjustments	Additions	Deletions	Transfers	Balance 2010
Non-depreciable assets:						
Land and land rights	\$ 1,155,763	\$ -	\$ -	\$ -	\$ -	\$ 1,155,763
Construction-in-process	9,886,714	-	3,084,276	-	(1,983,622)	10,987,368
Total non-depreciable assets	<u>11,042,477</u>	<u>-</u>	<u>3,084,276</u>	<u>-</u>	<u>(1,983,622)</u>	<u>12,143,131</u>
Depreciable assets:						
Buildings, wells and distribution system	192,579,050	(2,360,836)	192,617	-	1,983,622	192,394,453
SWP - participation rights	46,943,271	-	2,535,815	-	-	49,479,086
Machinery and equipment	9,030,958	-	237,266	(102,704)	-	9,165,520
Total depreciable assets	<u>248,553,279</u>	<u>(2,360,836)</u>	<u>2,965,698</u>	<u>(102,704)</u>	<u>1,983,622</u>	<u>251,039,059</u>
Accumulated depreciation & amortization:						
Buildings, wells and distribution system	(75,067,707)	2,109,346	(6,187,794)	-	-	(79,146,155)
SWP - participation rights	(14,012,627)	-	(1,364,094)	-	-	(15,376,721)
Machinery and equipment	(5,731,820)	-	(822,927)	102,704	-	(6,452,043)
Total accumulated depreciation & amortization	<u>(94,812,154)</u>	<u>2,109,346</u>	<u>(8,374,815)</u>	<u>102,704</u>	<u>-</u>	<u>(100,974,919)</u>
Total depreciable assets, net	<u>153,741,125</u>	<u>(251,490)</u>	<u>(5,409,117)</u>	<u>-</u>	<u>1,983,622</u>	<u>150,064,140</u>
Total capital assets, net	<u>\$ 164,783,602</u>	<u>\$ (251,490)</u>	<u>\$ (2,324,841)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,207,271</u>

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

(6) Capital Assets, continued

Construction-In-Process

The District has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-process balances at December 31 are as follows:

The balance at December 31, consists of the following projects:

	2010	2010	2011
Energy bridge project	\$ 769,124	-	-
Well 29 drill, equipment and activation	614,085	-	-
Palmdale ditch enclosure	2,663,564	2,663,891	-
Distribution telemetry upgrade	2,004,270	2,171,479	-
30th Street/Avenue Q main replacement	46,853	815,018	-
30th Street/Palmdale Blvd Q main replacement	57,711	596,184	-
Barrel Springs Road waterline replacement	1,276	325,105	-
Maintenance yard and building (New Facility)	124,197	124,197	-
Q7/Standridge waterline replacement	11,457	115,227	-
10 M.G.D. Treatment plant (New Facility)	908,827	913,674	913,674
Sediment removal - Littleton Dam	538,505	588,134	706,875
Well 24A drill and equipment	618,802	619,129	619,129
12th Street/Avenue Q4 main replacement	-	-	598,923
Distribution master plan	503,939	532,335	532,335
Recycled facilities master plan	234,984	269,654	271,723
Well 2 rehabilitation	39,505	147,162	161,143
Avenue S10/40th Street waterline replacement	-	-	150,011
Well 36 drill and equipment	149,602	149,602	149,602
Well 37 drill and equipment	148,634	148,634	148,634
Garden Bar Study	92,187	92,187	148,069
Division Street/Avenue Q3 waterline replacement	22,040	50,599	108,756
Various other minor projects >\$100,000	358,152	665,157	660,322
Construction-in-process	<u>\$ 9,886,714</u>	<u>10,987,368</u>	<u>5,169,196</u>

State Water Project - Participation Rights

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

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

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

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

(6) Capital Assets, continued

In addition to system on-aqueduct power facilities, the State has, either on its own or through joint venture, financed certain off-aqueduct power facilities (OAPF). The power generated is utilized by the system for water transportation and distribution purposes. Power generated in excess of system needs is marketed to various utilities and California's power market. The District is entitled to a proportionate share of the revenues resulting from sales of excess power. The District and the other water providers are responsible for repaying the capital and operating costs of the OAPF regardless of the amount of power generated.

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

The District amortizes a portion of capitalized participation rights each year using a formula that considers the total estimated cost of the project, estimated useful life, and estimated production capacity of the assets based upon information provided by the State of California. GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, requires that intangible assets not specifically excluded by their scope provisions be classified as capital assets. Accordingly, the participation rights have been included with the District's capital assets as shown in the schedule of changes in capital assets.

(7) Compensated Absences

Changes to compensated absences for 2011, were as follows:

Balance 2010	Earned	Taken	Balance 2011	Current Portion	Long-term Portion
\$ 385,468	494,403	(462,766)	417,105	312,829	104,276

Changes to compensated absences for 2010, were as follows:

Balance 2009	Earned	Taken	Balance 2010	Current Portion	Long-term Portion
\$ 376,796	739,274	(730,602)	385,468	289,101	96,367

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

(8) Long-term Debt

Certificates of Participation

Changes in long-term debt amounts for 2011 were as follows:

	Balance 2010	Additions/ Deletions	Principal Payments	Balance 2011
Long-term debt:				
1998 - Certificates of Participation	\$ 14,145,000	-	(800,000)	13,345,000
1998 - Discount	(204,235)	16,019	-	(188,216)
1998 - Loss on Defeasance	(534,770)	5,512	-	(534,770)
2004 - Certificates of Participation	36,310,000	-	(370,000)	35,940,000
2004 - Premium	260,274	(10,959)	-	249,315
Total long-term debt	49,930,757	50,572	(1,170,000)	48,811,329
Less: Current portion	(1,170,000)			(1,220,000)
Total Non-current portion	\$ 48,760,757			47,591,329

Changes in long-term debt amounts for 2010 were as follows:

	Balance 2009	Additions/ Deletions	Principal Payments	Balance 2010
Long-term debt:				
1998 - Certificates of Participation	\$ 14,915,000	-	(770,000)	14,145,000
1998 - Discount	(220,253)	16,019	-	(204,235)
1998 - Loss on Defeasance	(580,283)	45,512	-	(580,283)
2004 - Certificates of Participation	36,665,000	-	(355,000)	36,310,000
2004 - Premium	271,233	(10,959)	-	260,274
Total long-term debt	\$ 51,005,185	50,572	(1,125,000)	49,930,757
Less: Current portion	(1,125,000)			(1,170,000)
Total Non-current portion	\$ 49,880,185			48,760,757

1998 Certificates of Participation

In April 1998, the District issued \$21,925,000 of Refunding Revenue Certificates of Participation, Series 1998 (1998 COPs), with maturities from 1998 through 2023 and an average interest rate of 4.73%. The net proceeds of approximately \$21,150,000 (plus an additional \$2.9 million of District funds) were used to accomplish an advance refunding (an in-substance defeasance) of \$23,210,000 aggregate principal amount of the District's Certificates of Participation (Refunding and Water Facilities and Improvement Project) Series 1991 and Certificates of Participation (Littlerock Dam Project) Series 1993A, with an average interest rate of 5.78%. The initial escrow deposit was used to purchase state and local government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1991 and Series 1993A Certificates of Participation.

The advance refunding resulted in a difference between the reacquisition price and the net carrying value amount of the old debt of \$1,160,564. This difference is being amortized through 2023 (the life of the debt) using the straight-line method. The District completed the advance refunding to reduce its total debt service payments over the next 25 years by approximately \$6.5 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$3.4 million.

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

(8) Long-term Debt, continued

1998 Certificates of Participation, continued

The future annual debt service requirements for the 1998 Certificates of Participation are as follows:

Debt Service 1998			
Year	Principal	Interest	Total
2012	\$ 840,000	667,250	1,507,250
2013	880,000	52,250	1,505,250
2014	925,000	53,250	1,506,250
2015	970,000	53,000	1,505,000
2016	1,020,000	46,500	1,506,500
2017-2021	910,000	1,615,500	7,525,500
2022-2023	2,000,000	211,750	3,011,750
Total	\$ 7,545,000	4,722,500	18,067,500
Less: current	(840,000)		
Total non-current	\$ 6,705,000		

2004 Certificates of Participation

In August 2004, the District issued \$38,285,000 of Revenue Certificates of Participation, Series 2004 (2004 COPs), with maturities from 2008 through 2034 and an average interest rate of 4.90%. The net proceeds are to be used to finance the acquisition, construction and improvement of certain water facilities and to pay issuance costs of the debt. Issuance of the COP's resulted in a premium of \$328,767 which is being amortized over the life of the issue using the straight-line method. Annual debt service requirements for the 2004 Certificates of Participation are as follows:

Debt Service 2004			
Year	Principal	Interest	Total
2012	\$ 380,000	1,746,942	2,126,942
2013	395,000	1,733,642	2,128,642
2014	410,000	1,718,830	2,128,830
2015	430,000	1,702,430	2,132,430
2016	445,000	1,685,230	2,130,230
2017-2021	2,515,000	8,138,629	10,653,629
2022-2026	7,860,000	7,305,430	15,165,430
2027-2031	13,600,000	4,582,500	18,182,500
2032-2034	9,905,000	1,006,750	10,911,750
Total	\$ 35,940,000	29,620,383	65,560,383
Less: current	(380,000)		
Total non-current	\$ 35,560,000		

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

(9) Net Investment in Capital Assets

The balance at December 31, consists of the following:

	2011	2010
Capital assets - not being depreciated	\$ 6,295,459	\$ 12,143,131
Capital assets - being depreciated, net	152,482,998	150,064,140
Certificates of participation - current portion	(1,220,000)	(1,170,000)
Certificates of participation - non-current portion	(47,591,329)	(48,760,757)
Net investment in capital assets	<u>\$ 109,996,828</u>	<u>\$ 112,276,514</u>

(10) Restricted Net Assets

The balance at December 31, consists of the following:

	2011	2010
Restricted - investments	\$ 1,661,732	\$ 1,626,294
Accrued interest payable - 19% COPs	(166,813)	(176,313)
Net investment in capital assets	<u>\$ 1,494,919</u>	<u>\$ 1,449,982</u>

(11) Reservations of Unrestricted Net Assets

The balance at December 31, consists of the following:

	2011	2010
Non-spendable or long-term net assets:		
Materials and supplies inventory	\$ 712,744	\$ 684,870
Prepaid expenses and other deposits	319,901	249,878
Note receivable - property taxes from state	164,519	161,817
Deferred charges, net	704,158	742,052
Total prepaid net assets	<u>\$ 1,901,322</u>	<u>\$ 1,838,617</u>
Board designated net assets:		
Operations and maintenance reserve	-	-
Undesignated net assets	<u>340,634</u>	<u>319,859</u>
Total unrestricted net assets	<u>\$ 2,241,956</u>	<u>\$ 2,158,476</u>

(12) Prior Year Restatement

The 2010 beginning balance for capital assets was adjusted for the prior year audit in an effort to clean up the financials. This change required the District to decrease the "Buildings, wells and distribution system" aggregate number by \$2,360,836 and increase the accumulated depreciation and amortization to \$2,109,346. The net difference of this restatement decreased the Total depreciable assets, net by \$251,490, which was offset against net assets.

(13) Deferred Compensation Savings Plan

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

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

(13) Deferred Compensation Savings Plan, continued

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by the Lincoln Financial Group at December 31, 2011 and 2010 was \$2,830,944 and \$2,726,336 and , respectively.

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

(14) Defined Benefit Pension Plan

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of CalPERS annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA, 95814.

Funding Policy

The contribution rate for plan members in the CalPERS 2.0% at 55 Risk Pool Retirement Plan is 7% of their annual covered salary. The District makes these contributions required of District employees on their behalf and for their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates for years 2011, 2010 and 2009 were as follows:

<u>Time Period</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Jan. 1 - June 30	11.004%	10.392%	10.287%
July 1 - Dec. 31	11.913%	11.004%	10.392%

The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2011, 2010 and 2009, the District's annual contribution was \$1,086,497, \$968,147 and \$993,114, respectively, for CalPERS and was equal to the District's required and actual contributions for each year.

(15) Other Post Employment Benefits Payable

During the year ended December 31, 2008, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

(15) Other Post Employment Benefits Payable, continued

Plan Description – Eligibility

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

Membership in the OPEB plan consisted of the following members as of December 31:

	2011	2010	2009
Active plan members		90	81
Retirees and beneficiaries receiving benefits	10	10	8
Separated plan members entitled to benefits but not yet receiving benefits	-	-	-
Total plan membership	100	100	89

Plan Description – Benefits

The District offers post employment medical, dental and vision benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the ACWA/PL medical, dental and vision programs. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Funding Policy

The District is required to contribute the Annual Required Contribution (ARC) of the Employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 3.32% for 2011 and 3.22% for 2010 of the annual covered payroll.

The District will pay 100% of the cost of the post-employment benefit plan. The District funds the plan on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined ARC cost.

Annual Cost

The balance at December 31, consists of the following:

	2011	2010	2009
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 1,982,672	1,963,042	538,690
Interest on net OPEB obligation	55,498	19,494	9,761
Adjustment to annual required contribution	(105,146)	(36,933)	(13,130)
Total annual OPEB expense	1,933,024	1,945,603	535,321
Change in net OPEB payable obligation:			
Age adjusted contribution made	(268,096)	(197,855)	(62,848)
Total change in net OPEB payable obligation	1,664,928	1,747,748	472,473
OPEB payable - beginning of year	2,694,056	946,308	473,835
OPEB payable - end of year	\$ 4,358,984	2,694,056	946,308

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

(15) Other Post Employment Benefits Payable, continued

Annual Cost, continued

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2011 and the two preceding years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>				
Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable
2011	\$ 1,933,024	288,742	14.87%	\$ 1,664,928
2010	\$ 1,945,603	197,855	10.17%	\$ 1,747,748
2009	\$ 535,848	62,848	11.74%	\$ 472,473

Funded Status and Funding Progress of the Plan

<i>Required Supplemental Information - Schedule of Funding Progress</i>						
Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	\$ -	16,234,820	16,234,820	0.00%	\$ 6,577,418	246.83%
12/31/2010	\$ -	16,234,820	16,234,820	0.00%	\$ 6,572,271	247.02%
12/31/2009	\$ -	4,497,022	4,497,022	0.00%	\$ 6,337,001	70.96%

The most recent valuation (dated December 31, 2011) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$16,234,820. There are no plan assets because the District funds on a pay-as-you-go basis and maintains net assets equal to the remaining net post-employment benefits payable obligation. The covered payroll (annual payroll of active employees covered by the plan) for the years ended December 31, 2011 and 2010, were \$6,577,418 and \$6,572,271, respectively. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 246.83% and 247.02% as of December 31, 2011 and 2010, respectively.

**Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010**

(15) Other Post Employment Benefits Payable, continued

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	December 31, 2011
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	30 Years as of the valuation date
Asset valuation method	15 Year smoothed market
Actuarial assumptions:	
Investment rate of return	2.50% - Current LAIF rating (rounded)
Projected salary increase	3.25%
Inflation - discount rate	2.06%
Individual salary growth	District annual COLA

(16) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase the appropriate amount of insurance coverage. At December 31, 2009, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability: The District has a zero deductible for general and auto liability. The District purchased additional excess coverage layers: \$60 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$100,000 per loss includes public employee dishonesty, forgery or alteration and theft, computer fraud coverage's.
- Property loss is paid based on the replacement cost or actual cash value for the property on file. If the property is replaced within two years after the loss or otherwise paid on an actual cash value basis, to a combined total of \$100 million per occurrence it is subject to a \$2,500 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$50 million per occurrence, subject to various deductibles depending on the type of equipment.
- Public officials' liability coverage up to \$1 million for each occurrence subject to the terms of the policy.
- Workers' compensation insurance provides coverage with a self-insured retention limit of \$2 million for all work related injuries/illnesses covered by California law. The District has purchased an excess insurance policy for an additional \$2 million to statutory limits.

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

(16) Risk Management, continued

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ended December 31, 2011, 2010 and 2009. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of December 31, 2011 and 2010.

(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to December 31, 2011, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 60

In November 2010, the GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. This standard addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 61

In November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity, Omnibus. This standard is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, The Financial Reporting Entity, and GASB Statement No. 34, Basic Financial Statement and Management's Discussion and Analysis for State and local Governments. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 62

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30 1989 FASB and AICPA Pronouncements. The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The requirements for Statement No. 62 are effective for financial statements beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 63

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides financial reporting guidance which standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The requirements of Statement No. 63 are effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

(17) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 64

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* an amendment of GASB Statement No. 52. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The requirements of Statement No. 64 are effective for financial statements for periods beginning after June 15, 2011. This statement is not expected to have a significant impact on the presentation of the District's financial statements.

(18) Commitments and Contingencies

State Water Contract

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

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 5,182,562
2013	5,114,024
2014	4,154,919
2015	4,096,977
2016	4,122,725

As of December 31, 2011, the District has expended \$79,610,764 since the District started participating in the State Water Contract.

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

<u>Type of Long-Term Obligation</u>	<u>Amount</u>
State Water Project Contract:	
Transportation facilities	\$ 65,968,239
Conservation facilities	22,376,952
Off-aqueduct power facilities	4,606,332
Revenue bond surcharge	2,428,679
Total	<u>\$ 95,380,202</u>

The amounts shown above do not contain any escalation for inflation and are subject to significant variation over time because the amounts are based on a number of assumptions and are contingent on future events. Accordingly, none of the estimated long-term obligations are recorded as liabilities in the accompanying basic financial statements.

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

(18) Commitments and Contingencies, continued

State Water Contract, continued

Bay/Delta Regulatory and Planning Activities. The State Water Resources Control Board (State Board) is the agency responsible for setting water quality standards and administering water rights throughout California. Decisions of the State Board can affect the availability of water to the District and other water users by means of public proceedings leading to regulations and decisions. In 1992, the State Board adopted a Water Quality Control Plan establishing water quality standards and flow improvements in the Bay/Delta watershed.

In August 2000, the California Federal (CALFED) Bay-Delta Program Record of Decision (Decision) was approved with mandates to improve water quality, enhance water supply reliability, augment ecosystem restoration, and assure long-term protection for Delta fishes. During its first three years, CALFED has invested more than \$2.0 billion in hundreds of local and regional projects to meet these program goals.

In May 2004, a Delta Improvement Package was proposed to facilitate implementation of the Decision. Funding is expected to be provided by state and federal appropriations and contributions from local users, including the District. CALFED's objective is to allocate project costs based on a beneficiaries pay policy, that is new costs commensurate with benefits received. At this time, the exact allocation of costs between the federal, state, and local users has not been determined, and therefore, the District cannot estimate the extent of timing of its contributions at this time.

There are other pending actions that may adversely impact the District's ability to control the sale of water transported through the SWP into its service area. The impact on future revenues of such actions cannot be determined.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction. The District has committed to approximately \$2,881,600 in open construction contracts as of December 31, 2011. These include the following:

Project Name	Estimated Costs to Complete
Ave Q3 / Division - Sumac Ave main replacement (Spec. No. 0902a)	\$ 525,000
9th/12th Street East main replacement (Spec. No. 0903)	683,000
Storage Tank Re-Coatings	360,000
Littlerock Dam Sediment Removal	270,000
Well 11A Rehabilitation	200,000
Avenue S & Downing waterline replacement	125,000
Various other minor projects	718,600
	<u>\$ 2,881,600</u>

**Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010**

(18) Commitments and Contingencies, continued

City of Palmdale v. Palmdale Water District

On May 13, 2009, the District's Board of Directors adopted a new water rate structure, known as a water budget rate structure. Under this new rate structure, District customers are provided with a monthly allocation of water, as determined by a mathematical formula that applies various factors, including, but not limited to, lot size, number of persons in the household and actual weather data. A customer's monthly usage is then measured against that customer's water allocation for that month and the percentage of usage that exceeds that allocation is then placed in tiers, with increasing water rates applied to each higher tier of usage.

Also at the May 13, 2009 Board meeting, the District and Palmdale Water District Public Facilities Corporation adopted resolutions approving the issuance of Certificates of Participation (the "COPs") to finance various District capital projects and to replenish the District's reserves, which had been expended to pay for substantial improvements to the District's water treatment plant. Those COPs were to be partially secured by the revenue stream derived from the District's new water rate structure.

On May 14, 2009, the City of Palmdale (the "City") filed a lawsuit, Los Angeles County Superior Court Case No. BC413432 (the "Rate Litigation"), to challenge the District's adoption of the new rate structure. The City contended the District violated Article XIID, Section 6 of the California Constitution both procedurally and substantively.

Among other things, the City contended that the new water rate structure results in rates that exceed the reasonable cost of the service the District provides, and that the resulting rates charged to a parcel are not proportional to the cost attributable to providing water service to that parcel.

The City also filed a separate lawsuit under Code of Civil Procedure Section 863, known as a reverse validation action (Los Angeles County Superior Court Case No. BC413907, the "Validation Action"), seeking to invalidate the District's new rate structure and the actions taken by the District and the Palmdale Water District Public Facilities Corporation to approve the COPs. The City based the Validation Action on the same alleged constitutional violations on which it based the Rate Litigation.

Trial of the Validation Action occurred on February 26, 2010 (the Rate Litigation was stayed, pending the outcome of the Validation Action). On that date, the court issued its tentative ruling, heard oral arguments from the parties and took the matter under submission. On March 12, 2010, the court issued its ruling that rejected the City's challenge in the Validation Action and validated the District's new rate structure and the actions taken in noticing, adopting and implementing that structure.

The City appealed the court's ruling in the Validation Action. On August 9, 2011, the Court of Appeal issued its decision that reversed the trial court's judgment and held that the District violated Article XIID, Section 6 of the California Constitution. That ruling was based on the court's determination that the different widths of tiers among customer classes in the District's water budget rate structure violated the "proportionality of costs" requirement of Article XIID, Section 6.

Based on the Court of Appeal's decision, the District cured the defect noted by the court by revising its water budget rate structure so that the tiers among the three customer classes are now equal. District staff has recalculated water charges using those equalized tiers from when the new structure took effect in June 2009 and has been issuing credits back to impacted District customers, including the City.

**Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010**

(18) Commitments and Contingencies, continued

City of Palmdale v. Palmdale Water District, continued

The City maintains the District's action to cure the defect in its rate structure is not permissible and that the District should apply the rate structure in effect prior to its action in May 2008 to adopt the new structure. The City has submitted a form of judgment in that regard for the trial court to consider. Further proceedings in this matter are currently stayed to allow the parties an opportunity to work on a global settlement of all litigation between them.

If this matter is not settled, the District will oppose the City's efforts to obtain a judgment in this case, and will attempt to further litigate the numerous issues the City raises, which the Court of Appeal did not address. However, if the matter does not settle, the District would likely be faced with payment of the City's attorneys' fees under Code of Civil Procedure Section 1021.5, which are likely to be significant. In addition, if there were an unfavorable outcome at trial or after appeal, the amount of the judgment could be significant and pose a risk of a material adverse financial effect on the District. However, California law allows public agencies certain means of satisfying judgments that would enable the District to mitigate that impact. Also, payment of such a judgment would be a proper factor to consider as an operating expense in future water rate setting actions.

Other Litigation

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

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Report on Internal Controls and Compliance

- 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
- Deborah A. Harper, CPA

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

Board of Directors
Palmdale Water District
Palmdale, California

We have audited the financial statements of the basic financial statements of the Palmdale Water District, (the District) as of and for the year ended December 31, 2011, and have issued our report thereon dated May 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the District's internal control to be material weaknesses:



Board of Directors
Palmdale Water District
Palmdale, California

Net Asset Restatement

As a result of our audit procedures, we noted certain items that required a net asset restatement. There were capital assets that had been disposed of in prior years that had not been fully depreciated and the transaction was not recorded when the assets were disposed of. Therefore, a journal entry was recorded to remove the capital assets from the District's records along with the related accumulated depreciation. The capital assets, net of accumulated depreciation, was the amount of the net asset restatement.

Bank Reconciliations

During the audit, we noted that bank statements for the District's various accounts were not being reconciled to the general ledger timely, on a monthly basis, and also as of the balance sheet date. Most of the problems encountered within the area of cash can be avoided if a proper system of checks and balances is incorporated into the company's procedures. A proper system would include the bank reconciliations being completed monthly for all bank accounts and the proper review and approval of the bank reconciliations in a timely manner. As a result of the bank reconciliations not being completed in a timely manner, journal entries were recorded to address these reconciling differences.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

In addition, we noted other matters that we reported to management of the District in a separate letter dated May 8, 2012.

We did not audit the District's responses to the findings described above and, accordingly, we express no opinion on it.

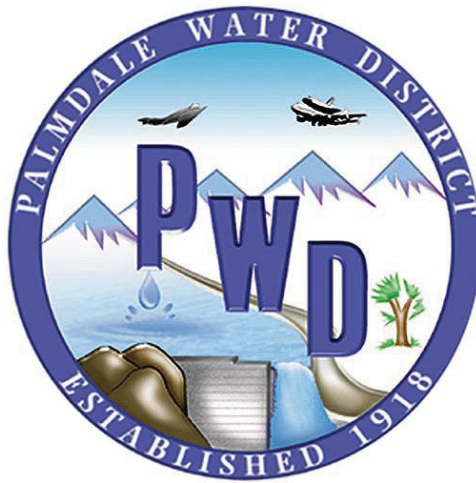
This report is intended solely for the information and use of management, management, the audit committee, the Board of Directors, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Lance, Soll & Loughard, LLP

Brea, California
May 8, 2012

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Palmdale Water District
Annual Financial Report
December 31, 2010 and 2009



Palmdale Water District
Board of Directors as of December 31, 2010

<u>Name</u>	<u>Division</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Term Expires</u>
Jeff Storm	1	Director	Elected	12/11
Gordon Dexter	2	President	Elected	12/13
Linda Godin	3	Treasurer	Elected	12/11
Raul Figueroa	4	Secretary	Elected	12/11
Steve Cordova	5	Vice President	Elected	12/13

Palmdale Water District
Dennis LaMoreaux, General Manager
2029 East Avenue Q
Palmdale, California 93550
(661) 947-4111 – www.palmdalewater.org

Palmdale Water District

Annual Financial Report

For the Years Ended December 31, 2010 and 2009

**Palmdale Water District
Annual Financial Report
For the Years Ended December 31, 2010 and 2009**

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Financial Section



Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

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Cypress, California 90630
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Independent Auditor's Report

Board of Directors
Palmdale Water District
Palmdale, California

We have audited the accompanying financial statements of the Palmdale Water District (District) as of and for the years ended December 31, 2010 and 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Palmdale Water District as of December 31, 2010 and 2009, and the respective changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 8, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. This report can be found on page 31.

Management's discussion and analysis on pages 2 through 5 and the other post employment benefits funded status and funding progress of the plan on page 26 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

April 8, 2011
Cypress, California

Charles Z. Fedak & Co. CPAs
An Accountancy Corporation

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Palmdale Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Palmdale Water District (District) provides an introduction to the financial statements of the District for the years ended December 31, 2010 and 2009. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2010, the District's net assets decreased 4.12% or \$4,987,250 from \$121,123,712 to \$116,136,462. In 2009, the District's net assets increased 0.38% or \$463,208 from \$120,660,504 to \$121,123,712.
- The District's 2010 operating revenues increased 2.93% or \$615,963 due to an increase in water service revenues, while in 2009 the District's operating revenues increased 19.45% or \$3,423,293 due to an increase in rates.
- The District's 2010 non-operating revenues increased 11.51% or \$742,054 due primarily to an increase of \$977,979 on the gain on the sale of a capital asset, netted against a decrease of \$135,806 in property tax revenue. In 2009, non-operating revenues decreased 20.92% or \$1,704,524 due to a decrease in investment earnings and from the sale of District property in 2008.
- The District's total expenses increased 15.83% or \$4,629,934 due primarily to a \$2.28 million increase in operating expenses, a \$917,803 decrease in overhead absorption, a \$1.34 million increase in depreciation and amortization expense, and a \$394,688 increase in non-operating expenses, while in 2009 the District's total expenses decreased \$716,920 or 2.39% due primarily to a \$1.57 million decrease in operating expenses.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Assets includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Palmdale Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net assets* and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 10 through 30.

Statement of Net Assets

Condensed Statements of Net Assets					
	2010	2009	Change	2008	Change
Assets:					
Current assets	\$ 12,881,792	15,514,902	(2,633,110)	14,055,632	1,459,270
Non-current assets	2,398,807	2,326,026	72,781	7,596,563	(5,270,537)
Capital assets, net	162,458,761	164,783,602	(2,324,841)	161,232,309	3,551,293
Total assets	177,739,360	182,624,530	(4,885,170)	182,884,504	(259,974)
Liabilities:					
Current liabilities	10,051,718	10,580,126	(528,408)	10,697,121	(116,995)
Non-current liabilities	51,551,180	50,920,692	630,488	51,526,879	(606,187)
Total liabilities	61,602,898	61,500,818	102,080	62,224,000	(723,182)
Net assets:					
Net investment in capital assets	112,528,004	113,778,417	(1,250,413)	109,197,696	4,580,721
Restricted for debt service	1,449,982	1,361,890	88,092	2,625,838	(1,263,948)
Unrestricted	2,158,476	5,983,405	(3,824,929)	8,836,970	(2,853,565)
Total net assets	116,136,462	121,123,712	(4,987,250)	120,660,504	463,208
Total liabilities and net assets	\$ 177,739,360	182,624,530	(4,885,170)	182,884,504	(259,974)

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$116,136,462 and \$121,123,712 as of December 31, 2010 and 2009, respectively.

A portion of the District's net assets, 97% and 94% as of December 31, 2010 and 2009, respectively, reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of years 2010 and 2009, the District showed a positive balance in its unrestricted net assets of \$2,158,476 and \$5,983,405, respectively, which may be utilized in future years.

Palmdale Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009

Statement of Revenues, Expenses and Changes in Net Assets

Condensed Statements of Revenues, Expenses and Changes in Net Assets					
	2010	2009	Change	2008	Change
Revenues:					
Operating revenues	\$ 21,640,582	21,024,619	615,963	17,601,326	3,423,293
Non-operating revenues	7,187,243	6,445,188	742,055	8,149,712	(1,704,524)
Total revenues	28,827,825	27,469,807	1,358,018	25,751,038	1,718,769
Expenses:					
Operating expenses	23,092,131	20,813,544	2,278,587	22,390,311	(1,576,767)
Overhead absorption	(576,109)	(1,493,912)	917,803	(1,209,074)	(284,838)
Depreciation expense	7,010,721	5,971,865	1,038,856	5,008,033	963,832
Non-operating expenses	4,344,299	3,949,611	394,688	3,768,758	180,853
Total expenses	33,871,042	29,241,108	4,629,934	29,958,028	(716,920)
Net loss before capital cont.	(5,043,217)	(1,771,301)	(3,271,916)	(4,206,990)	2,435,689
Capital contributions	55,967	2,234,509	(2,178,542)	649,845	1,584,664
Change in net assets	(4,987,250)	463,208	(5,450,458)	(3,557,145)	4,020,353
Net assets, beginning of year	121,123,712	120,660,504	463,208	124,217,649	(3,557,145)
Net assets, end of year	\$ 116,136,462	121,123,712	(4,987,250)	120,660,504	463,208

The statement of revenues, expenses and changes of net assets shows how the District's net assets changed during the years. In the case of the District, net assets decreased by \$4,987,251 and increased by \$463,208 for the years ended December 31, 2010 and 2009, respectively.

A closer examination of the sources of changes in net assets reveals that:

The District's 2010 operating revenues increased 2.93% or \$615,963 due to an increase in water service revenues, while in 2009 the District's operating revenues increased 19.45% or \$3,423,293 due to an increase in rates.

The District's 2010 non-operating revenues increased 11.51% or \$742,054 due primarily to an increase of \$977,979 on the gain on the sale of a capital asset, netted against a decrease of \$135,806 in property tax revenue. In 2009, non-operating revenues decreased 20.92% or \$1,704,524 due to a decrease in investment earnings and from the sale of District property in 2008.

The District's total expenses increased 15.83% or \$4,629,934 due primarily to a \$2.28 million increase in operating expenses, a \$917,803 decrease in overhead absorption, a \$1.34 million increase in depreciation and amortization expense, and a \$394,688 increase in non-operating expenses, while in 2009 the District's total expenses decreased \$716,920 or 2.39% due primarily to a \$1.57 million decrease in operating expenses.

Palmdale Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009

Capital Asset Administration

At the end of year 2010, the District's investment in capital assets amounted to \$162,458,761 (net of accumulated depreciation and amortization). This investment in capital assets includes land, land rights, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles, State Water Project entitlement, and construction-in-process. There were numerous capital asset additions in the year 2010 (See Note 6).

Changes in capital asset amounts for 2010 were as follows:

	<u>Balance 2009</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2010</u>
Capital assets:				
Non-depreciable assets	\$ 11,042,477	3,084,276	(1,983,622)	12,143,131
Depreciable assets	234,540,652	4,949,320	(102,704)	239,387,268
Accumulated depreciation and amortization	<u>(80,799,527)</u>	<u>(8,374,815)</u>	<u>102,704</u>	<u>(89,071,638)</u>
Total capital assets, net	<u>\$ 164,783,602</u>	<u>(341,219)</u>	<u>(1,983,622)</u>	<u>162,458,761</u>

Changes in capital asset amounts for 2009 were as follows:

	<u>Balance 2008</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2009</u>
Capital assets:				
Non-depreciable assets	\$ 78,185,661	5,472,198	(72,615,382)	11,042,477
Depreciable assets	157,874,310	76,666,342	-	234,540,652
Accumulated depreciation and amortization	<u>(74,827,662)</u>	<u>(5,971,865)</u>	<u>-</u>	<u>(80,799,527)</u>
Total capital assets, net	<u>\$ 161,232,309</u>	<u>76,166,675</u>	<u>(72,615,382)</u>	<u>164,783,602</u>

Debt Administration

In 2010, long-term debt decreased by \$1,074,428, due to regular principal payments and amortization on the District's outstanding debts. In 2009, long-term debt decreased by \$1,029,428, due to regular principal payments and amortization on the District's outstanding debts (See Note 8).

Changes in long-term debt amounts for 2010 were as follows:

	<u>Balance 2009</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2010</u>
Long-term debt:				
1998 COPs	\$ 14,068,952	61,531	(770,000)	13,360,483
2004 COPs	<u>36,936,233</u>	<u>(10,959)</u>	<u>(355,000)</u>	<u>36,570,274</u>
Total long-term debt	<u>\$ 51,005,185</u>	<u>50,572</u>	<u>(1,125,000)</u>	<u>49,930,757</u>

Changes in long-term debt amounts for 2009 were as follows:

	<u>Balance 2008</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2009</u>
Long-term debt:				
1998 COPs	\$ 14,737,421	61,531	(730,000)	14,068,952
2004 COPs	<u>37,297,192</u>	<u>(10,959)</u>	<u>(350,000)</u>	<u>36,936,233</u>
Total long-term debt	<u>\$ 52,034,613</u>	<u>50,572</u>	<u>(1,080,000)</u>	<u>51,005,185</u>

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Administrative Services Manager at 2029 East Avenue Q, Palmdale, CA 93550 or by phone (661) 947-4111.

Basic Financial Statements

Palmdale Water District
Statements of Net Assets
December 31, 2010 and 2009

<i>Assets</i>	2010	2009
Current assets:		
Cash and cash equivalents (note 2)	\$ 4,547,765	6,356,129
Restricted – cash and cash equivalents (note 2)	131,357	80,607
Investments – short-term (note 2)	1,948,571	760,312
Accrued interest receivable	25,401	17,809
Accounts receivable – water sales and services, net (note 3)	1,868,922	1,962,930
Accounts receivable – property taxes	3,411,921	3,929,173
Accounts receivable – state capital grants	2,463	1,295,634
Accounts receivable – other	10,644	42,157
Materials and supplies inventory	684,870	803,894
Prepaid expenses and other deposits	249,878	266,257
Total current assets	<u>12,881,792</u>	<u>15,514,902</u>
Non-current assets:		
Restricted – investments (note 2)	1,494,938	1,466,500
Note receivable – property taxes from state (note 4)	161,817	79,580
Deferred charges, net (note 5)	742,052	779,946
Capital assets – not being depreciated (note 6)	12,143,131	11,042,477
Capital assets – being depreciated, net (note 6)	<u>150,315,630</u>	<u>153,741,125</u>
Total non-current assets	<u>164,857,568</u>	<u>167,109,628</u>
Total assets	<u><u>\$ 177,739,360</u></u>	<u><u>182,624,530</u></u>
<i>Liabilities and Net Assets</i>		
Current liabilities – payable from unrestricted current assets:		
Accounts payable and accrued expenses	\$ 1,518,055	1,504,812
Customer deposits for water service	2,215,256	2,100,093
Construction and developer deposits	1,743,020	1,939,772
Deferred property tax assessments	2,500,000	3,000,000
Accrued interest payable	616,286	627,852
Long-term liabilities – due in one year:		
Compensated absences (note 7)	289,101	282,597
Certificates of participation (note 8)	<u>1,170,000</u>	<u>1,125,000</u>
Total current liabilities	<u>10,051,718</u>	<u>10,580,126</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 7)	96,367	94,199
Other post employment benefits payable (note 14)	2,694,056	946,308
Certificates of participation (note 8)	<u>48,760,757</u>	<u>49,880,185</u>
Total non-current liabilities	<u>51,551,180</u>	<u>50,920,692</u>
Total liabilities	<u>61,602,898</u>	<u>61,500,818</u>
Net assets:		
Net investment in capital assets (note 9)	112,528,004	113,778,417
Restricted for debt service (note 10)	1,449,982	1,361,890
Unrestricted (note 11)	<u>2,158,476</u>	<u>5,983,405</u>
Total net assets	<u>116,136,462</u>	<u>121,123,712</u>
Total liabilities and net assets	<u><u>\$ 177,739,360</u></u>	<u><u>182,624,530</u></u>

See accompanying notes to the basic financial statements

Palmdale Water District
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Water sales – commodity charge	\$ 7,841,545	10,265,064
Monthly water service charge	10,049,688	7,931,635
Water quality fees	1,567,034	1,093,953
Elevation fees	801,877	543,458
Other water service charges	1,380,438	1,190,509
Total operating revenues	<u>21,640,582</u>	<u>21,024,619</u>
Operating expenses:		
Source of supply – purchased water	4,752,425	3,484,933
Operations and production	3,567,635	2,527,780
Facilities	5,188,578	5,362,757
Engineering	1,281,197	1,422,431
Water conservation	313,260	263,376
Administration	4,159,831	4,149,701
Finance and customer service	3,829,205	3,602,566
Total operating expenses	<u>23,092,131</u>	<u>20,813,544</u>
Operating income(loss) before overhead absorption	(1,451,549)	211,075
Overhead absorption	576,109	1,493,912
Operating income(loss) before depreciation expense	(875,440)	1,704,987
Depreciation expense	(7,010,721)	(5,971,865)
Operating loss	<u>(7,886,161)</u>	<u>(4,266,878)</u>
Non-operating revenue(expense):		
Property taxes	5,855,862	5,991,668
Investment earnings	88,771	48,201
Energy refunds and rebates	13,985	1,342
Rental income	116,979	93,010
Legal settlements	(391,900)	184,312
Gain/(loss) on sale/disposition of capital assets	977,979	-
State Water Project amortization expense	(1,364,095)	(1,317,226)
Deferred charges amortization expense	(37,894)	(37,894)
Interest expense – long-term debt	(2,550,410)	(2,594,491)
Other non-operating revenues/(expenses), net	133,667	126,655
Total non-operating revenues, net	<u>2,842,944</u>	<u>2,495,577</u>
Net loss before capital contributions	<u>(5,043,217)</u>	<u>(1,771,301)</u>
Capital contributions:		
Capital contributions	(92,810)	892,581
Capital improvement fees	148,777	37,115
State capital grants	-	1,304,813
Total capital contributions	<u>55,967</u>	<u>2,234,509</u>
Change in net assets	(4,987,250)	463,208
Net assets, beginning of year	<u>121,123,712</u>	<u>120,660,504</u>
Net assets, end of year	<u>\$ 116,136,462</u>	<u>121,123,712</u>

See accompanying notes to the basic financial statements

Palmdale Water District
Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 21,684,514	20,168,920
Cash paid to vendors and suppliers for materials and services	(14,038,685)	(12,937,654)
Cash paid to employees for salaries and wages	<u>(6,572,271)</u>	<u>(6,377,001)</u>
Net cash provided by operating activities	<u>1,073,558</u>	<u>854,265</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes and assessments	5,790,877	5,677,001
Energy refunds and rebates	13,985	1,342
Rental income	116,979	93,010
Other non-operating revenues/(expenses), net	<u>133,667</u>	<u>126,655</u>
Net cash provided by non-capital financing activities	<u>6,055,508</u>	<u>5,898,008</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,514,159)	(6,150,350)
Proceeds from capital contributions	(92,810)	892,581
Proceeds from capital improvement fees	148,777	37,115
Proceeds from state capital grants	1,293,171	39,179
Proceeds from the sale of capital assets	977,979	-
Cash payments for State Water Project entitlement capital costs	(2,535,815)	(4,690,034)
Principal paid on long-term debt	(1,125,000)	(1,080,000)
Interest paid on long-term debt	<u>(2,561,976)</u>	<u>(2,554,756)</u>
Net cash used in capital and related financing activities	<u>(7,409,833)</u>	<u>(13,506,265)</u>
Cash flows from investing activities:		
Proceeds from sale (purchase) of investments	(1,558,026)	5,745,283
Interest and investment earnings	<u>81,179</u>	<u>108,387</u>
Net cash provided (used) by investing activities	<u>(1,476,847)</u>	<u>5,853,670</u>
Net decrease in cash and cash equivalents	<u>(1,757,614)</u>	<u>(900,322)</u>
Cash and cash equivalents, beginning of year	<u>6,436,736</u>	<u>7,337,058</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,679,122</u></u>	<u><u>6,436,736</u></u>
Reconciliation of cash and cash equivalents to statement of financial position:		
	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 4,547,765	6,356,129
Restricted – cash and cash equivalents	<u>131,357</u>	<u>80,607</u>
Total cash and cash equivalents	<u><u>\$ 4,679,122</u></u>	<u><u>6,436,736</u></u>

Continued on next page

See accompanying notes to the basic financial statements

Palmdale Water District
Statements of Cash Flows, continued
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (7,886,161)	(4,266,878)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Deprecation expense	7,010,721	5,971,865
Changes in assets and liabilities:		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services, net	94,008	(784,364)
Accounts receivable – other	31,513	25,432
Materials and supplies inventory	119,024	118,799
Prepaid expenses and other deposits	16,379	52,328
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	13,243	(621,696)
Customer deposits for water service	115,163	98,725
Construction and developer deposits	(196,752)	(195,492)
Compensated absences	8,672	(16,927)
Other post employment benefits payable	1,747,748	472,473
Total adjustments	<u>8,959,719</u>	<u>5,121,143</u>
Net cash provided by operating activities	<u>\$ 1,073,558</u>	<u>854,265</u>

See accompanying notes to the basic financial statements

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010 and 2009

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of No. 14). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District has no blended or discretely-presented component units.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its customers on a continuing basis be financed or recovered primarily through user charges (water sales and services), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues, such as water sales and service fees, result from exchange transactions associated with the principal activities of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grant funding and investment income, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

C. Financial Reporting

The District's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"* (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB No. 34 and its related GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net assets replaces the balance sheet and reports assets, liabilities, and the difference between them as net assets, not equity. A statement of revenues, expenses and changes in net assets replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Under GASB No. 34, enterprise funds, such as the District, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

D. Implementation of New Governmental Accounting Standards Board (GASB) Statements

Governmental Accounting Standards Board Statement No. 51

In June 2008, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The District adopted GASB Statement No. 51 in 2010. See Note 6 for further details.

E. Assets, Liabilities and Net Assets

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net assets during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Investments and Investment Policy

The District has adopted an investment policy directing management to deposit funds in financial institutions.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Accounts Receivable and Allowance for Uncollectible Accounts

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

5. Property Taxes and Assessments

The County of Los Angeles Assessor's Office assesses all real and personal property within the County each year. The County of Los Angeles Tax Collector's Office bills and collects the District's share of property taxes and assessments. The County of Los Angeles Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

E. Assets, Liabilities and Net Assets, continued

Property taxes receivable at year-end are related to property taxes collected by the County of Los Angeles, which have not been credited to the District's cash balance as of December 31. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

6. Materials and Supplies

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

7. Prepaid Expenses

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

8. Restricted Assets

Certain assets of the District are restricted for use by ordinance or debt covenant and, accordingly are shown as restricted assets on the accompanying statement of net assets. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

9. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Littlerock Dam	50 years
Buildings, wells and distribution system	40 years
Machinery and equipment	3-20 years

10. State Water Project – Participation Rights

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

11. Deferred Charges

The deferred charges are from bond issuance costs that will be amortized using the straight-line method over the remaining life of the respective debt service.

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

E. Assets, Liabilities and Net Assets, continued

12. Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and sick leave are recorded when benefits are earned. Cash payment of unused vacation is available to those qualified employees when retired or terminated.

13. Customer Deposits

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

14. Net Assets

The financial statements utilize a net assets presentation. Net assets are categorized as follows:

- **Net Investment in Capital Assets** – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Assets** – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of *restricted* or *net investment in capital assets*.

15. Water Sales

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

16. Capital Improvement Fees

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

17. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

18. Reclassification

The District has reclassified certain prior year information to conform to current year presentations.

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(2) Cash and Investments

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

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 4,547,765	6,356,129
Restricted – cash and cash equivalents	131,357	80,607
Investments – short-term	1,948,571	760,312
Restricted – investments	<u>1,494,938</u>	<u>1,466,500</u>
Total cash and investments	<u>\$ 8,122,631</u>	<u>8,663,548</u>

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

	<u>2010</u>	<u>2009</u>
Cash on hand	\$ 3,700	3,700
Deposits with financial institutions	1,979,495	1,979,495
Investments	<u>6,139,436</u>	<u>6,680,353</u>
Total cash and investments	<u>\$ 8,122,631</u>	<u>8,663,548</u>

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
District Issued Bonds	5 years	None	None
Federal Agency Obligations	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Investment Contracts	None	None	None
Money Market Mutual Funds	N/A	None	None

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(2) Cash and Investments, continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(2) Cash and Investments, continued

Interest Rate Risk, continued

Investment maturities as of December 31, 2010, were as follows:

Investment Type	Amount	Remaning Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25-60 Months	More than 60 Months
Federal Agency obligations	\$ 1,948,571	-	527,505	1,421,066	-
Money market funds	2,552,993	2,552,993	-	-	-
Local Agency Investment Fund (LAIF)	11,577	11,577	-	-	-
Cash with fiscal agent:					
Investment contracts	1,626,295	131,357	-	1,494,938	-
Total	\$ 6,139,436	2,695,927	527,505	2,916,004	-

Investment maturities as of December 31, 2009, were as follows:

Investment Type	Amount	Remaning Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25-60 Months	More than 60 Months
Federal Agency obligations	\$ 760,312	760,312	-	-	-
Money market funds	4,361,421	4,361,421	-	-	-
Local Agency Investment Fund (LAIF)	11,513	11,513	-	-	-
Cash with fiscal agent:					
Investment contracts	1,547,107	80,607	-	1,466,500	-
Total	\$ 6,680,353	5,213,853	-	1,466,500	-

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Credit ratings as of December 31, 2010, were as follows:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of year-end	
				AAA	Not Rated
Federal Agency obligations	\$ 1,948,571	AAA	-	1,948,571	-
Money market funds	2,552,993	N/A	-	-	2,552,993
Local Agency Investment Fund (LAIF)	11,577	N/A	-	-	11,577
Cash with fiscal agent:					
Investment contracts	1,626,295	AAA	-	1,494,938	131,357
Total	\$ 6,139,436		\$ -	3,443,509	2,695,927

Credit ratings as of December 31, 2009, were as follows:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of year-end	
				AAA	Not Rated
Federal Agency obligations	\$ 760,312	AAA	-	760,312	-
Money market funds	4,361,421	N/A	-	-	4,361,421
Local Agency Investment Fund (LAIF)	11,513	N/A	-	-	11,513
Cash with fiscal agent:					
Investment contracts	1,547,107	AAA	-	1,466,500	80,607
Total	\$ 6,680,353		\$ -	2,226,812	4,453,541

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(2) Cash and Investments, continued

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

Issuer	Investment Type	Invested Amount	
		2010	2009
Federal National Mortgage Association	Federal Agency obligations	\$ 1,027,920	760,312
Federal Home Loan Bank	Federal Agency obligations	2,415,589	1,466,500
Total		\$ 3,443,509	2,226,812

(3) Accounts Receivable – Water Sales and Services, Net

The balance at December 31, consists of the following:

	2010	2009
Accounts receivable – water sales and services	\$ 2,255,135	2,255,628
Allowance for uncollectible accounts	(386,213)	(292,698)
Accounts receivable – water sales and services, net	\$ 1,868,922	1,962,930

(4) Note Receivable – Property Taxes from State

Under the provisions of the State of California Proposition 1A and as part of the 2010 fiscal year State of California budget package passed by the California State Legislature on July 28, 2009, the State of California borrowed 8.0% of the amount of property tax revenue apportioned to cities, counties and special districts. The State of California is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California State Legislature may consider only one additional borrowing within a ten-year period. The borrowing by the State of California was recognized as a note receivable in the accompanying financial statements are as follows:

The balance at December 31, consists of the following:

	2010	2009
Property taxes from state	\$ 159,159	79,580
Accrued interest	2,658	-
Note receivable – property taxes from state	\$ 161,817	79,580

(5) Deferred Charges

The deferred charges balance relates to the bond issuance costs for the District's 1998 and 2004 certificates of participation. The balance is being amortized over the lives of the respective debt issuances. The deferred charges net balances are as follows:

The balance at December 31, consists of the following:

	2010	2009
1998 Certificates of participation issuance costs, net	\$ 183,053	197,410
2004 Certificates of participation issuance costs, net	558,999	582,536
Deferred charges, net	\$ 742,052	779,946

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(6) Capital Assets

Changes in capital assets for 2010, were as follows:

	Balance 2009	Additions/ Transfers	Deletions/ Transfers	Balance 2010
Non-depreciable assets:				
Land and land rights	\$ 1,155,763	-	-	1,155,763
Construction-in-process	9,886,714	3,084,276	(1,983,622)	10,987,368
Total non-depreciable assets	11,042,477	3,084,276	(1,983,622)	12,143,131
Depreciable assets:				
Buildings, wells and distribution system	192,579,050	2,176,239	-	194,755,289
SWP – participation rights	46,943,271	2,535,815	-	49,479,086
Machinery and equipment	9,030,958	237,266	(102,704)	9,165,520
Total depreciable assets	248,553,279	4,949,320	(102,704)	253,399,895
Accumulated depreciation & amortization:				
Buildings, wells and distribution system	(75,067,707)	(6,187,794)	-	(81,255,501)
SWP – participation rights	(14,012,627)	(1,364,094)	-	(15,376,721)
Machinery and equipment	(5,731,820)	(822,927)	102,704	(6,452,043)
Total accumulated depreciation & amortization	(94,812,154)	(8,374,815)	102,704	(103,084,265)
Total depreciable assets, net	153,741,125	(3,425,495)	-	150,315,630
Total capital assets, net	\$ 164,783,602	(341,219)	(1,983,622)	162,458,761

Changes in capital assets for 2009, were as follows:

	Balance 2008	Additions/ Transfers	Deletions/ Transfers	Balance 2009
Non-depreciable assets:				
Land and land rights	\$ 1,155,763	-	-	1,155,763
Construction-in-process	77,029,898	6,150,350	(73,293,534)	9,886,714
Total non-depreciable assets	78,185,661	6,150,350	(73,293,534)	11,042,477
Depreciable assets:				
Buildings, wells and distribution system	119,663,041	72,916,009	-	192,579,050
SWP – participation rights	42,253,237	4,690,034	-	46,943,271
Machinery and equipment	8,653,433	377,525	-	9,030,958
Total depreciable assets	170,569,711	77,983,568	-	248,553,279
Accumulated depreciation & amortization:				
Buildings, wells and distribution system	(69,997,986)	(5,069,721)	-	(75,067,707)
SWP – participation rights	(12,695,401)	(1,317,226)	-	(14,012,627)
Machinery and equipment	(4,829,676)	(902,144)	-	(5,731,820)
Total accumulated depreciation & amortization	(87,523,063)	(7,289,091)	-	(94,812,154)
Total depreciable assets, net	83,046,648	70,694,477	-	153,741,125
Total capital assets, net	\$ 161,232,309	76,844,827	(73,293,534)	164,783,602

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(6) Capital Assets, continued

Construction-In-Process

The District has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-process balances at December 31 are as follows:

The balance at December 31, consists of the following projects:	<u>2008</u>	<u>2009</u>	<u>2010</u>
Water Treatment Plant improvements – Phase I	\$ 15,893,417	-	-
Water Treatment Plant improvements – Phase II	42,525,261	-	-
3 - 4 M.G. Storage tanks	6,631,107	-	-
Energy recovery system – Palmdale Lake	3,349,082	-	-
Distribution telemetry upgrade	1,903,760	2,004,270	2,171,479
10 M.G.D. Treatment plant (New Facility)	908,827	908,827	913,674
Replace water main (Lilacview)	732,439	-	-
Energy bridge project	769,030	769,124	-
Sediment removal – Littlerock Dam	518,222	538,505	588,134
NaOCI onsite generators upgrade	508,000	-	-
Palmdale ditch enclosure	393,864	2,642,564	2,663,891
Well 24A drill and equipment	195,582	618,802	619,129
Well 29 drill equipment and activation	613,240	614,085	-
Distribution master plan	448,692	503,939	532,335
Recycled facilities master plan	2,598	234,984	269,654
30th Street/Avenue Q main replacement	23,093	46,853	815,018
30th Street/Palm Blvd. main replacement	57,059	57,711	596,184
Barrel Springs Road waterline replacement	-	1,276	325,105
Well 36 drill and equipment	107,744	149,602	149,602
Well 37 drill and equipment	148,634	148,634	148,634
Well 2 rehabilitation	-	39,505	147,162
Maintenance yard and building (New Facility)	117,961	124,197	124,197
Q7/Standridge	-	11,457	115,227
Various other minor projects >\$100,000	1,182,286	472,379	807,943
Construction-in-process	\$ <u>77,029,898</u>	<u>9,886,714</u>	<u>10,987,368</u>

State Water Project – Participation Rights

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

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

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

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(6) Capital Assets, continued

State Water Project – Participation Rights, continued

In addition to system on-aqueduct power facilities, the State has, either on its own or through joint venture, financed certain off-aqueduct power facilities (OAPF). The power generated is utilized by the system for water transportation and distribution purposes. Power generated in excess of system needs is marketed to various utilities and California's power market. The District is entitled to a proportionate share of the revenues resulting from sales of excess power. The District and the other water providers are responsible for repaying the capital and operating costs of the OAPF regardless of the amount of power generated.

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

The District amortizes a portion of capitalized participation rights each year using a formula that considers the total estimated cost of the project, estimated useful life and estimated production capacity of the assets based upon information provided by the State of California. GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, requires that all intangible assets not specifically excluded by their scope provisions be classified as capital assets. Accordingly, the participation rights have been included with the District's capital assets as shown in the schedule of changes in capital assets.

(7) Compensated Absences

Changes in compensated absences for 2010, were as follows:

<u>Balance 2009</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2010</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 376,796	739,274	(730,602)	385,468	289,101	96,367

Changes in compensated absences for 2009, were as follows:

<u>Balance 2008</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2009</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 393,723	714,708	(731,635)	376,796	282,597	94,199

(8) Long-term Debt

Certificates of Participation

Changes in long-term debt amounts for 2010, were as follows:

	<u>Balance 2009</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2010</u>
Long-term debt:				
1998 – Certificates of Participation	\$ 14,915,000	-	(770,000)	14,145,000
1998 – Discount	(220,253)	16,019	-	(204,234)
1998 – Loss on Defeasance	(625,795)	45,512	-	(580,283)
2004 – Certificates of Participation	36,665,000	-	(355,000)	36,310,000
2004 – Premium	271,233	(10,959)	-	260,274
Total long-term debt	\$ 51,005,185	50,572	(1,125,000)	49,930,757
Less: Current portion	(1,125,000)			(1,170,000)
Total Non-current portion	\$ 49,880,185			48,760,757

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(8) Long-term Debt

Certificates of Participation, continued

Changes in long-term debt amounts for 2009, were as follows:

	<u>Balance 2008</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2009</u>
Long-term debt:				
1998 – Certificates of Participation	\$ 15,645,000	-	(730,000)	14,915,000
1998 – Discount	(236,272)	16,019	-	(220,253)
1998 – Loss on Defeasance	(671,307)	45,512	-	(625,795)
2004 – Certificates of Participation	37,015,000	-	(350,000)	36,665,000
2004 – Premium	282,192	(10,959)	-	271,233
Total long-term debt	\$ 52,034,613	<u>50,572</u>	<u>(1,080,000)</u>	51,005,185
Less: Current portion	<u>(1,080,000)</u>			<u>(1,125,000)</u>
Total Non-current portion	\$ <u>50,954,613</u>			<u>49,880,185</u>

1998 Certificates of Participation

In April 1998, the District issued \$21,925,000 of Refunding Revenue Certificates of Participation, Series 1998 (1998 COPs), with maturities from 1998 through 2023 and an average interest rate of 4.73%. The net proceeds of approximately \$21,150,000 (plus an additional \$2.9 million of District funds) were used to accomplish an advance refunding (an in-substance defeasance) of \$23,210,000 aggregate principal amount of the District's Certificates of Participation (Refunding and Water Facilities and Improvement Project) Series 1991 and Certificates of Participation (Littlerock Dam Project) Series 1993A, with an average interest rate of 5.78%. The initial escrow deposit was used to purchase state and local government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1991 and Series 1993A Certificates of Participation.

The advance refunding resulted in a difference between the reacquisition price and the net carrying value amount of the old debt of \$1,160,564. This difference is being amortized through 2023 (the life of the debt) using the straight-line method. The District completed the advance refunding to reduce its total debt service payments over the next 25 years by approximately \$6.5 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$3.4 million.

The future annual debt service requirements for the 1998 Certificates of Participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 800,000	705,250	1,505,250
2012	840,000	667,250	1,507,250
2013	880,000	625,250	1,505,250
2014	925,000	581,250	1,506,250
2015	970,000	535,000	1,505,000
2016-2020	5,630,000	1,897,000	7,527,000
2021-2023	4,100,000	416,750	4,516,750
Total	\$ 14,145,000	<u>5,427,750</u>	<u>19,572,750</u>
Less: current	<u>(800,000)</u>		
Total non-current	\$ <u>13,345,000</u>		

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(8) Long-Term Debt, continued

2004 Certificates of Participation

In August 2004, the District issued \$38,285,000 of Revenue Certificates of Participation, Series 2004 (2004 COPs), with maturities from 2008 through 2034 and an average interest rate of 4.90%. The net proceeds are to be used to finance the acquisition, construction and improvement of certain water facilities and to pay issuance costs of the debt. Issuance of the COP's resulted in a premium of \$328,767 which is being amortized over the life of the issue using the straight-line method. Annual debt service requirements for the 2004 Certificates of Participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 370,000	1,759,892	2,129,892
2012	380,000	1,746,942	2,126,942
2013	395,000	1,733,642	2,128,642
2014	410,000	1,718,830	2,128,830
2015	430,000	1,702,430	2,132,430
2015-2019	2,415,000	8,238,136	10,653,136
2020-2024	6,060,000	7,598,653	13,658,653
2025-2029	12,955,000	5,230,250	18,185,250
2030-2033	12,895,000	1,651,500	14,546,500
Total	\$ 36,310,000	31,380,275	67,690,275
Less: current	(370,000)		
Total non-current	\$ 35,940,000		

(9) Net Investment in Capital Assets

The balance at December 31, consists of the following:

	<u>2010</u>	<u>2009</u>
Capital assets – not being depreciated	\$ 12,143,131	11,042,477
Capital assets – being depreciated, net	150,315,630	153,741,125
Certificates of participation – current portion	(1,170,000)	(1,125,000)
Certificates of participation – non-current portion	(48,760,757)	(49,880,185)
Net investment in capital assets	\$ 112,528,004	113,778,417

(10) Restricted Net Assets

The balance at December 31, consists of the following:

	<u>2010</u>	<u>2009</u>
Restricted – cash and cash equivalents	\$ 131,357	80,607
Restricted – investments	1,494,938	1,466,500
Accrued interest payable – 1998 COPs	(176,313)	(185,217)
Net investment in capital assets	\$ 1,449,982	1,361,890

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(11) Reservations of Unrestricted Net Assets

The balance at December 31, consists of the following:	<u>2010</u>	<u>2009</u>
Non-spendable or long-term net assets:		
Materials and supplies inventory	\$ 684,870	803,894
Prepaid expenses and other deposits	249,878	266,257
Note receivable – property taxes from state	161,817	79,580
Deferred charges, net	<u>742,052</u>	<u>779,946</u>
Total prepaid net assets	<u>1,838,617</u>	<u>1,929,677</u>
Board designated net assets:		
Operations and maintenance reserve	<u>-</u>	<u>2,500,000</u>
Undesignated net assets	<u>319,859</u>	<u>1,553,728</u>
Total unrestricted net assets	<u><u>\$ 2,158,476</u></u>	<u><u>5,983,405</u></u>

(12) Deferred Compensation Savings Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by the Lincoln Financial Group at December 31, 2010 and 2009 was \$2,726,336 and \$2,357,381, respectively.

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

(13) Defined Benefit Pension Plan

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of CalPERS annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA, 95814.

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(13) Defined Benefit Pension Plan, continued

Funding Policy

The contribution rate for plan members in the CalPERS 2.0% at 55 Risk Pool Retirement Plan is 7% of their annual covered salary. The District makes these contributions required of District employees on their behalf and for their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates for years 2010, 2009 and 2008 were as follows:

<u>Time Period</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Jan. 1 - June 30	10.392%	10.287%	9.817%
July 1 - Dec. 31	11.004%	10.392%	10.287%

The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2010, 2009 and 2008, the District's annual contribution was \$968,147, \$993,114, and \$910,938, respectively, for CalPERS and was equal to the District's required and actual contributions for each year.

(14) Other Post Employment Benefits Payable

During the year ended December 31, 2008, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

Plan Description – Eligibility

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

Membership in the OPEB plan consisted of the following members as of December 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Active plan members	90	81	87
Retirees and beneficiaries receiving benefits	10	8	5
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	<u>100</u>	<u>89</u>	<u>92</u>

Plan Description – Benefits

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

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(14) Other Post Employment Benefits Payable, continued

Funding Policy

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 3.22% for 2010 and 8.48% for 2009 of the annual covered payroll.

The District will pay 100% of the cost of the post-employment benefit plan. The District funds the plan on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined ARC cost.

Annual Cost

For the years ended June 30, 2010 and 2009, the ARC cost is \$1,945,603, and \$197,855, or 10.17%, in contributions were made and the ARC cost is \$535,321, and \$62,848, or 11.74%, in contributions were made, respectively. The net other post-employment payable as of December 31, 2010 and 2009 are \$2,694,056 and \$946,308, respectively.

The balance at December 31, consists of the following:	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 1,963,042	538,690	521,734
Interest on net OPEB obligation	19,494	9,761	-
Adjustment to annual required contribution	<u>(36,933)</u>	<u>(13,130)</u>	<u>-</u>
Total annual OPEB expense	1,945,603	535,321	521,734
Change in net OPEB payable obligation:			
Age adjusted contributions made	<u>(197,855)</u>	<u>(62,848)</u>	<u>(47,899)</u>
Total change in net OPEB payable obligation	1,747,748	472,473	473,835
OPEB payable – beginning of year	<u>946,308</u>	<u>473,835</u>	<u>-</u>
OPEB payable – end of year	<u>\$ 2,694,056</u>	<u>946,308</u>	<u>473,835</u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2010 and the two preceding years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>				
Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable
2010	\$ 1,945,603	197,855	10.17%	\$ 1,747,748
2009	\$ 535,321	62,848	11.74%	\$ 472,473
2008	\$ 521,734	47,899	9.18%	\$ 473,835

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(14) Other Post Employment Benefits Payable, continued

Funded Status and Funding Progress of the Plan

Required Supplemental Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2010	\$ -	16,234,820	16,234,820	0.00%	\$ 6,572,271	247.02%
12/31/2009	\$ -	4,497,022	4,497,022	0.00%	\$ 6,337,001	70.96%
12/31/2008	\$ -	4,497,022	4,497,022	0.00%	\$ 6,311,893	71.25%

The most recent valuation (dated December 31, 2010) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$16,234,820. There are no plan assets because the District funds on a pay-as-you-go basis and maintains net assets equal to the remaining net post-employment benefits payable obligation. The covered payroll (annual payroll of active employees covered by the plan) for the years ended December 31, 2010 and 2009, were \$6,572,271 and \$6,337,001, respectively. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 247.02% and 70.96% as of December 31, 2010 and 2009, respectively.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	December 31, 2010
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	30 Years as of the valuation date
Asset valuation method	15 Year smoothed market
Actuarial assumptions:	
Investment rate of return	2.50% – Current LAIF rating (rounded)
Projected salary increase	3.25%
Inflation - discount rate	2.06%
Individual salary growth	District annual COLA

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(15) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase the appropriate amount of insurance coverage. At December 31, 2009, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability: The District has a zero deductible for general and auto liability. The District purchased additional excess coverage layers: \$60 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$100,000 per loss includes public employee dishonesty, forgery or alteration and theft, computer fraud coverage's.
- Property loss is paid based on the replacement cost or actual cash value for the property on file. If the property is replaced within two years after the loss or otherwise paid on an actual cash value basis, to a combined total of \$100 million per occurrence it is subject to a \$2,500 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$50 million per occurrence, subject to various deductibles depending on the type of equipment.
- Public officials' liability coverage up to \$1 million for each occurrence subject to the terms of the policy.
- Workers' compensation insurance provides coverage with a self-insured retention limit of \$2 million for all work related injuries/illnesses covered by California law. The District has purchased an excess insurance policy for an additional \$2 million to statutory limits.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending December 31, 2010, 2009 and 2008. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of December 31, 2010 and 2009.

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to December 31, 2010, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 59

In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*. This statement improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. This statement is not effective for this District until the fiscal year ended December 31, 2010. This statement is not expected to have a significant impact on the presentation of the District's financial statements.

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 60

In November 2010, the GASB issued Statement No.60, *Accounting and Financial Reporting for Service Concession Arrangements*. This standard address how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 61

In November 2010, the GASB issued Statement No.61, *The Financial Reporting Entity, Omnibus*. This standard is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and local Governments*. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

(17) Commitments and Contingencies

State Water Contract

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

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$ 5,473,964
2011	6,073,518
2012	5,607,282
2013	5,337,270
2014	5,177,060

As of December 31, 2010, the District has expended \$77,150,315 since the District started participating in the State Water Contract.

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

<u>Type of Long-Term Obligation</u>	<u>Amount</u>
State Water Project Contract:	
Transportation facilities	\$ 95,718,991
Conservation facilities	22,325,950
Off-aqueduct power facilities	5,010,619
Revenue bond surcharge	3,535,050
Total	\$ <u>126,590,610</u>

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(17) Commitments and Contingencies, continued

The amounts shown above do not contain any escalation for inflation and are subject to significant variation over time because the amounts are based on a number of assumptions and are contingent on future events. Accordingly, none of the estimated long-term obligations are recorded as liabilities in the accompanying basic financial statements.

Bay/Delta Regulatory and Planning Activities. The State Water Resources Control Board (State Board) is the agency responsible for setting water quality standards and administering water rights throughout California. Decisions of the State Board can affect the availability of water to the District and other water users by means of public proceedings leading to regulations and decisions. In 1995, the State Board adopted a Water Quality Control Plan establishing water quality standards and flow improvements in the Bay/Delta watershed.

In August 2000, the California Federal (CALFED) Bay/Delta Program Record of Decision (Decision) was approved with mandates to improve water quality, enhance water supply reliability, augment ecosystem restoration, and assure long-term protection for Delta levees. During its first three years, CALFED has invested more than \$2.0 billion in hundreds of local and regional projects to meet these program goals.

In May 2004, a Delta Improvement Package was proposed to facilitate implementation of the Decision. Funding is expected to be provided by state and federal appropriations and contributions from local users, including the District. CALFED's objective is to allocate project costs based on a beneficiaries pay policy, that is new costs commensurate with benefits received. At this time, the exact allocation of costs between the federal, state, and local users has not been determined, and therefore, the District cannot estimate the extent of timing of its contributions at this time.

There are other pending actions that may adversely impact the District's ability to control the sale of water transported through the SWP into its service area. The impact on future revenues of such actions cannot be determined.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction. The District has committed to approximately \$2,566,078 in open construction contracts as of December 31, 2010. These include the following:

Project Name	Estimated Costs to Complete
10th – 20th Street/Avenue Q main replacement	\$ 625,000
9th – 12th Street/Avenue Q main replacement	500,000
Storage tank recoating	360,000
Well 11A Rehabilitation	300,000
Avenue Q/32nd Street main replacement	229,187
Littlerock Dam sediment removal	150,000
Strategic water resources plan	125,000
30th Street/Palm Blvd. main replacement	107,807
Various other minor projects	169,084
Total	\$ <u>2,566,078</u>

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2010 and 2009

(17) Commitments and Contingencies, continued

City of Palmdale v. Palmdale Water District

On May 13, 2009, the District's Board of Directors adopted a new water rate structure, known as the water budget rate structure. Under this new rate structure, which the California Legislature determined can be an effective tool to eliminate waste and prevent the unreasonable use of water, District customers are provided a monthly allocation of water determined by a mathematical formula which applies various factors. The percentage of usage that exceeds that allocation is placed in tiers, with increasing water rates. This pricing structure is consistent with what many other water agencies have adopted in their efforts to use limited water resources more efficiently.

On May 14, 2009, the City of Palmdale (City) filed a lawsuit, Los Angeles Superior Court Case No. BC413432 (Rate Litigation), to challenge the District's adoption of the new rate structure. The City contended the District violated Article XIII D, Section 6 of the California Constitution both procedurally and substantively.

In addition, the City contended that the new water rate structure results in rates that exceed the reasonable cost of the service the District provides, and that the resulting rates charged to a parcel are not proportional to the cost attributable to providing water service to that parcel.

The City also filed a separate lawsuit under Code of Civil Procedure Section 863, known as a reverse validation action (Los Angeles County Superior Court Case No. BC413907, the "Validation Action"), seeking to invalidate the District's new rate structure and the actions taken by the District and the Palmdale Water District Public Facilities Corporation to approve financing of the Certificates of Participation. The City based the Validation Action on the same alleged constitutional violations on which is based the Rate Litigation.

On March 12, 2010, the court issued its ruling that rejected the City's challenge in the Validation Action and validated the District's new rate structure and the actions taken in noticing, adopting and implementing the structure.

The City has appealed the trial court's ruling in the Validation Action. The Rate Litigation has been stayed while the appeal in the Validation Action is pending because the final judgment in the Validation Action should render the Rate Litigation moot.

In the event the trial court's decision in the Validation Action is reversed on appeal, it is likely the case would be remanded to the trial court for further proceedings to determine the nature of the relief to be granted, which could involve significant monetary obligations. As of the date of this report, the District has not budgeted for this contingency. The District feels it will ultimately prevail in this litigation.

Other Litigation

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

Report on Internal Controls and Compliance



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Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Palmdale Water District
Palmdale, California

We have audited the basic financial statements of the Palmdale Water District (District) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

April 8, 2011
Cypress, California

*Charles Z. Fedak & Co. CPAs
An Accountancy Corporation*

PALMDALE WATER DISTRICT BOARD MEMORANDUM

DATE:	June 7, 2012	June 13, 2012
TO:	BOARD OF DIRECTORS	Board Meeting
FROM:	Mr. Bob Egan, Financial Advisor	
RE:	<i>AGENDA ITEM NO. 7.2 – STATUS REPORT ON CASH FLOW STATEMENT AND CURRENT CASH BALANCES AS OF APRIL, 2012.</i>	

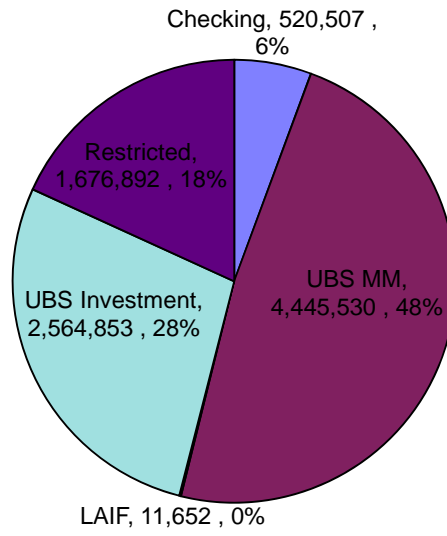
Attached is the Investment Funds Report and current cash balance as of April, 2012. The reports will be reviewed in detail at the Board meeting.

PALMDALE WATER DISTRICT
INVESTMENT FUNDS REPORT

				April 30, 2012			April-12	March-12
DESCR	A/C #						VALUE	VALUE
CASH								
0-0103	Citizens/US Bank - Checking						443,846.41	(239,795.52)
0-0104	Citizens- Merchant						72,961.00	121,622.95
					Bank cash		516,807.41	(118,172.57)
0-0119	PETTY CASH						300.00	300.00
0-0120	CASH ON HAND						3,400.00	3,400.00
	TOTAL CASH						520,507.41	(114,472.57)
INVESTMENTS								
0-0110	UBS ACCOUNT SS 11469 GG							
	UBS RMA Government Portfolio						2,781,037.21	2,284,493.64
	UBS Bank USA Dep acct						250,000.00	250,000.00
							3,031,037.21	2,534,493.64
0-1110	UBS ACCOUNT SS 11475 GG							
	UBS Bank USA Dep acct						250,000.00	250,000.00
	UBS RMA Government Portfolio						1,164,492.98	1,164,472.48
							1,414,492.98	1,414,472.48
0-0115	LAIF						11,652.22	11,641.28
0-0111	UBS ACCOUNT SS 11432 GG							
	UBS Bank USA Dep acct						250,000.00	0.00
	UBS RMA Government Portfolio						791,639.42	121,994.66
	Accrued interest						3,118.10	23,154.24
	US GOVERNMENT SECURITIES:							
	ISSUE	EXPIR				MARKET	MARKET	
	DATE	ISSUER	DATE	RATE	PAR	VALUE	VALUE	
		FNMA	04/11/12	5.375	500,000	0.00	500,595.00	
		FHLB	04/16/15	2.90	400,000	0.00	400,360.00	
		FHLB	10/26/15	1.625	500,000	516,490.00	515,030.00	
		FNMA	07/27/16	2.00	500,000	501,870.00	502,355.00	
		FHLB	03/28/17	1.00	500,000	501,735.00	501,200.00	
					2,400,000.00	1,520,095.00	2,419,540.00	
	TOTAL MANAGED ACCOUNT						2,564,852.52	2,564,688.90
	TOTAL INVESTMENTS						7,022,034.93	6,525,296.30
	TOTAL UNRESTRICTED CASH						7,542,542.34	6,410,823.73
RESTRICTED CASH								
0-1120	1998 Debt Reserve Fund							
	FHLB par 1.4Mil matures 10/18/13 3.625% interest						1,467,578.00	1,470,168.00
	Federated Treasury Obligation MM						207,481.67	182,106.67
	Accrued interest						1,832.63	22,978.47
	TOTAL Restricted CASH						1,676,892.30	1,675,253.14
	GRAND TOTAL CASH AND RESTRICTED CASH						9,219,434.64	8,086,076.87
		Checking		520,507				
		UBS MM		4,445,530				
		LAIF		11,652				
		UBS Investment		2,564,853				
		Restricted		1,676,892				
		Total		9,219,435				

PALMDALE WATER DISTRICT
INVESTMENT FUNDS REPORT

04/30/12



PALMDALE WATER DISTRICT BOARD MEMORANDUM

DATE: June 6, 2012 **June 13, 2012**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Michael Williams, Finance Manager/CFO
VIA: Mr. Dennis LaMoreaux, General Manager
RE: *AGENDA ITEM 7.3 - STATUS REPORT ON 2012 FINANCIAL STATEMENTS, REVENUE AND EXPENSE AND DEPARTMENTAL BUDGET REPORTS FOR APRIL, 2012*

Discussion:

Presented here are Balance Sheet and Profit/Loss Statement for the period ending April 30, 2012. Also included are Year-To-Year comparisons and Month-To-Month Revenue Analysis and Expense Analysis for the month of April. Finally, I have provided individual departmental budget reports through the month of April, 2012.

With four months of the budget year complete, target percentages should be at or below 33.3% for expenditures and at or above that mark for revenue. I will discuss some areas of the statements during the presentation.

Balance Sheet:

- Page 1 is our balance sheet on April 30, 2012. Our assets equal our liabilities and equity at \$172,009,256. Most significant change is in current assets which increased by \$1.1 Million.

Profit/Loss Statement:

- Page 3 is our profit/loss statement on April 30, 2012.
- Operating revenue is at 27.02% of budget.
- Cash operating expense is at 27.65% of budget.
- All departments are operating at 32% of budget or lower.

Year-To-Year Comparison P&L:

- Page 7 is our comparison of April 2011 to April 2012.
- Total operating revenue is down by \$22K or 1.44%.
- Operating expenditures are up by \$82K or 6.04%.
- Page 8 is a graphic comparison of water consumption. Units billed were up by 16% with total revenue per unit down 15%, and we had 163 more active connections.

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT

VIA: Mr. Dennis LaMoreaux, General Manager

-2-

June 6, 2012

Revenue Analysis Year-To-Date:

- Page 9 is our comparison of revenue, year to date.
- Operating revenue is down in 2012 by \$106k or 1.76% compared to 2011. However, looking at strictly our water sales revenue, we exceed last year's levels by \$136K.
- Total revenue is about par.

Expense Analysis Year-To-Date:

- Page 11 is our comparison of expense, year to date.
- Cash Operating Expenses in 2012 are up by \$180K or 2.9% compared to 2011.
- Total Expenses are up in 2012 by \$725k or 7.6% compared to 2011 due to OPEB accrual expense and GAC purchase.

Departments:

- Pages 14 through 22 are detailed budgets of each department. As stated earlier, all departments are below the target 33.3%, and there are no significant events to discuss.

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.

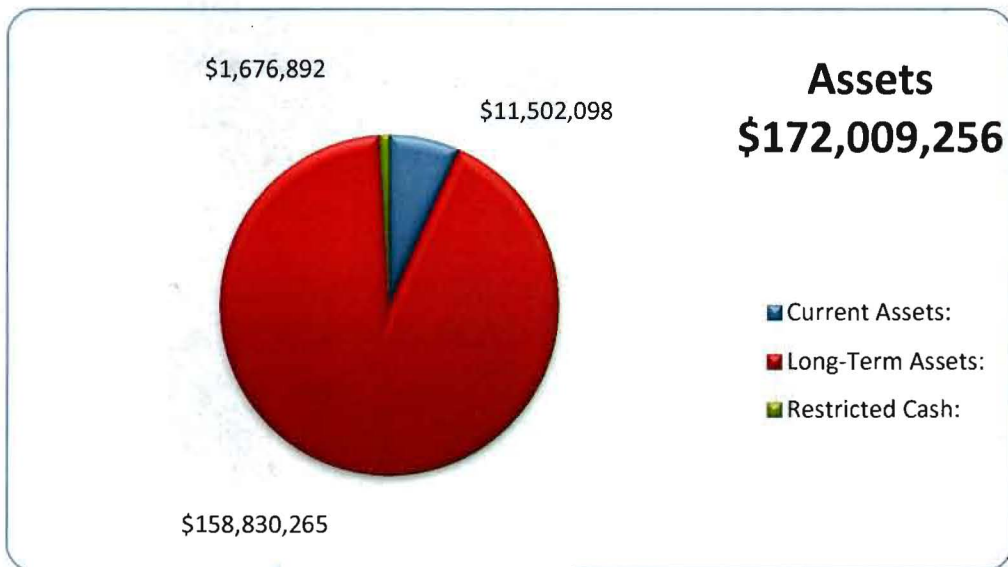
Service Cost Construction: The value of material, parts & supplies from inventory used to construct, repair and maintain our asset infrastructure.

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

Palmdale Water District
Balance Sheet Report
For the Four Months Ending 4/30/2012

	<u>Year-to-Date 2012</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 522,930
Investments	7,022,035
Market Adjustment	-
	<u>\$ 7,544,965</u>
Receivables:	
Accounts Receivables - Water Sales	\$ 1,447,155
Accounts Receivables - Miscellaneous	50,152
Allowance for Uncollected Accounts	(264,336)
	<u>\$ 1,232,971</u>
Interest Receivable	\$ -
Assessments Receivables	1,874,814
Meters, Materials and Supplies	694,215
Prepaid Expenses	155,134
Total Current Assets	<u>\$ 11,502,098</u>
Long-Term Assets:	
Property, Plant, and Equipment, net	\$ 122,860,135
Participation Rights in State Water Project, net	35,278,604
Bond Issuance Cost, Net	691,527
	<u>\$ 158,830,265</u>
Restricted Cash:	
Debt Reserve Fund - 1998 Bonds	\$ 1,676,892
Rate Stabilization Fund	-
Installment Payment Account - 2004 Bonds	-
Installment Payment Account - 1998 Bonds	-
	<u>\$ 1,676,892</u>
Total Long-Term Assets & Restricted Cash	<u>\$ 160,507,157</u>
Total Assets	<u>\$ 172,009,256</u>
LIABILITIES AND DISTRICT EQUITY	
Current Liabilities:	
Current Interest Installment of Long-term Debt	\$ 201,182
Current Principal Installment of Long-term Debt	1,220,000
Accounts Payable and Accrued Expenses	5,222,428
OPEB Liability	5,062,634
Deferred Assessments	833,329
Total Current Liabilities	<u>\$ 12,539,574</u>
Long-Term Debt:	
1998 - Certificates of Participation	\$ 11,802,524
2004 - Certificates of Participation	35,805,662
Total Liabilities	<u>\$ 60,147,760</u>
District Equity	
Revenue from Operations	\$ (1,873,773)
Retained Earnings	113,735,268
Total Liabilities and District Equity	<u>\$ 172,009,256</u>

BALANCE SHEET AS OF APRIL 30, 2012

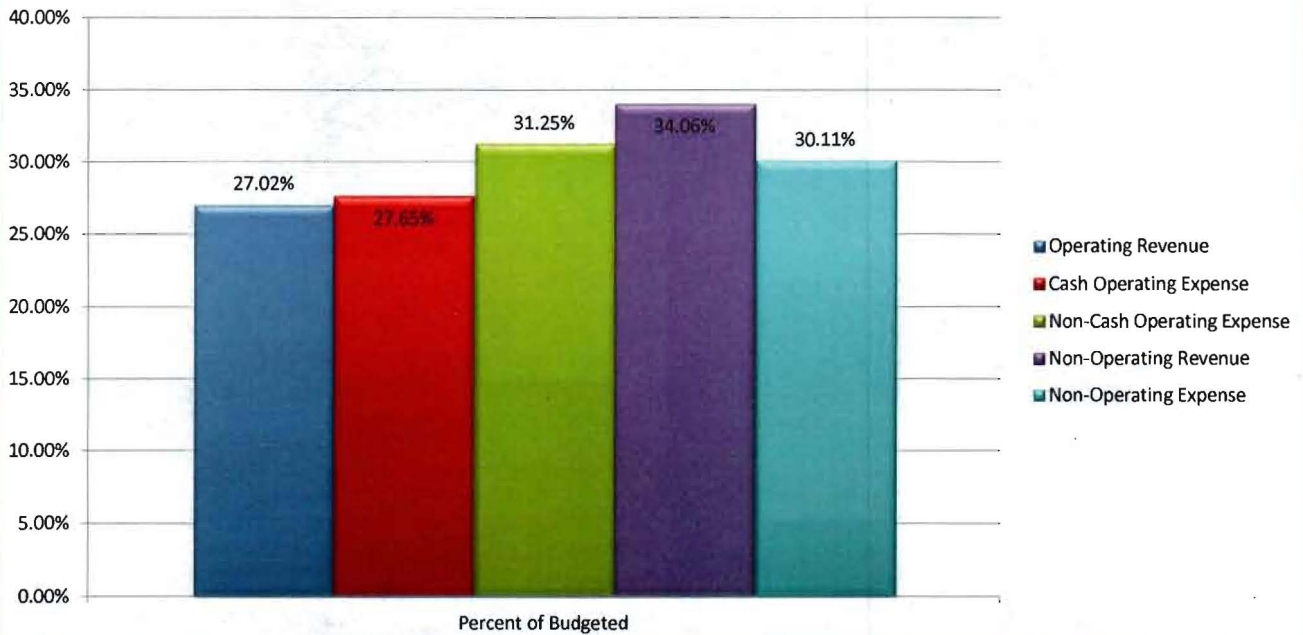


Palmdale Water District
Consolidated Profit and Loss Statement
For the Four Months Ending 4/30/2012

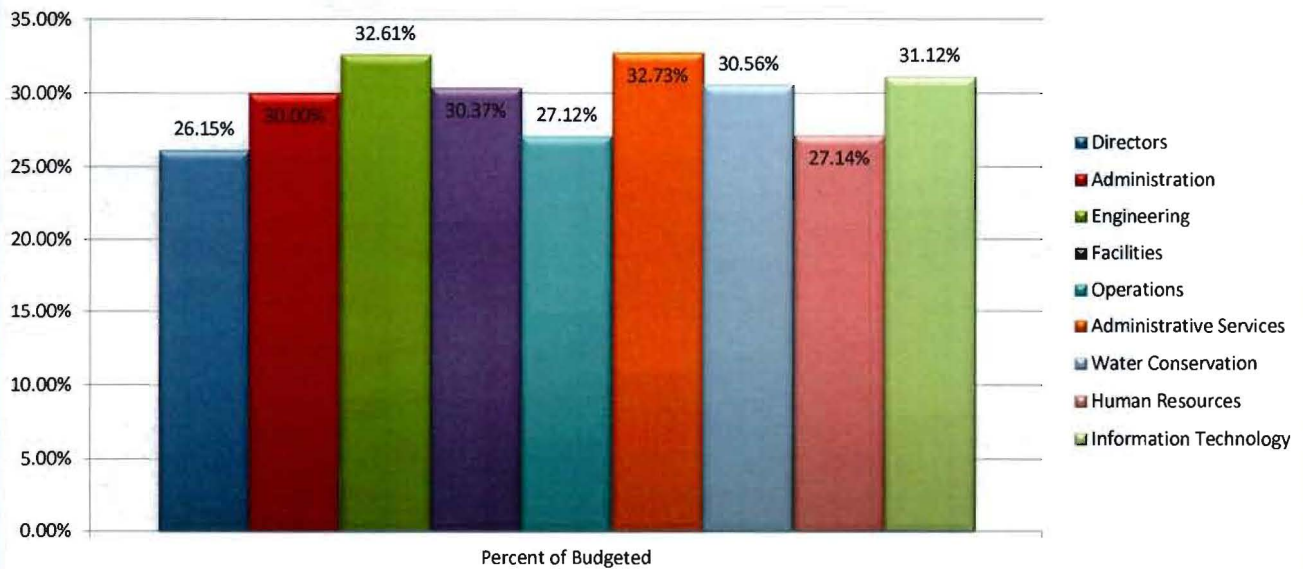
	Thru March	April	Year-to-Date	Adjustments	Adjusted Budget	% of Budget
Operating Revenue:						
Wholesale Water	\$ -	\$ -	\$ -		\$ 175,000	0.00%
Water Sales	1,129,469	423,673	1,553,141		8,145,000	19.07%
Meter Fees	2,579,297	861,943	3,441,240		10,400,000	33.09%
Water Quality Fees	257,722	102,466	360,188		1,550,000	23.24%
Elevation Fees	82,009	33,249	115,258		525,000	21.95%
Other	409,920	76,579	486,499		1,250,000	38.92%
Total Water Sales	\$ 4,458,416	\$ 1,497,910	\$ 5,956,326	\$ -	\$ 22,045,000	27.02%
Cash Operating Expenses:						
Directors	\$ 34,399	\$ 5,868	\$ 40,267		\$ 154,000	26.15%
Administration	851,142	213,134	1,064,276		3,547,000	30.00%
Engineering	287,092	94,130	381,222		1,169,000	32.61%
Facilities	820,080	239,848	1,059,927		3,490,500	30.37%
Operations	1,069,649	316,985	1,386,633		5,113,750	27.12%
Administrative Services	700,280	212,373	912,652		2,788,750	32.73%
Water Conservation	51,634	16,665	68,299		223,500	30.56%
Human Resources	57,403	15,284	72,688		267,850	27.14%
Information Technology*	115,828	113,032	228,859	(1,300)	735,450	31.12%
Water Purchases	706,662	96,594	803,256		2,800,000	28.69%
Water Recovery	(80,398)	(152,919)	(233,317)		(200,000)	116.66%
Capitalized Expenditures*	38,952	53,343	92,295	1,300	413,800	22.30%
GAC Filter Media Replacement	-	219,829	219,829		1,550,000	14.18%
Total Cash Operating Expenses	\$ 4,652,721	\$ 1,444,165	\$ 6,096,887	\$ -	\$ 22,053,600	27.65%
Non-Cash Operating Expenses:						
Depreciation	\$ 1,780,049	\$ 576,751	\$ 2,356,800		\$ 7,800,000	30.22%
OPEB Accrual Expense	603,924	147,678	751,602		2,000,000	37.58%
Bad Debts	3,045	792	3,837		100,000	3.84%
Service Costs Construction	(18,605)	(4,722)	(23,327)		125,000	-18.66%
Capitalized Construction	(197,592)	(71,021)	(268,613)		(1,000,000)	26.86%
Total Non-Cash Operating Expenses	\$ 2,170,822	\$ 649,478	\$ 2,820,300	\$ -	\$ 9,025,000	31.25%
Net Operating Profit/(Loss)	\$ (2,365,127)	\$ (595,733)	\$ (2,960,860)	\$ -	\$ (9,033,600)	32.78%
Non-Operating Revenues:						
Assessments (Debt Service)	\$ 915,757	\$ 305,252	\$ 1,221,009		\$ 4,000,000	30.53%
Assessments (1%)	\$ 334,246	\$ 111,415	445,662		\$ 1,500,000	29.71%
Interest	9,169	1,860	11,029		60,000	18.38%
Capital Improvement Fees	693,287	-	693,287		1,286,848	53.87%
State Grants	-	-	-		250,000	0.00%
Other	70,897	9,649	80,546		100,000	80.55%
Total Non-Operating Revenues	\$ 2,023,357	\$ 428,177	\$ 2,451,533	\$ -	\$ 7,196,848	34.06%
Non-Operating Expenses:						
Interest on Long-Term Debt	\$ 625,664	\$ 208,555	\$ 834,219		\$ 2,490,000	33.50%
Amortization of SWP	386,835	128,945	515,780		1,680,000	30.70%
Capital Lease	-	-	-		212,000	
Water Conservation Programs	7,945	6,501	14,446		150,000	9.63%
Total Non-Operating Expenses	\$ 1,020,445	\$ 344,001	\$ 1,364,445	\$ -	\$ 4,532,000	30.11%
Net Earnings	\$ (1,362,216)	\$ (511,557)	\$ (1,873,773)	\$ -	\$ (6,368,752)	29.42%

* Budget adjustments by General Manager per Appendix A

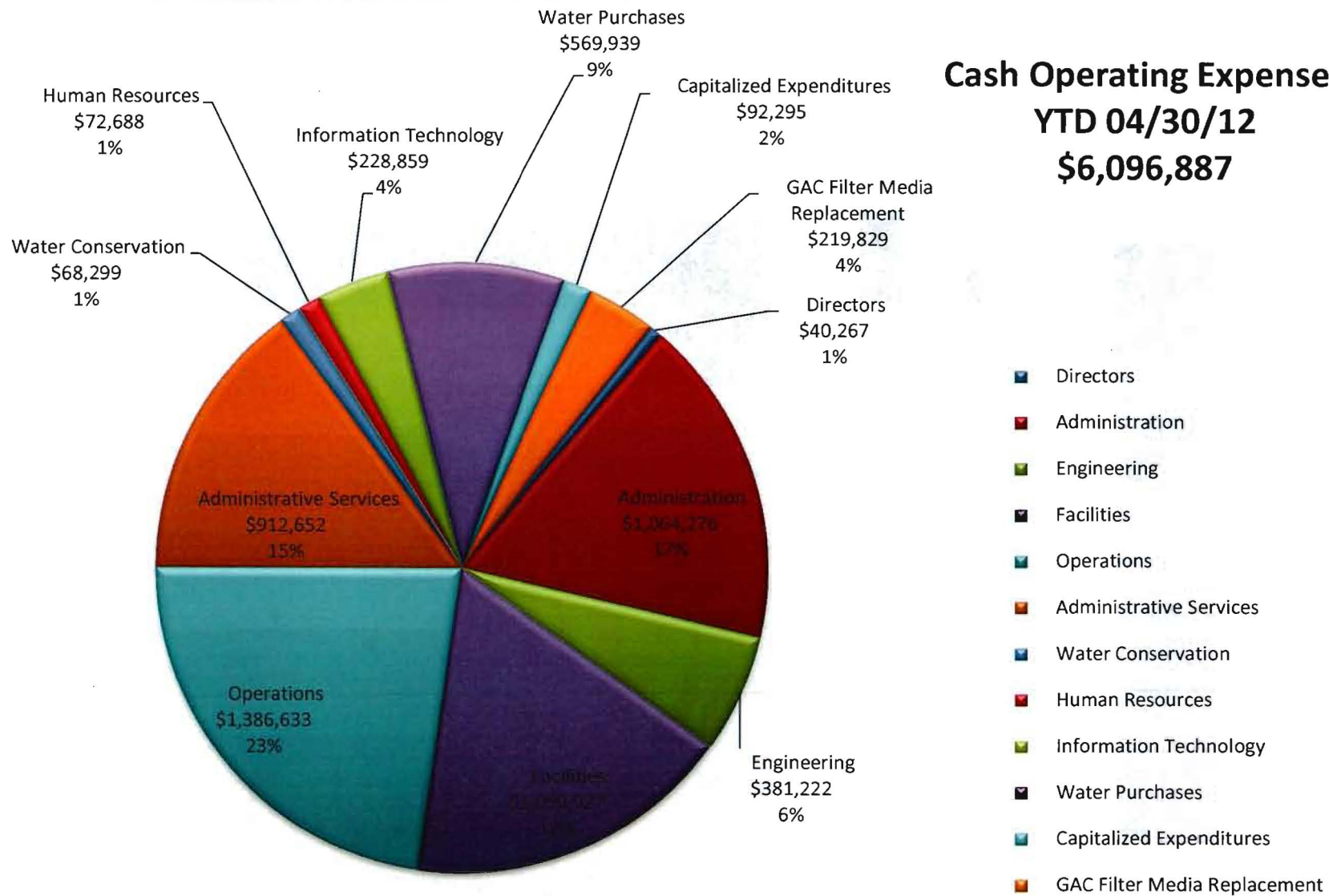
P & L BUDGET vs. ACTUAL



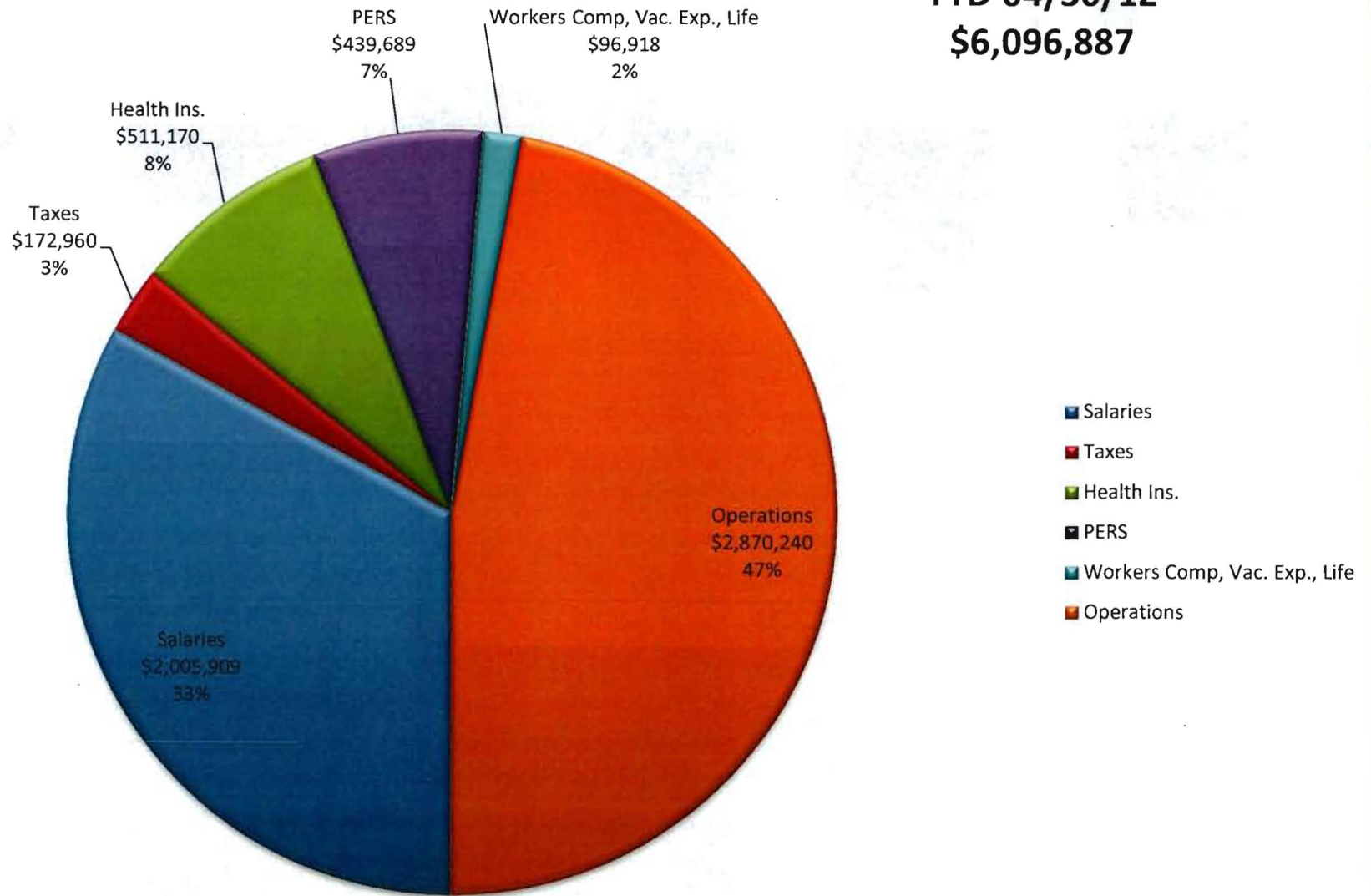
DEPARTMENTAL - BUDGET vs. ACTUAL



Cash Operating Expenses **YTD 04/30/12** **\$6,096,887**



Personnel to Operations Exp
YTD 04/30/12
\$6,096,887

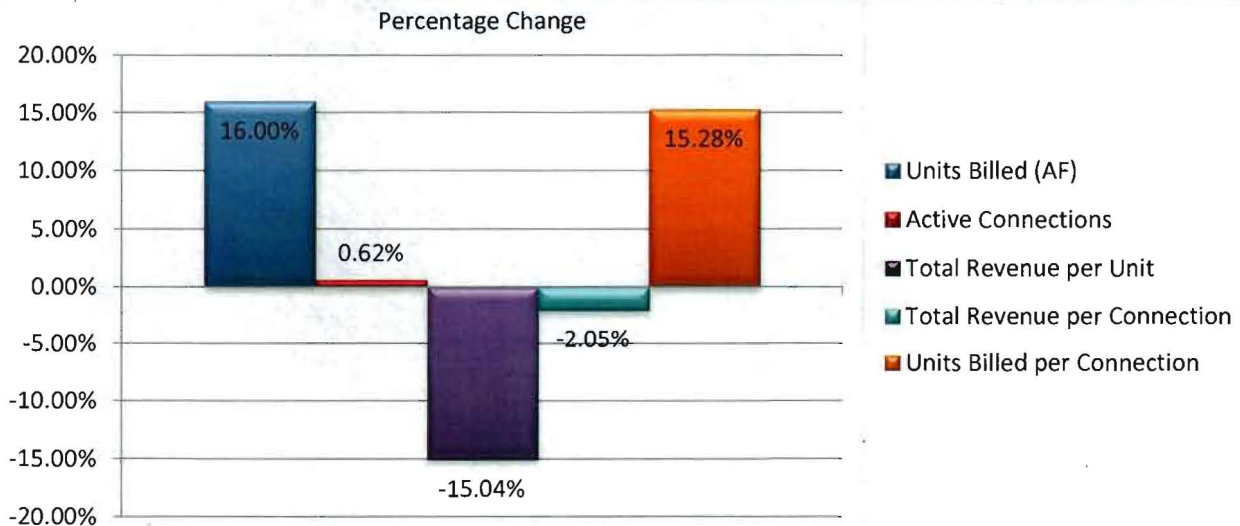
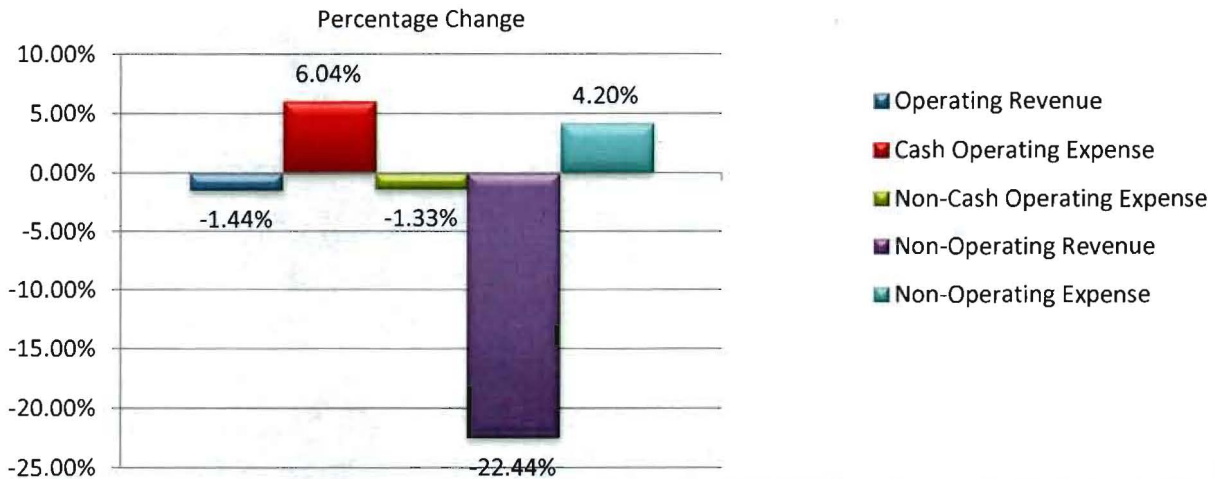


Palmdale Water District
Profit and Loss Statement
Year-To-Year Comparison - April

	2011 April	2012 April	Change	% Change	Consumption Comparison		
					Units Billed	2011 441,947	2012 512,664
Operating Revenue:							
Wholesale Water	\$ -	\$ -	\$ -		Active	26,127	26,290
Water Sales	404,350	423,673	19,323	4.78%	Vacant	1,502	1,352
Meter Fees	889,492	861,943	(27,549)	-3.10%			
Water Quality Fees	92,257	102,466	10,209	11.07%	Rev/unit	\$ 3.44	\$ 2.92
Elevation Fees	31,106	33,249	2,143	6.89%	Rev/con	\$ 58.17	\$ 56.98
Other	102,620	76,579	(26,041)	-25.38%	Unit/con	16.92	19.50
Total Water Sales	\$ 1,519,825	\$ 1,497,910	\$ (21,915)	-1.44%			
Cash Operating Expenses:							
Directors	\$ 10,825	\$ 5,868	\$ (4,957)	-45.79%			
Administration	275,286	213,134	(62,153)	-22.58%			
Engineering	91,624	94,130	2,506	2.74%			
Facilities	159,129	239,848	80,718	50.73%			
Operations	314,396	316,985	2,588	0.82%			
Administrative Services	223,047	212,373	(10,674)	-4.79%			
Water Conservation	16,400	16,665	265	1.62%			
Human Resources	15,816	15,284	(531)	-3.36%			
Information Technology	30,109	113,032	82,922	275.40%			
Water Purchases	214,236	96,594	(117,642)	-54.91%			
Water Recovery	(12,292)	(152,919)	(140,627)				
Capitalized Expenditures	23,300	53,343	30,043	128.94%			
GAC Filter Media Replacement	-	219,829	219,829				
Total Cash Operating Expenses	\$ 1,361,877	\$ 1,444,165	\$ 82,289	6.04%			
Non-Cash Operating Expenses:							
Depreciation	\$ 570,283	\$ 576,751	\$ 6,468	1.13%			
OPEB Accrual Expense	162,134	147,678	(14,456)	-8.92%			
Bad Debts	280	792	511	182.26%			
Service Costs Construction	11,267	(4,722)	(15,988)	-141.91%			
Capitalized Construction	(85,714)	(71,021)	14,694	-17.14%			
Total Non-Cash Operating Expenses	\$ 658,250	\$ 649,478	\$ (8,772)	-1.33%			
Net Operating Profit/(Loss)	\$ (500,301)	\$ (595,733)	\$ (95,432)	19.07%			
Non-Operating Revenues:							
Assessments	\$ 416,668	\$ 416,668	\$ -	0.00%			
Interest	23,950	1,860	(22,089)	-92.23%			
Capital Improvement Fees	11,955	-	(11,955)				
State Grants	76,200	-	(76,200)				
Other	23,277	9,649	(13,628)	-58.55%			
Total Non-Operating Revenues	\$ 552,049	\$ 428,177	\$ (123,872)	-22.44%			
Non-Operating Expenses:							
Interest on Long-Term Debt	\$ 212,801	\$ 208,555	\$ (4,246)	-2.00%			
Amortization of SWP	117,346	128,945	11,599	9.88%			
Capital Lease	-	-	-				
Water Conservation Programs	-	6,501	6,501				
Total Non-Operating Expenses	\$ 330,147	\$ 344,001	\$ 13,854	4.20%			
Net Earnings	\$ (278,400)	\$ (511,557)	\$ (233,158)	83.75%			

YEAR-TO-YEAR COMPARISON

April '11 -To- April '12



	2011	2012	
Units Billed (AF)	1,015	1,177	16.00%
Active Connections	26,127	26,290	0.62%
Non-Active	1,502	1,352	-9.99%
Total Revenue per Unit	3.44	2.92	-15.04%
Total Revenue per Connection	58.17	56.98	-2.05%
Units Billed per Connection	16.92	19.50	15.28%

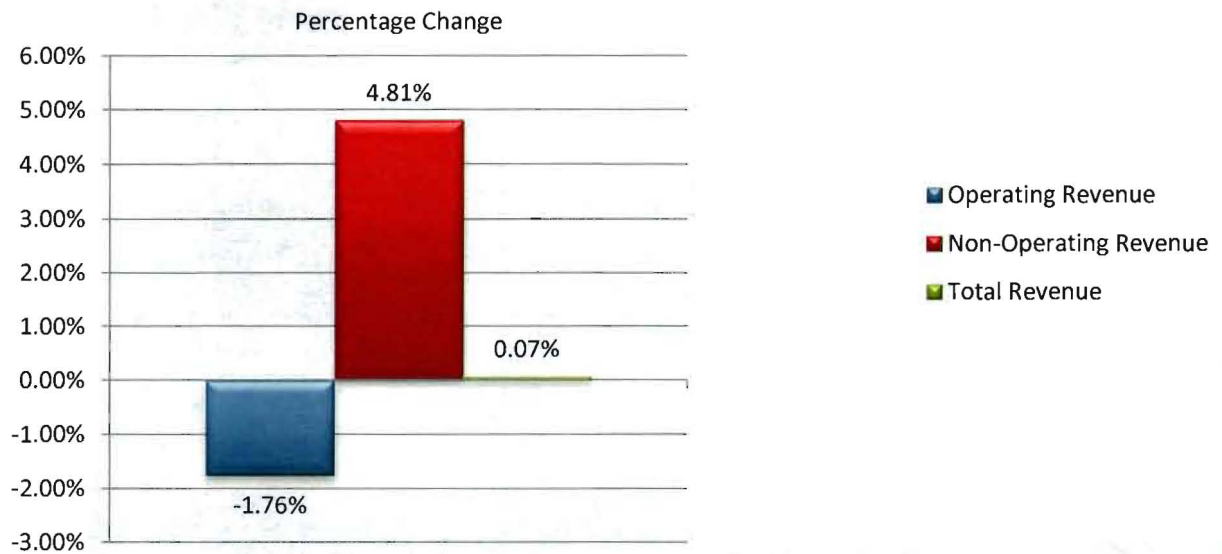
Palmdale Water District
Revenue Analysis
For the Four Months Ending 4/30/2012

	2012					2011 to 2012 Comparison			
	Thru March	April	Year-to-Date	Adjusted Budget	% of Budget	Thru March	April	Year-to-Date	% Change
Operating Revenue:									
Wholesale Water	\$ -	\$ -	\$ -	\$ 175,000		\$ -	-	-	0.00%
Water Sales	1,129,469	423,673	1,553,141	8,145,000	19.07%	43,295	19,323	62,618	4.20%
Meter Fees	2,579,297	861,943	3,441,240	10,400,000	33.09%	40,297	(27,549)	12,748	0.37%
Water Quality Fees	257,722	102,466	360,188	1,550,000	23.24%	33,865	10,209	44,074	13.94%
Elevation Fees	82,009	33,249	115,258	525,000	21.95%	15,211	2,143	17,355	17.73%
Other	409,920	76,579	486,499	1,250,000	38.92%	(217,193)	(26,041)	(243,234)	-33.33%
Total Water Sales	\$ 4,458,416	\$ 1,497,910	\$ 5,956,326	\$ 22,045,000	27.02%	\$ (84,524)	\$ (21,915)	\$ (106,439)	-1.76%
Non-Operating Revenues:									
Assessments	\$ 1,250,003	\$ 416,668	\$ 1,666,671	\$ 5,500,000	30.30%	\$ -	\$ -	\$ -	0.00%
Interest	9,169	1,860	11,029	60,000	18.38%	11,244	(22,089)	(10,846)	-49.58%
Capital Improvement Fees	693,287	-	693,287	1,286,848	53.87%	200,970	(11,955)	189,015	37.48%
State Grants	-	-	-	250,000	0.00%	-	(76,200)	(76,200)	
Other	70,897	9,649	80,546	100,000	80.55%	24,179	(13,628)	10,551	15.07%
Total Non-Operating Revenues	\$ 2,023,357	\$ 428,177	\$ 2,451,533	\$ 7,196,848	34.06%	\$ 236,393	\$ (123,872)	\$ 112,521	4.81%
Total Revenue	\$ 6,481,773	\$ 1,926,087	\$ 8,407,859	\$ 29,241,848	28.75%	\$ 151,870	\$ (145,787)	\$ 6,082	0.07%

	2011				
	Thru March	April	Year-to-Date	Adjusted Budget	% of Budget
Operating Revenue:					
Water Sales	\$ 1,086,173	\$ 404,350	\$ 1,490,523	\$ 9,400,000	15.86%
Meter Fees	2,539,000	889,492	3,428,492	10,650,000	32.19%
Water Quality Fees	223,857	92,257	316,114	1,600,000	19.76%
Elevation Fees	66,797	31,106	97,903	560,000	
Other	627,112	102,620	729,733	1,175,000	62.10%
Total Water Sales	\$ 4,542,940	\$ 1,519,825	\$ 6,062,765	\$ 23,385,000	25.93%
Non-Operating Revenues:					
Assessments	\$ 1,250,003	\$ 416,668	\$ 1,666,671	\$ 5,000,000	33.33%
Interest	(2,074)	23,950	21,875	120,000	18.23%
Capital Improvement Fees	492,317	11,955	504,272	250,000	201.71%
State Grants	-	76,200	76,200	500,000	15.24%
Other	46,718	23,277	69,994	175,000	40.00%
Total Non-Operating Revenues	\$ 1,786,963	\$ 552,049	\$ 2,339,012	\$ 6,045,000	38.69%
Total Revenue	\$ 6,329,903	\$ 2,071,874	\$ 8,401,777	\$ 29,430,000	28.55%

REVENUE COMPARISON YEAR-TO-DATE

April '11-To-April '12



Palmdale Water District
Operating Expense Analysis
For the Four Months Ending 4/30/2012
2012

2011 to 2012 Comparison

	Thru March	April	Year-to-Date	Adjusted Budget	% of Budget	Thru March	April	Year-to-Date	% Change
Cash Operating Expenses:									
Directors	\$ 34,399	\$ 5,868	\$ 40,267	\$ 154,000	26.15%	\$ (357)	\$ (4,957)	\$ (5,314)	-11.66%
Administration	851,142	213,134	1,064,276	3,547,000	30.00%	(150,245)	(62,153)	(212,398)	-16.64%
Engineering	287,092	94,130	381,222	1,169,000	32.61%	7,651	2,506	10,157	2.74%
Facilities	820,080	239,848	1,059,927	3,490,500	30.37%	(39,692)	80,718	41,026	4.03%
Operations	1,069,649	316,985	1,386,633	5,113,750	27.12%	79,668	2,588	82,257	6.31%
Administrative Services	700,280	212,373	912,652	2,788,750	32.73%	22,335	(10,674)	11,661	1.29%
Water Conservation	51,634	16,665	68,299	223,500	30.56%	3,667	265	3,932	6.11%
Human Resources	57,403	15,284	72,688	267,850	27.14%	375	(531)	(157)	-0.21%
Information Technology	115,828	113,032	228,859	736,750	31.06%	115,828	82,922	101,997	80.40%
Water Purchases	706,662	96,594	803,256	2,800,000	28.69%	292,437	(117,642)	174,795	27.81%
Water Recovery	(80,398)	(152,919)	(233,317)	(200,000)	116.66%	(76,044)	(140,627)	(216,671)	1301.60%
Capitalized Expenditures	38,952	53,343	92,295	412,500	22.37%	(60,398)	30,043	(30,354)	-24.75%
GAC Filter Media Replacement	-	219,829	219,829	1,550,000	14.18%	-	219,829	219,829	
Total Cash Operating Expenses	\$ 4,652,721	\$ 1,444,165	\$ 6,096,887	\$ 22,053,600	27.65%	\$ 195,225	\$ 82,289	\$ 180,761	2.96%
Non-Cash Operating Expenses:									
Depreciation	\$ 1,780,049	\$ 576,751	\$ 2,356,800	\$ 7,800,000	30.22%	\$ 78,038	\$ 6,468	\$ 84,506	3.72%
OPEB Accrual Expense	603,924	147,678	751,602	2,000,000	37.58%	352,571	(14,456)	338,115	81.77%
Bad Debts	3,045	792	3,837	100,000	3.84%	593	511	1,104	40.42%
Service Costs Construction	(18,605)	(4,722)	(23,327)	125,000	-18.66%	(23,007)	(15,988)	(38,995)	-248.87%
Capitalized Construction	(197,592)	(71,021)	(268,613)	(1,000,000)	26.86%	102,847	14,694	117,541	-30.44%
Total Non-Cash Operating Expenses	\$ 2,170,822	\$ 649,478	\$ 2,820,300	\$ 9,025,000	31.25%	\$ 511,042	\$ (8,772)	\$ 502,271	17.81%
Non-Operating Expenses:									
Interest on Long-Term Debt	\$ 625,664	\$ 208,555	\$ 834,219	\$ 2,490,000	33.50%	\$ (12,739)	\$ (4,246)	\$ (16,985)	-2.00%
Amortization of SWP	386,835	128,945	515,780	1,680,000	30.70%	34,797	11,599	46,396	9.88%
Capital Lease	-	-	-	212,000		(500)	-	(500)	
Water Conservation Programs	7,945	6,501	14,446	150,000		7,445	6,501	13,946	
Total Non-Operating Expenses	\$ 1,020,445	\$ 344,001	\$ 1,364,445	\$ 4,532,000	30.11%	\$ 29,003	\$ 13,854	\$ 42,857	3.24%
Total Expenses	\$ 7,843,988	\$ 2,437,644	\$ 10,281,632	\$ 35,610,600	28.87%	\$ 735,270	\$ 87,370	\$ 725,888	7.60%

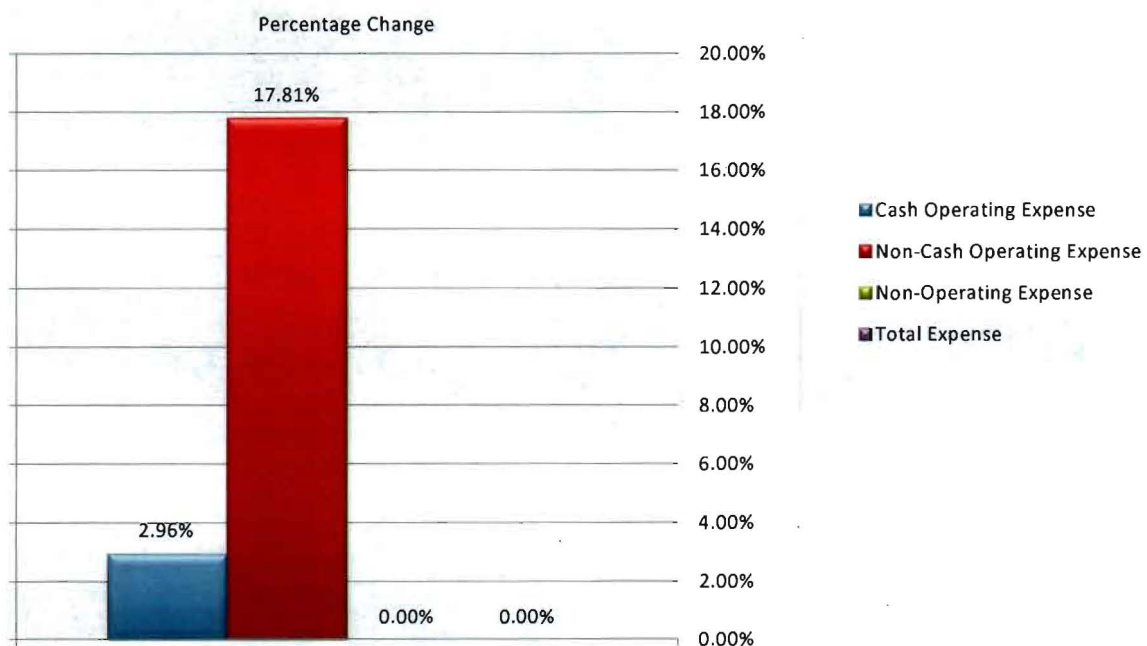
Palmdale Water District
Operating Expense Analysis
For the Four Months Ending 4/30/2012
2011

2011 to 2012 Comparison

	Thru March	April	Year-to-Date	Adjusted Budget	% of Budget
Cash Operating Expenses:					
Directors	\$ 34,757	\$ 10,825	\$ 45,581	\$ 146,200	
Administration	1,001,388	275,286	1,276,674	3,176,000	40.20%
Engineering	279,440	91,624	371,064	1,127,000	32.92%
Facilities	859,772	159,129	1,018,901	3,317,000	30.72%
Operations	989,980	314,396	1,304,377	5,071,050	25.72%
Administrative Services	677,944	223,047	900,992	2,762,200	32.62%
Water Conservation	47,967	16,400	64,367	212,500	30.29%
Human Resources	57,029	15,816	72,844	273,000	26.68%
Information Technology	96,752	30,109	126,862	712,500	17.81%
Water Purchases	414,225	214,236	628,461	3,000,000	20.95%
Water Recovery	(4,354)	(12,292)	(16,646)	(200,000)	8.32%
Capitalized Expenditures	99,349	23,300	122,649	557,300	22.01%
GAC Filter Media Replacement	-	-	-	1,600,000	0.00%
Total Cash Operating Expenses	\$ 4,554,249	\$ 1,361,877	\$ 5,916,126	\$ 21,754,750	27.19%
Non-Cash Operating Expenses:					
Depreciation	\$ 1,702,011	\$ 570,283	\$ 2,272,295	\$ 6,850,000	33.17%
OPEB Accrual Expense	251,354	162,134	413,487	550,000	75.18%
Bad Debts	2,452	280	2,733	100,000	2.73%
Service Costs Construction	4,402	11,267	15,669	125,000	12.53%
Capitalized Construction	(300,439)	(85,714)	(386,154)	(1,000,000)	38.62%
Total Non-Cash Operating Expenses	\$ 1,659,780	\$ 658,250	\$ 2,318,030	\$ 6,625,000	34.99%
Non-Operating Expenses:					
Interest on Long-Term Debt	\$ 638,403	\$ 212,801	\$ 851,205	\$ 2,541,000	33.50%
Amortization of SWP	352,038	117,346	469,384	1,579,000	29.73%
Other	500	-	500	-	
Total Non-Operating Expenses	\$ 990,941	\$ 330,147	\$ 1,321,089	\$ 4,120,000	32.07%
Total Expenses	\$ 7,204,970	\$ 2,350,274	\$ 9,555,244	\$ 32,499,750	29.40%

EXPENSE COMPARISON YEAR-TO-DATE

April '11-To-April '12



**Palmdale Water District
2012 Directors Budget
For the Four Months Ending Monday, April 30, 2012**

	YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-01-4000-000 Directors Pay	\$ 11,400	\$ 45,000	\$ -	\$ 33,600	25.33%
Employee Benefits					
1-01-4005-000 Payroll Taxes	929	5,500		4,571	16.90%
1-01-4010-000 Health Insurance	27,263	93,500		66,237	29.16%
Subtotal (Benefits)	28,193	99,000	-	66,237	28.48%
Total Personnel Expenses	<u>\$ 39,593</u>	<u>\$ 144,000</u>	<u>\$ -</u>	<u>\$ 99,837</u>	<u>27.49%</u>
OPERATING EXPENSES:					
1-01-4050-000 Directors Travel, Seminars & Meetings	675	10,000		9,325	6.75%
Subtotal Operating Expenses	675	10,000	-	9,325	6.75%
Total O & M Expenses	<u>\$ 40,267</u>	<u>\$ 154,000</u>	<u>\$ -</u>	<u>\$ 109,162</u>	<u>26.15%</u>

Palmdale Water District
2012 Administration Budget
For the Four Months Ending Monday, April 30, 2012

YTD	ORIGINAL		ADJUSTED	
ACTUAL	BUDGET	ADJUSTMENTS	BUDGET	PERCENT
2012	2012	2012	REMAINING	USED

Personnel Budget:

1-02-4000-000 Salaries	\$ 147,930	\$ 479,250	\$ 331,320	30.87%
1-02-4000-100 Overtime	3,006	6,000	2,994	50.10%
1-02-4000-200 On-Call	16,770	64,000	47,230	26.20%
Subtotal (Salaries)	\$ 167,706	\$ 549,250	\$ 381,544	30.53%

Employee Benefits

1-02-4005-000 Payroll Taxes	12,970	42,000	29,030	30.88%
1-02-4010-000 Health Insurance	29,575	76,750	47,175	38.53%
1-02-4015-000 PERS	33,817	90,500	56,683	37.37%
1-02-4020-000 Worker's Compensation	37,782	200,000	162,218	18.89%
1-02-4025-000 Vacation Benefit Expense	53,803	35,000	(18,803)	153.72%
1-02-4030-000 Life Insurance	5,334	7,500	2,166	71.11%
Subtotal (Benefits)	\$ 173,280	\$ 451,750	\$ 278,470	38.36%

Total Personnel Expenses

\$ 340,986	\$ 1,001,000	\$ -	\$ 660,014	34.06%
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OPERATING EXPENSES:

1-02-4050-000 Staff Travel	\$ 3,976	\$ 8,000	\$ 4,024	49.70%
1-02-4050-100 General Manager Travel	482	5,000	4,518	9.63%
1-02-4060-000 Staff Conferences & Seminars	555	3,000	2,445	18.50%
1-02-4060-100 General Manager Conferences & Seminars	949	4,500	3,551	21.09%
1-02-4070-000 Employee Expense	15,892	40,000	24,108	39.73%
1-02-4080-000 Other Operating	2,591	20,000	17,409	12.95%
1-02-4110-000 Consultants	70,146	200,000	129,854	35.07%
1-02-4125-000 Insurance	102,597	325,000	222,403	31.57%
1-02-4130-000 Bank Charges	33,720	130,000	96,280	25.94%
1-02-4135-000 Groundwater Adjudication	84,051	925,000	840,949	9.09%
1-02-4140-000 Legal Services	260,773	475,000	214,227	54.90%
1-02-4150-000 Accounting Services	15,750	20,000	4,250	78.75%
1-02-4155-000 Contracted Services	9,274	50,000	40,726	18.55%
1-02-4165-000 Memberships/Subscriptions	8,212	110,000	101,788	7.47%
1-02-4170-000 Elections	78,451	70,000		
1-02-4175-000 Permits	1,400	20,000	18,600	7.00%
1-02-4180-000 Postage	6,653	30,000	23,347	22.18%
1-02-4190-100 Public Relations - Publications	4,793	30,000	25,207	15.98%
1-02-4190-900 Public Relations - Other	961	1,000	39	96.10%
1-02-4200-000 Advertising	233	3,000	2,767	7.76%
1-02-4205-000 Office Supplies	7,266	20,000	12,734	36.33%
1-02-4215-200 Natural Gas - Office Building	1,917	5,000	3,083	38.34%
1-02-4220-200 Electricity - Office Building	10,759	50,000	39,241	21.52%
1-02-4230-100 Maint & Repair - Office Building	1,711	-	(1,711)	
1-02-6300-100 Supplies - Janitorial	177	1,500	1,323	11.80%
Subtotal Operating Expenses	\$ 723,290	\$ 2,546,000	\$ 1,831,161	28.41%

Total Departmental Expenses

\$ 1,064,276	\$ 3,547,000	\$ -	\$ 2,491,175	30.00%
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Palmdale Water District
2012 Engineering Budget
For the Four Months Ending Monday, April 30, 2012

	YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-03-4000-000 Salaries	\$ 239,065	\$ 767,000		\$ 527,935	31.17%
1-03-4000-100 Overtime	55	7,500		7,445	0.73%
Subtotal (Salaries)	\$ 239,120	\$ 774,500		\$ 535,380	30.87%
Employee Benefits					
1-03-4005-000 Payroll Taxes	20,729	59,250		38,521	34.98%
1-03-4010-000 Health Insurance	52,611	158,000		105,389	33.30%
1-03-4015-000 PERS	53,531	144,250		90,719	37.11%
Subtotal (Benefits)	\$ 126,871	\$ 361,500	\$ -	\$ 234,629	35.10%
Total Personnel Expenses	\$ 365,991	\$ 1,136,000	\$ -	\$ 770,009	32.22%
OPERATING EXPENSES:					
1-03-4050-000 Staff Travel	\$ 1,105	\$ 4,250		\$ 3,145	26.01%
1-03-4060-000 Staff Conferences & Seminars	1,005	2,750		1,745	36.55%
1-03-4155-000 Contracted Services	2,093	6,000		3,907	34.88%
1-03-4165-000 Memberships/Subscriptions	1,207	3,000		1,793	40.22%
1-03-4250-000 General Materials & Supplies	381	2,000		1,619	19.06%
1-03-8100-100 Computer Software - Maint. & Support	9,440	15,000		5,561	62.93%
Subtotal Operating Expenses	\$ 15,231	\$ 33,000	\$ -	\$ 17,769	46.15%
Total Departmental Expenses	\$ 381,222	\$ 1,169,000	\$ -	\$ 787,778	32.61%

Palmdale Water District
2012 Facilities Budget
For the Four Months Ending Monday, April 30, 2012

	YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-04-4000-000 Salaries	\$ 438,498	\$ 1,424,000		\$ 985,502	30.79%
1-04-4000-100 Overtime	5,788	45,000		39,212	12.86%
Subtotal (Salaries)	\$ 444,286	\$ 1,469,000		\$ 1,024,714	30.24%
Employee Benefits					
1-04-4005-000 Payroll Taxes	39,029	112,500		73,471	34.69%
1-04-4010-000 Health Insurance	128,270	394,000		265,730	32.56%
1-04-4015-000 PERS	99,915	266,000		166,085	37.56%
Subtotal (Benefits)	\$ 267,215	\$ 772,500	\$ -	\$ 505,285	34.59%
Total Personnel Expenses	\$ 711,501	\$ 2,241,500	\$ -	\$ 1,490,787	31.74%
OPERATING EXPENSES:					
1-04-4050-000 Staff Travel	\$ -	\$ 3,000		3,000	0.00%
1-04-4060-000 Staff Conferences & Seminars	449	3,000		2,551	14.97%
1-04-4155-000 Contracted Services	3,565	33,000		29,435	10.80%
1-04-4215-200 Natural Gas - Buildings	1,558	4,500		2,942	34.62%
1-04-4220-200 Electricity - Buildings	11,781	17,500		5,719	67.32%
1-04-4225-000 Maint. & Repair - Vehicles	17,680	45,000		27,320	39.29%
1-04-4230-100 Maint. & Rep. Office Building	536	18,000		17,464	2.98%
1-04-4235-110 Maint. & Rep. Equipment	1,823	7,500		5,677	24.30%
1-04-4235-400 Maint. & Rep. Operations - Wells	19,158	150,000		130,842	12.77%
1-04-4235-405 Maint. & Rep. Operations - Boosters	20,526	50,000		29,474	41.05%
1-04-4235-410 Maint. & Rep. Operations - Shop Bldgs	4,718	10,000		5,282	47.18%
1-04-4235-415 Maint. & Rep. Operations - Facilities	2,611	15,000		12,389	17.41%
1-04-4235-420 Maint. & Rep. Operations - Water Lines	118,189	400,000		281,811	29.55%
1-04-4235-425 Maint. & Rep. Operations - Littlerock Dam	101	25,000		24,899	0.40%
1-04-4235-430 Maint. & Rep. Operations - Palmdale Dam	7,680	25,000		17,320	30.72%
1-04-4235-435 Maint. & Rep. Operations - Palmdale Canal	-	5,000		5,000	0.00%
1-04-4235-455 Maint. & Rep. Operations - Heavy Equipment	12,623	40,000		27,377	31.56%
1-04-4235-460 Maint. & Rep. Operations - Storage Reservoirs	-	7,500		7,500	0.00%
1-04-6000-000 Waste Disposal	8,735	20,000		11,265	43.68%
1-04-6100-100 Fuel and Lube - Vehicle	56,188	130,000		73,812	43.22%
1-04-6100-200 Fuel and Lube - Machinery	20,149	43,000		22,851	46.86%
1-04-6200-000 Uniforms	5,443	20,000		14,557	27.22%
1-04-6300-100 Supplies - Misc.	16,527	50,000		33,473	33.05%
1-04-6300-800 Supplies - Construction Materials	10,262	100,000		89,738	10.26%
1-04-6400-000 Tools	3,338	12,000		8,662	27.81%
1-04-7000-100 Leases -Equipment	4,788	15,000		10,212	31.92%
Subtotal Operating Expenses	\$ 348,427	\$ 1,249,000	\$ -	\$ 900,573	27.90%
Total Departmental Expenses	\$ 1,059,928	\$ 3,490,500	\$ -	\$ 2,391,360	30.37%

Palmdale Water District
2012 Operation Budget
For the Four Months Ending Monday, April 30, 2012

Personnel Budget:

	YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
1-05-4000-000 Salaries	\$ 495,595	\$ 1,619,250		\$ 1,123,655	30.61%
1-05-4000-100 Overtime	24,148	60,000		35,852	40.25%
Subtotal (Salaries)	\$ 519,743	\$ 1,679,250		\$ 1,159,507	30.95%

Employee Benefits

1-05-4005-000 Payroll Taxes	45,029	128,500		83,471	35.04%
1-05-4010-000 Health Insurance	122,128	367,500		245,372	33.23%
1-05-4015-000 PERS	111,840	304,000		192,160	36.79%
Subtotal (Benefits)	\$ 278,997	\$ 800,000	\$ -	\$ 521,003	34.87%

Total Personnel Expenses

	\$ 798,740	\$ 2,479,250	\$ -	\$ 1,644,658	32.22%
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OPERATING EXPENSES:

1-05-4050-000 Staff Travel	\$ 3,122	\$ 8,000		\$ 4,878	39.02%
1-05-4060-000 Staff Conferences & Seminars	3,366	9,500		6,134	35.43%
1-05-4120-100 Training - Lab Equipment	-	3,500		3,500	0.00%
1-05-4155-000 Contracted Services	13,714	59,000		45,286	23.24%
1-05-4175-000 Permits	9,262	51,000		41,738	18.16%
1-05-4215-100 Natural Gas - Wells & Boosters	13,017	150,000		136,983	8.68%
1-05-4215-200 Natural Gas - WTP	523	3,000		2,477	17.43%
1-05-4220-100 Electricity - Wells & Boosters	336,073	1,450,000		1,113,927	23.18%
1-05-4220-200 Electricity - WTP	35,678	185,000		149,322	19.29%
1-05-4230-110 Maint. & Rep. - Office Equipment	-	500		500	0.00%
1-05-4235-110 Maint. & Rep. Operations - Equipment	2,175	15,000		12,825	14.50%
1-05-4235-410 Maint. & Rep. Operations - Shop Bldgs	690	6,000		5,310	11.50%
1-05-4235-415 Maint. & Rep. Operations - Facilities	11,314	38,000		26,686	29.77%
1-05-4235-445 Maint. & Rep. Operations - Telemetry	94	2,250		2,156	4.17%
1-05-4235-450 Maint. & Rep. Operations - Hypo Generator	-	7,250		7,250	0.00%
1-05-4236-000 Palmdale Lake Management	11,802	15,000		3,198	78.68%
1-05-4250-000 General Material & Supplies	288				
1-05-4270-300 Telecommunication - Other	837	2,250		1,413	37.20%
1-05-4300-300 Testing - Edison	-	12,000		12,000	0.00%
1-05-6000-000 Waste Disposal	1,140	15,000		13,860	7.60%
1-05-6200-000 Uniforms	3,175	10,000		6,825	31.75%
1-05-6300-100 Supplies - Misc.	3,705	15,000		11,295	24.70%
1-05-6300-200 Supplies - Hypo Generator	1,631	6,750		5,119	24.16%
1-05-6300-300 Supplies - Electrical	-	3,500		3,500	0.00%
1-05-6300-400 Supplies - Telemetry	5,934	7,500		1,566	79.12%
1-05-6300-600 Supplies - Lab	15,360	35,000		19,640	43.89%
1-05-6300-700 Outside Lab Work	18,080	65,000		46,920	27.82%
1-05-6400-000 Tools	1,436	6,500		5,064	22.09%
1-05-6500-000 Chemicals	95,479	450,000		354,521	21.22%
1-05-7000-100 Leases -Equipment	-	3,000		3,000	0.00%
Subtotal Operating Expenses	\$ 587,893	\$ 2,634,500	\$ -	\$ 2,046,895	22.32%

Total Departmental Expenses

	\$ 1,386,633	\$ 5,113,750	\$ -	\$ 3,691,553	27.12%
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Palmdale Water District
2012 Administrative Services Budget
For the Four Months Ending Monday, April 30, 2012

	YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-06-4000-000 Salaries	\$ 469,421	\$ 1,531,250		\$ 1,061,829	30.66%
1-06-4000-100 Overtime	5,584	25,000		19,416	22.34%
Subtotal (Salaries)	\$ 475,006	\$ 1,556,250		\$ 1,081,244	30.52%
Employee Benefits					
1-06-4005-000 Payroll Taxes	41,382	119,250		77,868	34.70%
1-06-4010-000 Health Insurance	127,157	381,000		253,843	33.37%
1-06-4015-000 PERS	106,559	286,500		179,941	37.19%
Subtotal (Benefits)	\$ 275,098	\$ 786,750	\$ -	\$ 511,652	34.97%
Total Personnel Expenses	\$ 750,103	\$ 2,343,000	\$ -	\$ 1,573,481	32.01%
OPERATING EXPENSES:					
1-06-4050-000 Staff Travel	\$ -	\$ 250		250	0.00%
1-06-4060-000 Staff Conferences & Seminars	898	1,000		102	89.80%
1-06-4155-300 Contracted Services	3,217	14,500		11,283	
1-06-4155-100 Contracted Services - Infosend	71,976	205,000		133,024	35.11%
1-06-4165-000 Memberships/Subscriptions	-	500		500	0.00%
1-06-4230-110 Maintenance & Repair - Office Equipment	-	1,000		1,000	0.00%
1-06-4235-440 Maint. & Rep. Operations - Large Meters	-	10,000		10,000	0.00%
1-06-4235-470 Maint. & Rep. Operations - Meter Exchanges	63,419	125,000		61,581	50.74%
1-06-4250-000 General Material & Supplies	2,145	4,000		1,855	53.62%
1-06-4260-000 Business Forms	3,022	10,000		6,978	30.22%
1-06-4270-100 Telecommunication - Office	8,069	30,000		21,931	26.90%
1-06-4270-200 Telecommunication - Cellular Stipend	5,260	17,000		11,740	30.94%
1-06-4270-300 Telecommunication - Cellular	420	3,000		2,580	
1-06-4300-200 Testing - Large Meter Testing	3,525	21,500		17,975	16.40%
1-06-7000-100 Leases - Equipment	597	3,000		2,403	19.91%
Subtotal Operating Expenses	\$ 162,549	\$ 445,750	\$ -	\$ 283,201	36.47%
Total Departmental Expenses	\$ 912,652	\$ 2,788,750	\$ -	\$ 1,856,682	32.73%

Palmdale Water District
2012 Water Conservation Budget
For the Four Months Ending Monday, April 30, 2012

YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
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Personnel Budget:

1-07-4000-000 Salaries	\$ 45,971	\$ 151,750	\$ 105,779	30.29%
1-07-4000-100 Overtime	417	1,250	833	33.39%
Subtotal (Salaries)	\$ 46,389	\$ 153,000	\$ 106,611	30.32%

Employee Benefits

1-07-4005-000 Payroll Taxes	3,988	12,000	8,012	33.24%
1-07-4010-000 Health Insurance	5,139	15,500	10,361	33.16%
1-07-4015-000 PERS	10,783	28,500	17,717	37.83%
Subtotal (Benefits)	\$ 19,910	\$ 56,000	\$ -	35.55%

Total Personnel Expenses

\$ 66,299	\$ 209,000	\$ -	\$ 141,868	31.72%
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OPERATING EXPENSES:

1-07-4050-000 Staff Travel	\$ 28	\$ 1,000	\$ 972	2.78%
1-07-4060-000 Staff Conferences & Seminars	299	500	201	59.80%
1-07-4190-300 Public Relations - Landscape Workshop/Training	280	2,500	2,220	11.18%
1-07-4190-400 Public Relations - Contests	-	500	500	0.00%
1-07-4190-500 Public Relations - Education Programs	137	5,000	4,863	2.74%
1-07-4190-700 Public Relations -General Media	875	3,000		
1-07-6300-100 Supplies - Misc.	382	2,000	1,618	19.10%
Subtotal Operating Expenses	\$ 2,000	\$ 14,500	\$ -	13.79%

Total Departmental Expenses

\$ 68,299	\$ 223,500	\$ -	\$ 152,243	30.56%
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Palmdale Water District
2012 Human Resources Budget
For the Four Months Ending Monday, April 30, 2012

	YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-08-4000-000 Salaries	\$ 37,926	\$ 127,500		\$ 89,574	29.75%
Employee Benefits					
1-08-4005-000 Payroll Taxes	3,284	10,000		6,716	32.84%
1-08-4010-000 Health Insurance	5,758	17,250		11,492	33.38%
1-08-4015-000 PERS	8,924	24,000		15,076	37.18%
Subtotal (Benefits)	\$ 17,966	\$ 51,250	\$ -	\$ 33,284	35.06%
Total Personnel Expenses	\$ 55,892	\$ 178,750	\$ -	\$ 122,858	31.27%
OPERATING EXPENSES:					
1-08-4050-000 Staff Travel	\$ 231	\$ 3,000		\$ 2,769	7.69%
1-08-4060-000 Staff Conferences & Seminars	250	2,000		1,750	12.50%
1-08-4095-000 Employee Recruitment	228	3,000		2,772	7.60%
1-08-4100-000 Employee Retention	1,325	1,500		175	88.33%
1-08-4105-000 Employee Relations	2,207	3,500		1,293	63.05%
1-08-4110-000 Consultants	-	1,000		1,000	0.00%
1-08-4120-100 Training-Safety Consultants	8,238	38,000		29,762	21.68%
1-08-4121-000 Safety Program	-	1,000		1,000	0.00%
1-08-4165-000 Membership/Subscriptions	1,946	1,600		(346)	121.62%
1-08-4165-100 HR/Safety Publications	124	1,000		877	12.35%
1-08-6300-500 Supplies - Safety	2,247	33,500		31,253	6.71%
Subtotal Operating Expenses	\$ 16,795	\$ 89,100	\$ -	\$ 72,305	18.85%
Total Departmental Expenses	\$ 72,688	\$ 267,850	\$ -	\$ 195,162	27.14%

Palmdale Water District
2012 Information Technology Budget
For the Four Months Ending Monday, April 30, 2012


	YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-09-4000-000 Salaries	\$ 63,341	\$ 195,250		\$ 131,909	32.44%
1-09-4000-100 Overtime	993	3,000		2,007	33.09%
Subtotal (Salaries)	\$ 64,334	\$ 198,250		\$ 133,916	32.45%
Employee Benefits					
1-09-4005-000 Payroll Taxes	5,620	15,500		9,880	36.26%
1-09-4010-000 Health Insurance	13,268	40,000		26,732	33.17%
1-09-4015-000 PERS	14,320	37,000		22,680	38.70%
Subtotal (Benefits)	\$ 33,208	\$ 92,500	\$ -	\$ 59,292	35.90%
Total Personnel Expenses	\$ 97,542	\$ 290,750	\$ -	\$ 191,201	33.55%
OPERATING EXPENSES:					
1-09-4050-000 Staff Travel	\$ 89	\$ 3,000		2,911	2.97%
1-09-4060-000 Staff Conferences & Seminars	8,167	15,000		6,833	54.45%
1-09-4120-100 Cogsdale Reimplementation & Templates	21,075	70,000		48,925	30.11%
1-09-4155-300 Contracted Services - Computer Vendors*	31,941	105,000	(1,300)	71,759	30.80%
1-09-4165-000 Memberships/Subscriptions	-	500		500	0.00%
1-09-8000-100 Computer Equipment - Computers	35,021	45,000		9,979	77.82%
1-09-8000-200 Computer Equipment - Laptops	-	10,000		10,000	0.00%
1-09-8000-300 Computer Equipment - Monitors	177	2,000		1,823	8.86%
1-09-8000-400 Computer Equipment - Printers	71	2,500		2,429	2.83%
1-09-8000-500 Computer Equipment - Toner Cartridges	3,714	3,000		(714)	123.81%
1-09-8000-600 Computer Equipment - Other	27,440	35,000		7,560	78.40%
1-09-8100-100 Computer Software - Maint. and Support	113	70,000		69,888	0.16%
1-09-8100-150 Computer Software - Cogsdale Maint and Support	-	70,000		70,000	0.00%
1-09-8100-200 Computer Software - Software and Upgrades	3,510	15,000		11,490	23.40%
Subtotal Operating Expenses	\$ 131,317	\$ 446,000	\$ (1,300)	\$ 313,383	29.53%
Total Departmental Expenses	\$ 228,859	\$ 736,750	\$ (1,300)	\$ 504,584	31.12%

* Budget adjustments by General Manager per Appendix A

**Engineering Department Projected Payout Schedule
June - 2012**

AGENDA ITEM NO. 7.4

Project Title	2012 Budget	Budget No.	Payee	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Strategic Water Resources Plan	\$ 25,000	PL02	ESA	\$ 7,733	\$ 12,336	\$ 11,894		\$ 1,280	\$ 9,000						
Littlerock Dam Sediment Removal EIR/EIS Cost Recovery Payment	\$ 270,000	NCP02	Aspen USFS		\$ 11,719 \$ 119,416	\$ 3,257	\$ 3,966		\$ 10,939	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000
Spec. No. 0903 - 9th/12th Street East	\$ 683,000	RCP08	VCI	\$ 182,825	\$ 137,230	\$ 187,320	\$ 104,529	\$ 86,084							
Acquisition of Tax Defaulted Property	\$ 18,000	NCC04	LA County						\$ 18,000						
Annual Tank Maint. (Year 5 of 5)	\$ 360,000	RCP05	Utility Services						\$ 355,147						
Well No. 11A Rehabilitation	\$ 200,000	RCP23	Layne				\$ 215,030			\$ 80,000					
Avenue S and Downing - Water Main Replacement	\$ 125,000	RCO18	TBD						\$ 30,886	\$ 10,000					
Spec. No. 0902 - Ave. Q-3, Division, Sumac	\$ 525,000	RCP07	TBD							\$ 75,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 175,000	\$ 150,000
Lighting Replacement	\$ -	N/A	ORION						\$ 68,163	\$ 68,163					
WTP Security System	\$ 50,000	NCP01	TBD								\$ 25,000	\$ 25,000			
Total Projected Payout:				\$ 190,558	\$ 280,701	\$ 202,471	\$ 323,525	\$ 87,364	\$ 492,135	\$ 247,163	\$ 189,000	\$ 189,000	\$ 164,000	\$ 189,000	\$ 164,000
Water Quality Fund	2012 Budget	Budget No.	Payee	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2012 Granular Activated Carbon Supply 2012 Change-Outs GAC Vessel at Underground Booster Station	\$ 1,550,000	N/A	Calgon TBD					\$ 219,829	\$ 434,000	\$ 217,000 \$ 200,000	\$ 217,000 \$ 160,000	\$ 40,000			
Total Water Quality Projected Payout:				\$ -	\$ -	\$ -	\$ -	\$ 219,829	\$ 434,000	\$ 417,000	\$ 377,000	\$ 40,000	\$ -	\$ -	\$ -

 = Approved for Payment

PALMDALE WATER DISTRICT

BOARD MEMORANDUM

DATE:	June 6, 2012	June 13, 2012
TO:	BOARD OF DIRECTORS	Board Meeting
FROM:	Mr. Matthew R. Knudson, Engineering Manager	
VIA:	Mr. Dennis D. LaMoreaux, General Manager	
RE:	<i>AGENDA ITEM NO. 7.7 – CONSIDERATION AND POSSIBLE ACTION ON RESOLUTION NO. 12-7 AUTHORIZING THE SUBMISSION OF AN APPLICATION TO THE CALIFORNIA DEPARTMENT OF WATER RESOURCES TO OBTAIN A LOCAL GROUNDWATER ASSISTANCE GRANT FOR THE LITTLEROCK CREEK RECHARGE AND RECOVERY PROJECT AND TO ENTER INTO AN AGREEMENT WITH RESPECT THERETO.</i>	

Recommendation:

Staff recommends approving the attached Resolution No. 12-7 authorizing the submission of an application to the California Department of Water Resources to obtain a Local Groundwater Assistance (LGA) grant for the proposed Littlerock Creek Recharge and Recovery project and to enter into an agreement with respect thereto.

Background:

The Local Groundwater Management Assistance Act of 2000 (California Water Code Section 10795 *et seq.*) was enacted to provide grants to local public agencies to conduct groundwater studies or to carry out groundwater monitoring and management activities. The proposed Littlerock Creek Groundwater Recharge and Recovery Project is ideally suited for LGA funding being that the District has adopted the Antelope Valley Integrated Regional Water Management Plan and the work we have done and continue to do on the Strategic Water Resources Plan. If there is a grant awarded to the District, the funds will be utilized to prepare a feasibility study for this project.

The LGA grant is worth up to \$250,000.00 with no matching funds required. On April 25, 2012, the Board authorized the District to enter into an agreement with Wildermuth Environmental, Inc. in the not-to-exceed amount of \$35,000 for the preparation of the LGA grant application. The California Department of Water Resources requires each applicant to submit documentation, such as a resolution adopted by the applicant's governing body, designating an authorized representative to file an application for LGA grant and enter into an agreement with the State of California. The Department of Water Resources, who is administering this grant, issued the final guidelines on May 3, 2012, and the grant application is due on July 13, 2012.

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

June 6, 2012

Strategic Plan Element:

This work is part of Strategic Goal 2.2 – Improve reliability of groundwater through local groundwater storage projects.

Budget:

The approval of the attached Resolution No. 12-7 will have no impact on the 2012 Budget.

Supporting Documents:

- Proposed Resolution No. 12-7

RESOLUTION NO. 12-7

RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AUTHORIZING THE SUBMISSION OF AN APPLICATION TO THE CALIFORNIA DEPARTMENT OF WATER RESOURCES TO OBTAIN A LOCAL GROUNDWATER ASSISTANCE GRANT PURSUANT TO PUBLIC RESOURCE CODE §75001, ET. SEQ. FOR THE LITTLEROCK CREEK RECHARGE AND RECOVERY PROJECT AND TO ENTER INTO AN AGREEMENT WITH RESPECT THERETO

WHEREAS, Palmdale Water District ("District") is an irrigation district formed under Division 11 of the California Water Code; and

WHEREAS, the District is a "local agency" within the meaning of California Water Code §10701(a) and therefore is eligible to apply for a Local Groundwater Assistance Grant administered by the California Department of Water Resources; and

WHEREAS, the District is in the process of developing a project known as the Littlerock Creek Recharge and Recovery Project, which will enable the District to more effectively and efficiently manage its groundwater resources for the benefit of its customers; and

WHEREAS, a grant from the California Department of Water Resources under the Local Groundwater Assistance Grant Program will be of significant benefit to the District and its customers in bringing the Littlerock Creek Recharge and Recovery Project to fruition.

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the Palmdale Water District hereby authorizes and directs that an application be made to the California Department of Water Resources to obtain a Local Groundwater Assistance Grant (the "Grant") pursuant to the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Public Resource Code §75001, et. seq.).

BE IT FURTHER RESOLVED, that the District's Board of Directors authorizes the District's General Manager to enter into an agreement to receive the Grant for the Littlerock Creek Recharge and Recovery Project, and the General Manager, or his designee, is hereby authorized and directed to prepare the necessary data, conduct investigations, file such applications and execute such grant agreements with the California Department of Water Resources as may be appropriate in connection with the Grant.

BE IT FURTHER RESOLVED, that the General Manager and the staff of Palmdale Water District are hereby authorized and directed to take such other and further action that may be necessary or appropriate to carryout and further the purposes of this resolution.

PASSED AND ADOPTED at a meeting of the Board of Directors of Palmdale Water District on June 13, 2012.

President

(date)

Secretary

(date)

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**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: June 6, 2012 **June 13, 2012**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Peter Thompson II, Operations Manager
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.8 – CONSIDERATION AND POSSIBLE ACTION
ON PALMDALE FIN AND FEATHER CLUB DOCK PLATFORM
CONSTRUCTION GUIDELINES AND PROCEDURES FOR NEW
CONSTRUCTION OR REPLACEMENT OF DOCKS AT PALMDALE
LAKE AND APPROVAL OF CONSTRUCTION OF NEW DOCK 29A.***

Recommendation:

Staff and the Facilities Committee recommend approval of the Palmdale Fin and Feather Club Dock Platform Construction Guidelines and Procedures for new construction or replacement of docks at Palmdale Lake and approval of the construction of new Dock 29A to be located between Dock 29 and Dock 30.

Alternative Options:

The alternative is for the Fin & Feather Club Board of Directors to approve dock plans on an individual basis as no guidelines and procedures currently exist.

Impact of Taking No Action:

Current practices will continue. No new dock will be constructed.

Background:

In an effort to streamline their processes, the Fin & Feather Club Board of Directors developed and adopted specific guidelines and procedures for either new construction or for the replacement of old and condemned walkways and docks. District staff concurs with these guidelines and procedures. Staff has reviewed the new guidelines and believes it offers good guidance for dock repair and construction and helps prevent potential contamination of the lake from these activities.

BOARD OF DIRECTORS

VIA: Mr. Dennis D. LaMoreaux, General Manager

June 6, 2012

The Palmdale Fin and Feather Club Board is requesting the addition of New Dock 29A. The addition of new Dock 29A will have no detrimental impact on the lake or the District and will be constructed following the Fin and Feather Board approved new guidelines and procedures for new construction of docks. This new dock will be of benefit to the Fin and Feather Club to alleviate dock crowding.

Strategic Plan Element:

This work is part of Strategic Element 2.0 Natural Resources Management.

Budget:

Approval of the guidelines and procedures and construction of the new dock will have no impact on the District's budget.

Supporting Documents:

- Current lease between the Palmdale Water District and the Palmdale Fin and Feather Club
- Palmdale Fin and Feather Club Dock Platform Construction Guidelines.
- Letter from Palmdale Fin and Feather Club Board President Perry Duggan
- Map of Palmdale Lake showing potential placement of Dock 29A.

AGREEMENT TO EXTEND AGREEMENT OF LEASE

This Agreement to Extend Agreement of Lease is entered into and effective as of the 13th day of December, 2006, by and between PALMDALE WATER DISTRICT ("District") and PALMDALE FIN AND FEATHER CLUB, INC. ("Club").

RECITALS

A. The District and the Club previously entered into an Agreement of Lease dated November 25, 1996 (the "Lease Agreement"), under which the Club agreed to lease from the District, and the District agreed to lease to the Club, the "premises" defined in the Lease Agreement in accordance with the provisions of that agreement.

B. The Lease Agreement provides that the term of the Club's lease of the premises will expire on December 31, 2006, and the Club desires to extend the term of its lease of the premises for ten (10) additional years. The District is amenable to extending the term of the Club's lease for that additional period in accordance with the terms and conditions set forth below.

NOW, THEREFORE, for good and valuable consideration, the parties agree to this Agreement to Extend Agreement of Lease, as follows:

1. **Revision to Real Property Excluded from Lease.** Exhibits A and B to the Lease Agreement are deleted in their entirety and are replaced by Exhibits A and B attached hereto, which add to the real property excluded from the defined premises the cross-hatched property on those exhibits situated immediately southeast of the entrance to the District's Water Treatment Plant at the intersection of 5th Street East and Avenue S.

2. **Extension of Term.** The term of the Club's lease of the premises is extended, to terminate on December 31, 2016. The District also grants to the Club the exclusive right to renew the lease on that subsequent termination for two additional five-year terms, which right to renew must be exercised by written notice from the Club to the District delivered at least ninety (90) days prior to the above-referenced termination date. The District may evaluate and adjust the rental amount as necessary prior to accepting each five-year option.

3. **Use.** In addition to the provisions of Paragraph 2 of the Lease Agreement concerning use of the premises by the Club, the Club shall comply with all conditions required by the Los Angeles County Regional Planning Commission in its Nonconforming Review Case No. 03-159-(5), as approved by said Commission on November 17, 2004. A copy of those conditions is attached hereto as Exhibit C.

4. **Payment for Water Used by Club.** The Club will be responsible for paying for water it uses at the premises, which shall be paid on an annual basis with the Club's annual rent payment in accordance with Paragraph 7 of the Lease Agreement. For the calendar year 2007, the Club shall pay \$800.00 per month for its water use, for a total

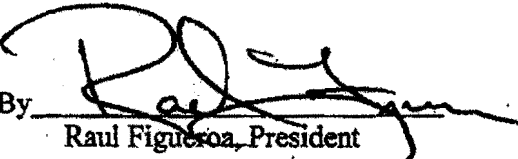
annual payment of \$9,600.00 for that year. Thereafter, the Club shall pay for water used based on its actual metered usage from the prior calendar year. By way of example, the amount the Club shall pay for water use in calendar year 2008 shall be based on its actual usage in calendar year 2007.

5. Lease Agreement to Remain in Effect. Except as amended by Paragraphs 1 through 4 of this Agreement to Extend Agreement of Lease, the Lease Agreement shall remain in full force and effect.

Signed the date and year first written above.

PALMDALE WATER DISTRICT

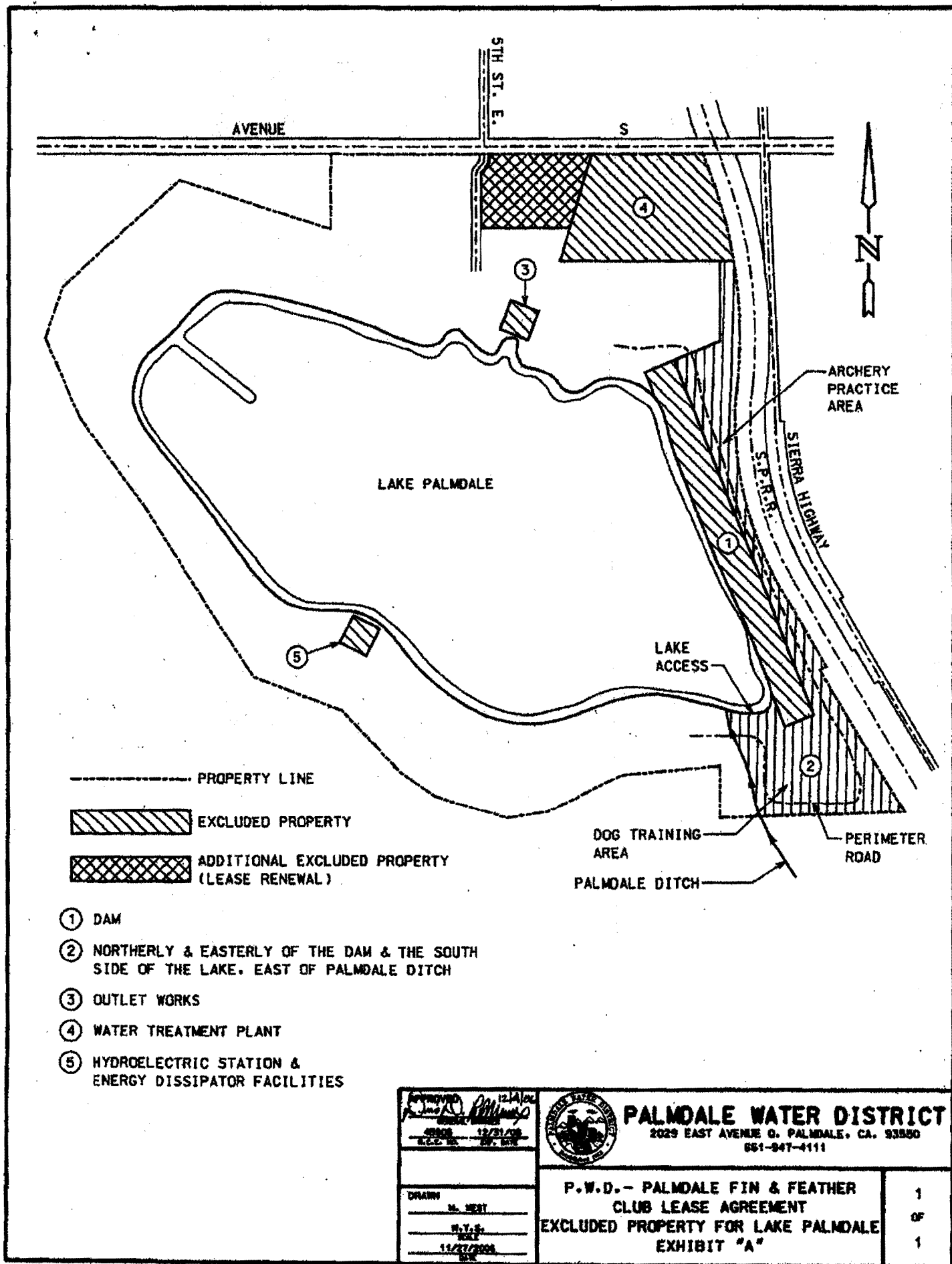
PALMDALE FIN & FEATHER
CLUB, INC.

By 
Raul Figueroa, President

By 
Charles R. Love, Sr., President


By 
Dick Wells, Secretary

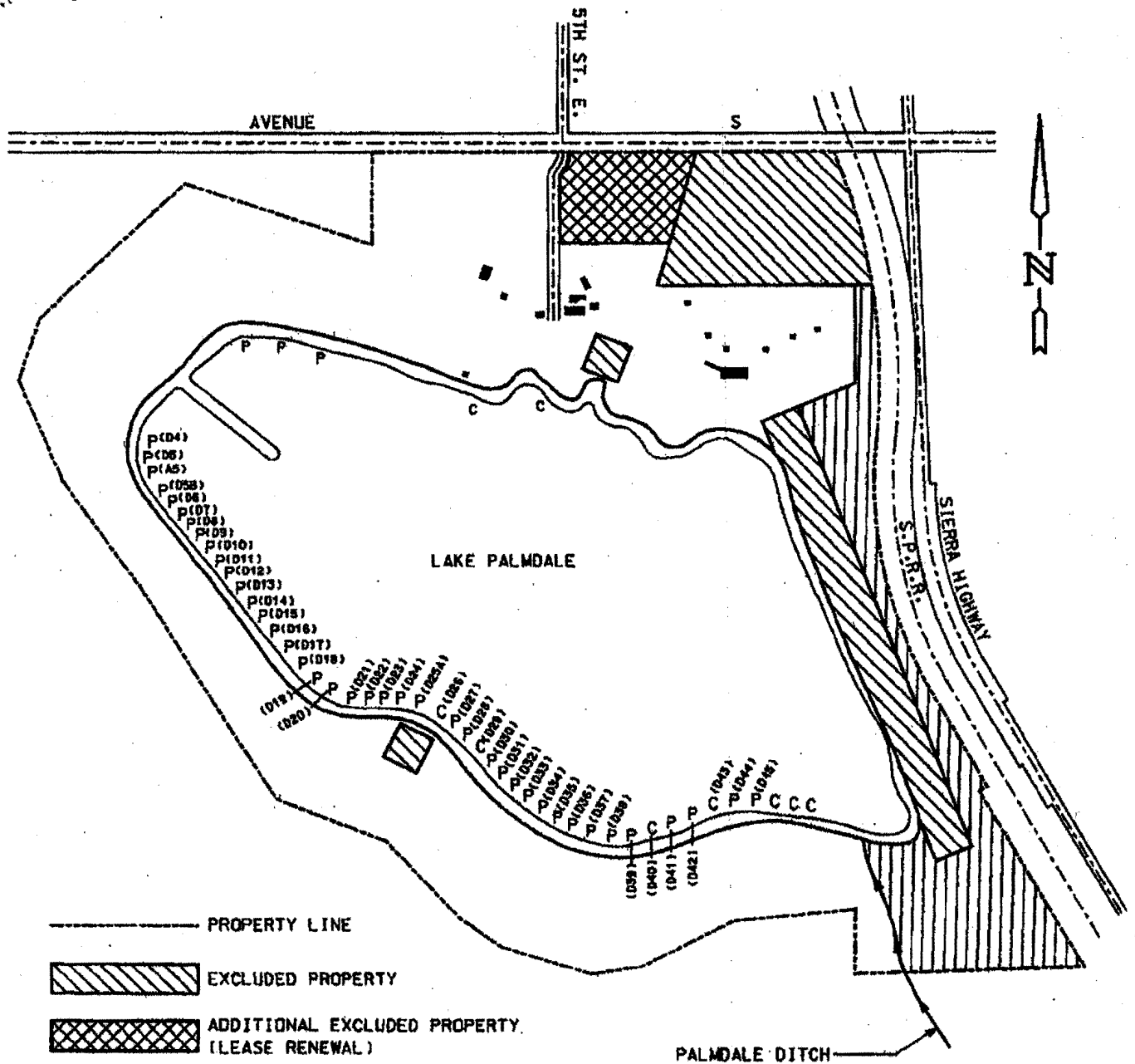
By 
Thomas J. Kiser, Secretary



- ① DAM
- ② NORTHERLY & EASTERLY OF THE DAM & THE SOUTH SIDE OF THE LAKE, EAST OF PALMDALE DITCH
- ③ OUTLET WORKS
- ④ WATER TREATMENT PLANT
- ⑤ HYDROELECTRIC STATION & ENERGY DISSIPATOR FACILITIES

APPROVED	12/14/04
12/31/04	
11/27/2004	
DATE	
DRAWN	
M. WEST	
P.T.S.	
11/27/2004	
DATE	

 PALMDALE WATER DISTRICT 2029 EAST AVENUE G, PALMDALE, CA. 93550 661-947-4111	
P.W.D. - PALMDALE FIN & FEATHER CLUB LEASE AGREEMENT EXCLUDED PROPERTY FOR LAKE PALMDALE EXHIBIT "A"	1 OF 1



DATE	12/31/08
BY	H. WEST
DATE	11/27/2008
BY	H. WEST

PALMDALE WATER DISTRICT 2029 EAST AVENUE G. PALMDALE, CA. 93550 661-947-4111	
P.W.D. - PALMDALE FIN & FEATHER CLUB LEASE AGREEMENT EXISTING STRUCTURES EXHIBIT "B"	
1	OF 1

NONCONFORMING REVIEW CASE NO. 03-159-(5)
FINAL CONDITIONS

Page 1 of 4

1. This grant authorizes the continued operation and maintenance of a non-profit hunting, fishing, trap shooting, archery club, with a trap and bait shop, a live-in caretaker and the storage of boats and recreational vehicles for members of the Club as depicted on the approved Exhibit "A", subject to all of the following conditions of approval.
2. Unless otherwise apparent from the context, the term "permittee" shall include the applicant and any other person, corporation, or other entity making use of this grant.
3. This grant shall not be effective for any purpose until the permittee, and the owner of the subject property if other than the permittee, have filed at the office of the Department of Regional Planning an affidavit stating that they are aware of, and agree to accept, all of the conditions of this grant and that the conditions of the grant have been recorded as required by Condition No. 8, and until all required monies have been paid pursuant to Condition No. 10.
4. The permittee shall defend, indemnify and hold harmless the County, its agents, officers, and employees from any claim, action, or proceeding against the County or its agents, officers, or employees to attack, set aside, void or annul this permit approval, which action is brought within the applicable time period of Government Code Section 65009 or other applicable limitation period. The County shall notify the permittee of any claim, action, or proceeding and the County shall reasonably cooperate in the defense.
5. In the event that any claim, action, or proceeding as described above is filed against the County, the permittee shall within ten days of the filing pay the Department of Regional Planning an initial deposit of \$5,000, from which actual costs shall be billed and deducted for the purpose of defraying the expenses involved in the department's cooperation in the defense, including but not limited to, depositions, testimony, and other assistance to permittee or permittee's counsel. The permittee shall also pay the following supplemental deposits, from which actual costs shall be billed and deducted:
 - a. If during the litigation process, actual costs incurred reach 80 percent of the amount on deposit, the permittee shall deposit additional funds sufficient to bring the balance up to the amount of the initial deposit. There is no limit to the number of supplemental deposits that may be required prior to completion of the litigation.
 - b. At the sole discretion of the permittee, the amount of an initial or supplemental deposit may exceed the minimum amounts defined herein.

NONCONFORMING REVIEW CASE NO. 03-159-(5)
FINAL CONDITIONS

Page 2 of 4

The cost for collection and duplication of records and other related documents will be paid by the permittee in accordance with Section 2.170.010 of the Los Angeles County Code.

6. This grant will expire unless used within 60 days from the date of approval.
7. If any material provision of this grant is held or declared to be invalid, the permit shall be void and the privileges granted hereunder shall lapse.
8. Prior to the use of this grant, the terms and conditions of the grant shall be recorded in the office of the County Recorder. In addition, upon any transfer or lease of the property during the term of this grant, the permittee shall promptly provide a copy of the grant and its conditions to the transferee or lessee, as applicable, of the subject property.
9. This grant shall terminate on November 17, 2016.

Upon written application of the permittee made no less than six (6) months prior to November 16, 2016, the term of this grant shall be extended by the Director of Planning for a period not to exceed ten (10) years, as provided herein below. The Director shall grant such extension unless it finds one of the following: (1) that the permittee has failed to adhere to the conditions of approval and such failure has not been timely corrected upon written notice thereof, and (2) that the use is not in compliance with all applicable laws and regulations. If either of the foregoing findings is made by the Director, the extension may be denied. Subsequent extensions may be granted by the Commission upon written application made no less than six (6) months prior to the expiration of the previous extension.

10. The subject property shall be maintained and operated in full compliance with the conditions of this grant and any law, statute, ordinance, or other regulation applicable to any development or activity on the subject property. Failure of the permittee to cease any development or activity not in such full compliance shall be a violation of these conditions. Prior to the use of this grant, the permittee shall deposit with the County of Los Angeles the sum of \$900.00. These monies shall be placed in a performance fund which shall be used exclusively to compensate the Department of Regional Planning for all expenses incurred while inspecting the premises to determine the permittee's compliance with the conditions of approval, including adherence to development in accordance with the site plan on file. The fund provides for six (6) biennial inspections (every other year). The inspections shall be unannounced.

If additional inspections are required to ensure compliance with the conditions of this grant, or if any inspection discloses that the subject property is being used in violation of any condition of this grant, the permittee shall be financially responsible for and shall reimburse the Department of Regional Planning for all additional

NONCONFORMING REVIEW CASE NO. 03-159-(5)
FINAL CONDITIONS

Page 3 of 4

inspections and for any enforcement efforts necessary to bring the subject property into compliance. The charge for additional inspections shall be the amount equal to the recovery cost at the time of payment. The current recovery cost is \$150.00 per inspection.

11. Notice is hereby given that any person violating a provision of this grant is guilty of a misdemeanor. Notice is further given that the Regional Planning Commission or a hearing officer may, after conducting a public hearing, revoke or modify this grant, if the Commission or hearing officer finds that these conditions have been violated or that this grant has been exercised so as to be detrimental to the public health or safety or so as to be a nuisance.
12. All requirements of the Zoning Ordinance and of the specific zoning of the subject property must be complied with unless specifically modified by this grant, as set forth in these conditions or shown on the approved plans.
13. The subject property shall be developed and maintained in compliance with requirements of the Los Angeles County Department of Health Services. Adequate water and sewage disposal facilities shall be provided to the satisfaction of said department.
14. All structures shall comply with the requirements of the Division of Building and Safety of the Los Angeles County Department of Public Works.
15. All structures, walls, and fences open to public view shall remain free of extraneous markings, drawings, or signage. These shall include any of the above that do not directly relate to the use subject to this grant or that do not provide pertinent information about the premises. The only exceptions shall be seasonal decorations or signage provided under the auspices of a civic or non-profit organization. In the event any such extraneous markings occur, the permittee shall remove or cover said markings, drawings, or signage within 24 hours of such occurrence, weather permitting. Paint utilized in covering such markings shall be of a color that matches, as closely as possible, the color of the adjacent surfaces.
16. The property shall be maintained in substantial conformance with the approved Exhibit "A". In the event that subsequent revised plans are submitted, the permittee shall submit three (3) copies of the proposed plans to the Director for review and approval. All revised plans must be accompanied by the written authorization of the property owner.
17. The permittee shall maintain all landscaping in a neat, clean and healthy condition, including proper pruning, weeding, removal of litter, fertilizing and replacement of plants when necessary. Watering facilities shall consist of a permanent water-

**NONCONFORMING REVIEW CASE NO. 03-159-(5)
FINAL CONDITIONS**

Page 4 of 4

efficient irrigation system, such as "bubblers" or drip irrigation, for irrigation of all landscaped areas except where there is turf or other ground cover.


18. The permittee shall maintain all areas of the subject property free of litter and debris.
19. The operation and maintenance of the recreational club shall further be subject to all of the following restrictions:
 - a. The permittee shall provide and continuously maintain a minimum of 79 on-site automobile parking spaces. At least one (1) of these spaces shall be van-accessible and reserved for persons with disabilities. The required parking spaces shall be continuously available for vehicular parking only and shall not be used for storage, vehicular repair, or any other unauthorized use;
 - b. Off-site parking for club members and guests is expressly prohibited;
 - c. During special events the permittee shall direct visitors to on-site parking and ensure that driveways are not obstructed;
 - d. Any parking lot and other exterior lighting shall be hooded and directed away from neighboring residences to prevent direct illumination and glare, with the exception of sensor-activated security lights and/or low level lighting along all pedestrian walkways leading to and from the parking lot;
 - e. Storage of Recreational Vehicles and boats on the subject property shall be for members of the Club only and not open to the public;
 - f. The trapshooting hours of operation shall only be Sundays, from 9 a.m. to 4 p.m., year round, and additionally Wednesdays from 3 p.m. to sunset during daylight savings time; and
 - g. The permittee shall post a sign at the front gate with the caretaker's and the Department of Regional Planning's Zoning Enforcement Section telephone number.

RJF: MBM
12/1/2004

AGREEMENT OF LEASE

AGREEMENT AND LEASE made this 25 day of ~~November~~, 1996, by and between PALMDALE WATER DISTRICT (District) and PALMDALE FIN AND FEATHER CLUB, INC. (Club).

This Agreement and Lease is made with reference to the following:

For many years, Club has operated a club for fishing, hunting and other recreational purposes under a lease with District covering portions of the ~~above~~ real property owned by District. 

District is the owner of Palmdale Lake (Lake) and certain land contiguous to and surrounding the lake, located on the Southerly side of Avenue S and extending generally from the Antelope Valley Freeway on the West to Sierra Highway on the East, all in Palmdale, Los Angeles County, California. The real property owned by the District is shown on Exhibit "A" and is bounded by wire fencing. Real property excluded from the lease to the Club is also shown on Exhibit "A". References on the exhibit correspond to the following areas:

- 1) Palmdale Dam;
- 2) Areas Northerly and Easterly of the Dam, the area on the South side of the Lake, East of the Palmdale Ditch for hunting and fishing. The following uses are allowed at locations identified on Exhibit "A":
 - a. Archery practice
 - b. Dog training
 - c. Lake access
 - d. Use of perimeter road
 - e. One trip per day across the Dam by the Caretaker;
- 3) The area adjacent to the outlet works;
- 4) The area adjacent to the 2.6-million gallon reservoir and the Water Treatment Plant, and all of the area North or West of the Water Treatment Plant site; and,
- 5) The area adjacent to the hydroelectric station and energy dissipater facilities Southwest of the Lake.

The real property, less the above exclusions, is referred to in this Agreement as the "premises".

The present lease between District and Club expires on December 31, 1996. Club wishes to continue leasing the premises, and District is willing to execute such a lease subject to the provisions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

1) TERM

District hereby leases to Club, and Club hereby leases from District, the above-described premises for a period of ten years beginning January 1, 1997, and terminating December 31, 2006. District also grants to Club the exclusive right to renew this lease on its termination for two additional five-year terms. If Club elects to renew the lease, it shall notify District in writing of that election at least 90 days prior to the termination of the lease period. District reserves the right to evaluate and adjust the rental amount as necessary prior to accepting each five-year option.

The lease period described in this section is subject to termination as provided in the remaining sections of the Agreement. Nothing in this Agreement constitutes a joint venture or partnership between District and Club regarding the Club's operations.

2) USE

During the lease period, Club shall have the exclusive right of fishing, hunting, sport shooting, picnics, and Club meetings on the Palmdale Lake and on the premises. The parties understand and agree that this lease is not a lease of any present or future mechanical facilities or of any water but is a lease only of the right to conduct approved activities on the premises, subject to the provisions of this lease. The parties also understand and agree that such activities are subject to applicable local, State and Federal laws and regulations for the premises. If, at any time, both hunting and fishing on the premises shall be prohibited by any government law, order or regulation, then this lease and any renewal of it shall be terminated.

District does not guarantee the presence of water on the premises to accommodate approved activities. Club agrees that District may, without prior notice, withdraw water from Palmdale Lake from time to time for any District use, and may, if necessary, withdraw all the water on the premises.

Club agrees to provide security for the premises including posting against trespassing. The signs shall be of such size and frequency as will be adequate to give full notice to all persons that the premises are restricted. Club shall assume the responsibility for prosecution of members and non-members for violations whenever violators are apprehended.

Club agrees to prevent entry by its members, officers, or employees into the excluded areas of the property listed in the preamble to this agreement for any purpose

other than providing security for the premises or maintenance activities requested by the District.

Club agrees to maintain the premises using volunteers, community service workers, or other forces as required. Maintenance activities shall include facilities constructed and operated by Club, reasonable trimming of trees and other landscaping, trash and litter collection, and clearing vegetation from the road mid-height on the East side of the Dam to and including the West face on the Dam. Club shall be responsible for the disposal of all waste material resulting from maintenance activities.

3) LIMITATIONS ON USE AND TERM

Club understands and acknowledges that the real property comprising the premises is owned and held by District in trust for the people within the Palmdale Water District, and that the public use of District property is paramount to any other use. Accordingly, Club agrees that the use of and operation on the premises by Club are at all times subject to the prior and paramount use of District for any lawful District purpose. Further, the terms of this lease are subject to the superior right of District to re-negotiate the conditions of the lease as required by District operations upon six months' written notice by District. Club agrees that failure to reach agreement on any change proposed by District will result in termination of the Agreement.

4) FACILITIES

Existing facilities on the premises are shown on Exhibit "B" attached to the Agreement. The parties agree to handle relocation and removal, new construction, and ownership upon termination according to the following paragraphs.

a) Relocation and Removal: If District at any time has ~~reasonable~~ justification for exercising its right to use the premises for any lawful District purpose and use shall require the relocation or complete removal of Club's facilities, District shall so notify Club in writing. Club shall have six months from the date of the notice to complete the relocation or removal. Any relocation or removal not completed within the six months shall be done by the District at the expense of the Club. Arrangement for payment of the subject costs will be submitted to and approved by the District Board of Directors.

b) New Construction: Club agrees that it will not make major alterations or improvements on the premises without first securing written authorization from the District. Major alterations or improvements shall be defined as any dock, pier, shelter, etc. constructed in the Lake and the construction of any building, fence, wall, roadway, etc. on the remaining property. Club shall remove any unauthorized alterations or improvements constructed by Club upon notice from District within the time frame stated in Paragraph 4.a and shall hold District harmless from such costs.

Any authorized alterations or improvements made by Club shall be at its cost. Club agrees to insure compliance of any contractors used to construct authorized projects

with District insurance requirements, indemnification statements and lien protection for the premises.

c) Termination of Agreement: District will determine the need and usefulness of any alterations or improvements in place when termination procedures are executed under the Agreement. Club shall be notified of the determination and shall be responsible for the cost of removing those alterations or improvements so directed by District. Remaining alterations or improvements constructed on the premises shall become District's property at no cost to District.

5) INSURANCE

Club agrees at all times to maintain a policy of insurance naming District as additional insured against all liability for injury to person or damage to property on the premises or resulting from Club's use of the premises. A \$2,000,000 liability insurance coverage is required by District. The District reserves the right to set the limits for such policy and to change the limits as determined necessary with six months notice. Failure of Club to provide and maintain the required coverage shall constitute a breach of the Agreement and grounds for termination of the Agreement.

Proof of insurance coverage shall be submitted to District within 30 days of obtaining or renewing it and shall consist of a Certificate of Insurance with the required provisions shown.

6) INDEMNIFICATION

Club shall indemnify and hold harmless the District and its officers, officials, employees, and volunteers from and against all claims, damages, losses, and expenses including attorney fees arising out of the performance of the occupation described herein, caused in whole or in part by any negligent act or omission of the Club, anyone directly or indirectly employed by the Club or anyone for whose acts the Club may be liable, except where caused by the active negligence, sole negligence, or willful misconduct of the District.

7) RENT

The rental for the premises shall be \$3,000 per calendar year or five percent of the gross receipts of Club as per Club's annual audit for the previous calendar year, whichever is greater, payable on February 15 of each year in advance. Said amount must be submitted to District within 30 days. If, through no fault of Club, hunting and fishing become impossible on the premises for any reason, then Club shall pay rental of three percent of the gross receipts during the period hunting and fishing are not possible. The regular rental shall resume when hunting and fishing are restored.

8) REPORTS AND AUDITS

Club shall prepare an annual report covering each year's activities and receipts. Information in the report shall include, but not be limited to, membership information,

dues, fines, rental income, retail income and various types of expenditures. The report shall be audited by a certified public accountant and/or by District's auditors, at the option of District. Cost of Club's audit shall be borne by Club. District shall be furnished a copy of the annual report and audit as soon as they are prepared. If the audit indicates a correction to the amount of rent paid is needed, Club shall report this to District along with a payment or request for payment as necessary.

9) BYLAWS OF THE CLUB

Club agrees to conduct its operations under a set of Bylaws that are subject to District's review and approval prior to revision. Approved Bylaws shall become Appendix A of the Agreement and contain the following as a minimum:

- a) Adequate policing regulations over the conduct upon the premises of its members to ensure compliance with the Bylaws;
- b) Responsibility for the prosecution of members for any violation of State or County laws or regulations relating to the premises;
- c) Adoption and enforcement of rules, regulations and bylaws for the operations of the Club by an elected Board of Directors;
- d) A member must own real property within and reside within the boundaries of the District to be eligible as an officer in Club;
- e) Local membership in Club shall be limited to owners of real property within the boundaries of the Palmdale Water District;
- f) Only local members may vote, and each local member shall be entitled to one vote and may not vote by proxy;
- g) Associate memberships may be granted to persons to whom the Board of Directors of Club may see fit to extend such membership, upon payment of proper dues and initiation fees. Associate members shall enjoy all the privileges of local members except that they may not vote or hold office;
- h) The privileges of Club, except that of holding office and voting, shall be extended to the immediate family of each member or associate member. The term "immediate family" means spouse and dependent minor children;
- i) Dues setting and increases by Club shall be determined by its Board of Directors.

10) TAXES

Club in its use of the premises agrees to comply with such law, ordinances, or regulations of all governmental bodies or agencies which District is obligated to observe. Club shall also pay before delinquency any taxes or assessments levied by any governmental agency on Club's leasehold interest or upon any other interest of Club in the premises and the improvements on the premises made by Club. Receipt of payment shall be submitted to District.

11) CARETAKER AS INDEPENDENT CONTRACTOR

During the period of this lease and any renewal, Club shall employ a caretaker who shall reside on the premises at all times. The caretaker shall be the employee of the Club, and Club shall assume all liability for, and hold District harmless from, any and all claims, including, but not limited to, wages, workers compensation claims, disability benefits, unemployment benefits or claims for bodily injury or damage to property, which may arise by virtue of the employment or presence of the caretaker on the premises.

12) DEFAULT

In the event of default in the payment of rent, maintenance of insurance coverage, or of other covenants of this lease by Club, District shall serve written notice on Club of such default. If the default is not cured within ninety days after the receipt of such notice, District may declare this lease terminated or evaluate conditions leading to the default.

13) ASSIGNMENT

This lease may not be assigned, and the premises may not be sublet, without the written consent of District. Any assignment or sublease without the written consent of District shall be void.

SIGNED the date and year first above written.

PALMDALE WATER DISTRICT

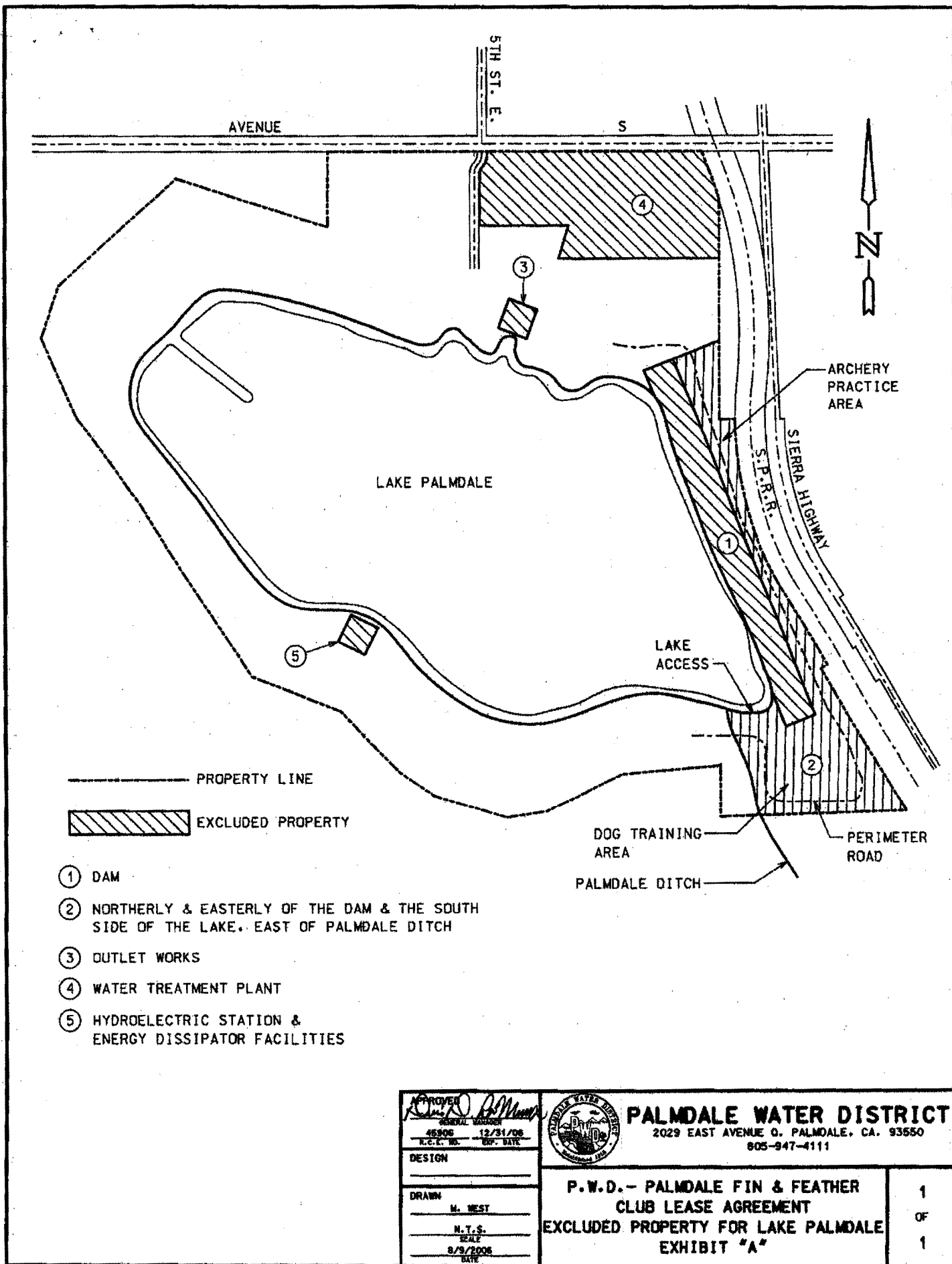
PALMDALE FIN & FEATHER CLUB, INC.

By: Lester D. Carter
President of its Board of Directors

By: Charles R. [Signature]
President

By: J. B. Freeman
Secretary of its Board of Directors

By: Michael [Signature]
Vice-President



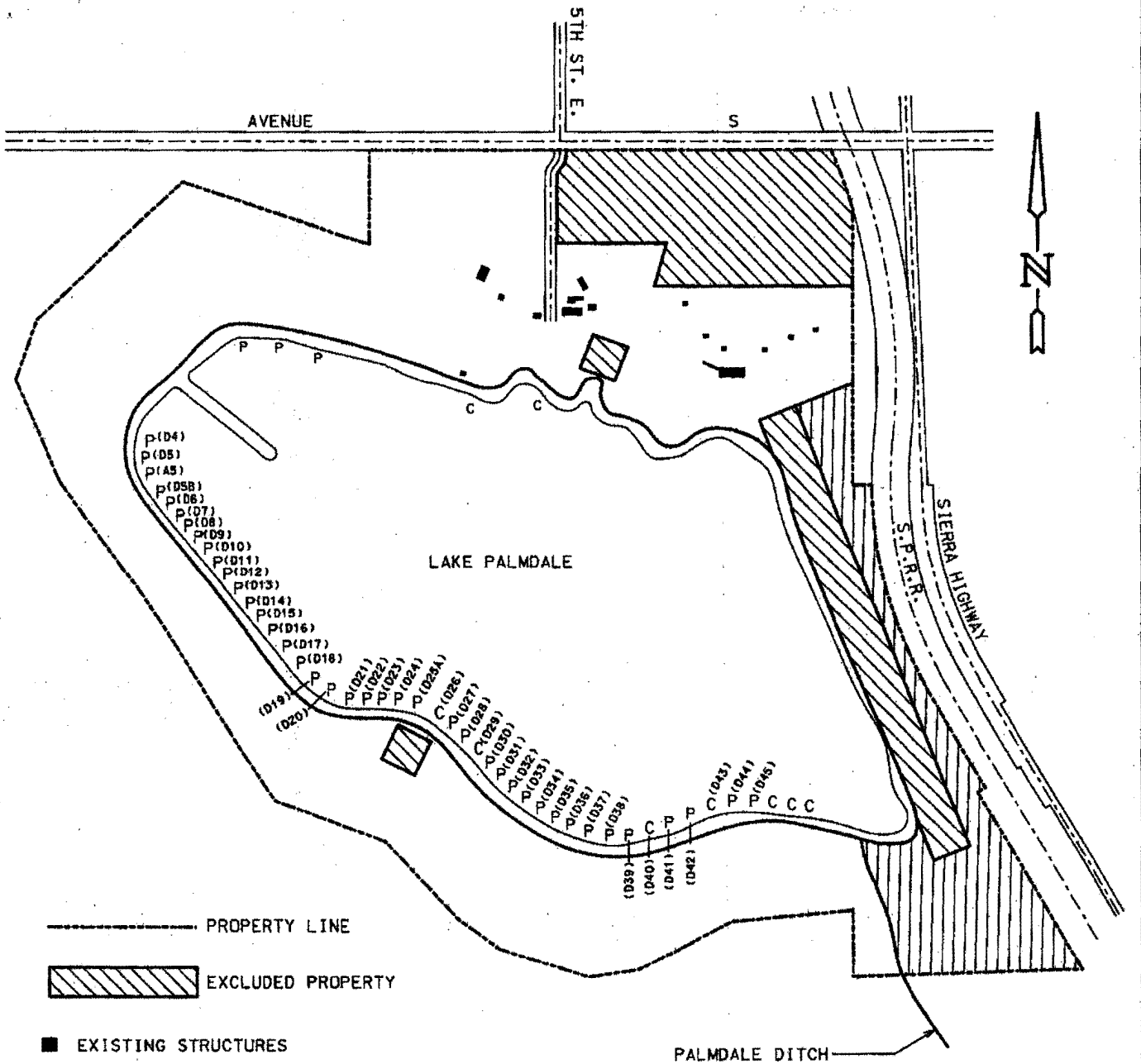
APPROVED	
GENERAL MANAGER	
46306	12/31/06
E.C.E. NO.	EXP. DATE
DESIGN	
DRAWN	
M. WEST	
N.T.S.	
SCALE	
8/9/2006	
DATE	



PALMDALE WATER DISTRICT
 2029 EAST AVENUE G. PALMDALE, CA. 93550
 805-947-4111

**P.W.D. - PALMDALE FIN & FEATHER
 CLUB LEASE AGREEMENT
 EXCLUDED PROPERTY FOR LAKE PALMDALE
 EXHIBIT "A"**

1
 OF
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APPROVED	
<i>R. M. Munn</i>	
GENERAL MANAGER	
45906	12/31/06
A.C.E. NO.	EXP. DATE
DESIGN	
DRAWN	
M. WEST	
N.T.S.	
SCALE	
8/9/2006	
DATE	



PALMDALE WATER DISTRICT

2029 EAST AVENUE O. PALMDALE, CA. 93550
805-947-4111

**P.W.D. - PALMDALE FIN & FEATHER
CLUB LEASE AGREEMENT
EXISTING STRUCTURES
EXHIBIT "B"**

1
OF
1

PALMDALE FIN AND FEATHER CLUB, INC.
BYLAWS

All changes as of February 01, 1989 incorporated

ARTICLE I
CORPORATED POWERS

The corporated powers of this club shall be vested in a Board of nine (9) members, five (5) of whom shall be the officers of the club. Each Director shall be a member in good standing holding membership certificates in the club, and five (5) Directors shall constitute a quorum for the transaction of business.

ARTICLE II
SEAL

This corporation shall have a seal consisting of a circle having on its circumference the words "PALMDALE FIN & FEATHER CLUB, incorporated May 24, 1945 California."

ARTICLE III
OFFICE

This corporation shall maintain its principle office in the county of Los Angeles, State of California, but may have offices and transact business at such other places as the Board of Directors may from time to time appoint.

ARTICLE IV
BOARD OF DIRECTORS

Section 1: The Board of Directors shall consist of nine (9) members, five (5) of whom shall be the officers of the club, and any five (5) shall constitute a quorum at any Directors meeting.

Section 2: The Directors shall be elected at the annual meeting. They shall serve for two (2) Years, and until their successors are elected. No members elected to the Board of Directors shall serve as a member of the Board for more than two (2) consecutive terms, or a total of four (4) years consecutively. Their term of office shall begin immediately after election. There shall be alternate elections of directors, four (4) one year, and five (5) elected the next year. Vacancies in the Board of Directors shall be filled by the Directors remaining in office, though less than a quorum, and such members so appointed shall hold office until his successor is elected.

Section 3: It shall be the duty of the Board of Directors to pass on the qualifications of all applicants for membership, or associate membership; to transact all business and handle all funds of the club; and to establish any rules and regulations necessary for the proper conduct of the club.

Section 4: The Board of Directors shall have the power to suspend or expel any member or associate member guilty of violating club rules, or guilty of conduct which the Board may consider detrimental to the best interest of the club.

ARTICLE V OFFICERS

The officers of this club shall be President, Vice-President, Recording Secretary, Membership Secretary and Treasurer, who shall be elected annually by a majority vote of the Board at a meeting called for the purpose of electing officers. Said officers shall be elected from the membership of the Board of Directors.

ARTICLE VI PRESIDENT

The President shall preside over all the meetings of the club and Directors, and shall sign all the certificates of membership; also all contracts and other instruments of writing, which shall have first been approved by the Board Of Directors, and shall draw checks from the treasury when thereby directed by the Board of Directors.

ARTICLE VII VICE PRESIDENT

In case of the absence of the President or his inability to act, the Vice President shall act as President.

ARTICLE VIII SECRETARIES AND TREASURER

Section 1: The Recording Secretary shall keep a full and complete record of the proceedings of the Board of Directors and of the meeting of the members; shall keep the Seal of the Club and affix the same to such papers and instruments as may be required in the regular course of business; shall make service of such notices as may be necessary and proper; shall supervise and control the keeping of the books and records of the club; shall discharge such other duties as pertain to the office or as prescribed by the Board of Directors.

Section 2: The Membership Secretary shall make and maintain a complete record of ALL active members, shall collect membership dues and fees, shall be responsible for such dues and fees until turned over to the treasurer, and shall countersign each membership certificate.

Section 3: The Treasurer shall receive and safely keep all funds of the club and deposit the same in such banks or bank as may be designated by the Board of Directors. Such funds shall be paid out only on the checks of the club, signed by the President and countersigned by the Treasurer. Also, the Treasurer shall supervise and control the keeping of the accounts of the club; and shall be responsible for each quarterly audit of the account books.

ARTICLE IX MEETINGS OF THE CLUB

Section 1: The club shall hold its annual meeting for the election of Directors and Officers and other business on the first Monday of December of each year, if not a legal holiday; and if a legal holiday, then on the next secular day following at 7:30 O'Clock P.M.

Section 2: Special meetings of the members and the Board of Directors may be called at any time by the President or at the written request of five (5) members.

ARTICLE IX- cont.

Section 3: Other meetings may be held at the call of the President or Board Of Directors.

Section 4: Notices of all meetings of the club shall be mailed to each local member of the club five (5) days before such meetings.

Section 5: Notices of all meetings of the Directors shall be mailed to each member of the Board of Directors at least ten (10) days before such meetings.

ARTICLE X
CERTIFICATE OF MEMBERSHIP

Certificate of Membership shall be of such form and device as the Board of Directors may elect and each Certificate shall be signed by the President and countersigned by the Membership Secretary. Each Certificate shall express on its face its number, date of issuance and the person to whom it is issued. Each Certificate shall bear the corporate SEAL of the club, and shall contain a statement printed in clear type that the corporation is not one for profit and that the Membership Certificate is non-transferable and non-assignable. Membership shall be by calendar year.

No Certificate of Membership may be issued to any member or associate member without due payment of regular specified dues, and subsequent approval of the Board of Directors.

ARTICLE XI
MEMBERSHIP

Local Membership in this club shall be limited to owners of real property within the boundaries of the Palmdale Water District.

To be eligible to be an officer in this club, one must own real property within and reside within the boundaries of the Palmdale Water District.

Only Local members may vote and each Local member shall be entitled to one (1) vote and may not vote by proxy.

Associate memberships may be granted to persons to whom the Board of Directors may see fit to extend such membership, upon payment of proper dues and initiation fees. Associate members shall enjoy all the privileges of Local members, except that they may not vote nor hold office.

The privileges of the club, except holding office and voting, shall be "immediate family" means husband, wife and dependent minor children. a Junior member shall be a dependent child from the age of 18 to 21 Years of a paid adult member in good standing.

ARTICLE XII
INITIATION FEES AND DUES

Section 1: Dues and Initiation Fees shall be set at the annual election. Any motion to change the dues must be approved by a majority of members present. Any change in DUES and INITIATION FEES is to become effective for the next calendar year.

ARTICLE XIII
SUSPENSION AND EXPULSION OF MEMBERS

The Board of Directors shall have power to suspend or expel any member or associate member guilty of violating rules, or guilty of conduct which the Board of Directors may consider detrimental to the best interest of the club.

ARTICLE XIV
VACANCIES

If the office of President shall become vacant, the Vice President shall immediately succeed to that office. The Vice-Presidency shall then be filled by an election called for that purpose. If the office of Recording Secretary, Membership Secretary or Treasurer shall become vacant, the Board Of Directors shall have the power to appoint a member to fill the vacant office until such time as the club may meet to elect a new officer. Vacancies in the Board of Directors shall be filled by the Board of Directors in accordance with the provisions of Article IV, Section 2, and Article XI of these Bylaws, until an election can be held by the membership at the next meeting of the club following the occurrence of the vacancy.

ARTICLE XV
AMENDMENTS

Amendments to the Bylaws may be proposed at regular meetings of the membership only.

Any motion to change these Bylaws must be laid over to the second regular meeting for final vote,

To become effective, such motion to change the Bylaws must be sent by mail to all Local members, and must receive a majority vote of the ballots returned.

ARTICLE XVI
RECREATION, FISHING AND HUNTING REGULATIONS

The Board of Directors shall have the power to issue and enforce regulations relating to fishing and hunting, and all such regulations as issued by the Board of Directors shall have the same force and effect as a Bylaw of the Corporation.

PALMDALE FIN AND FEATHER CLUB, INC.
BOARD OF DIRECTORS

DOCK PLATFORM

CONSTRUCTION GUIDELINE..





A NON-PROFIT CORPORATION

POST OFFICE BOX 56 • PALMDALE, CA 93590
PHONE (661) 947-2884 • FAX (661) 947-2832



ORIGINAL

5-1-2012

These guidelines, procedures and materials are an outline of the new construction or replacement constructions of old and condemned walkways and docks.

These guidelines are a result of the accumulation of existing docks that have endured the harsh environmental elements and daily use from past years.

These new structures will be handicap accessible and provide a safe platform in which all members may use.

These guidelines have been approved by the Palmdale Fin and Feather Club Board of Directors

Perry Duggan - Perry Duggan

Chris Gravois - Chris Gravois

Doug Wilson - Doug Wilson

Eddie Bastedo - Eddie Bastedo

Joe Chanky - Joe Chanky

Bob Zinner - Bob Zinner

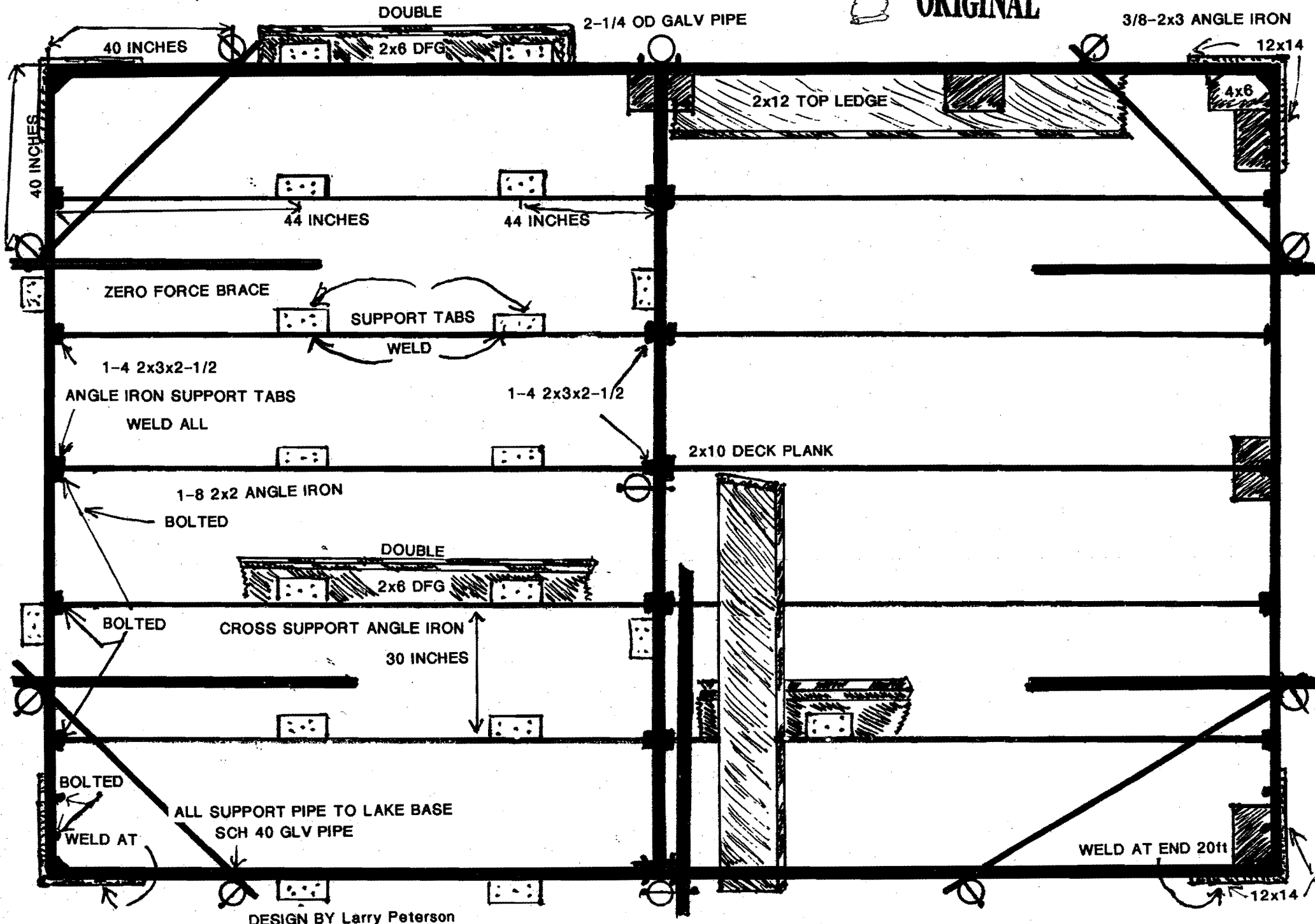
Peter Salgado - Peter Salgado # 378

Larry Peterson - Larry Peterson 8

DOCK PLATFORM
SUPER STRUCTURE



20ft x 15ft
ORIGINAL



DESIGN BY Larry Peterson

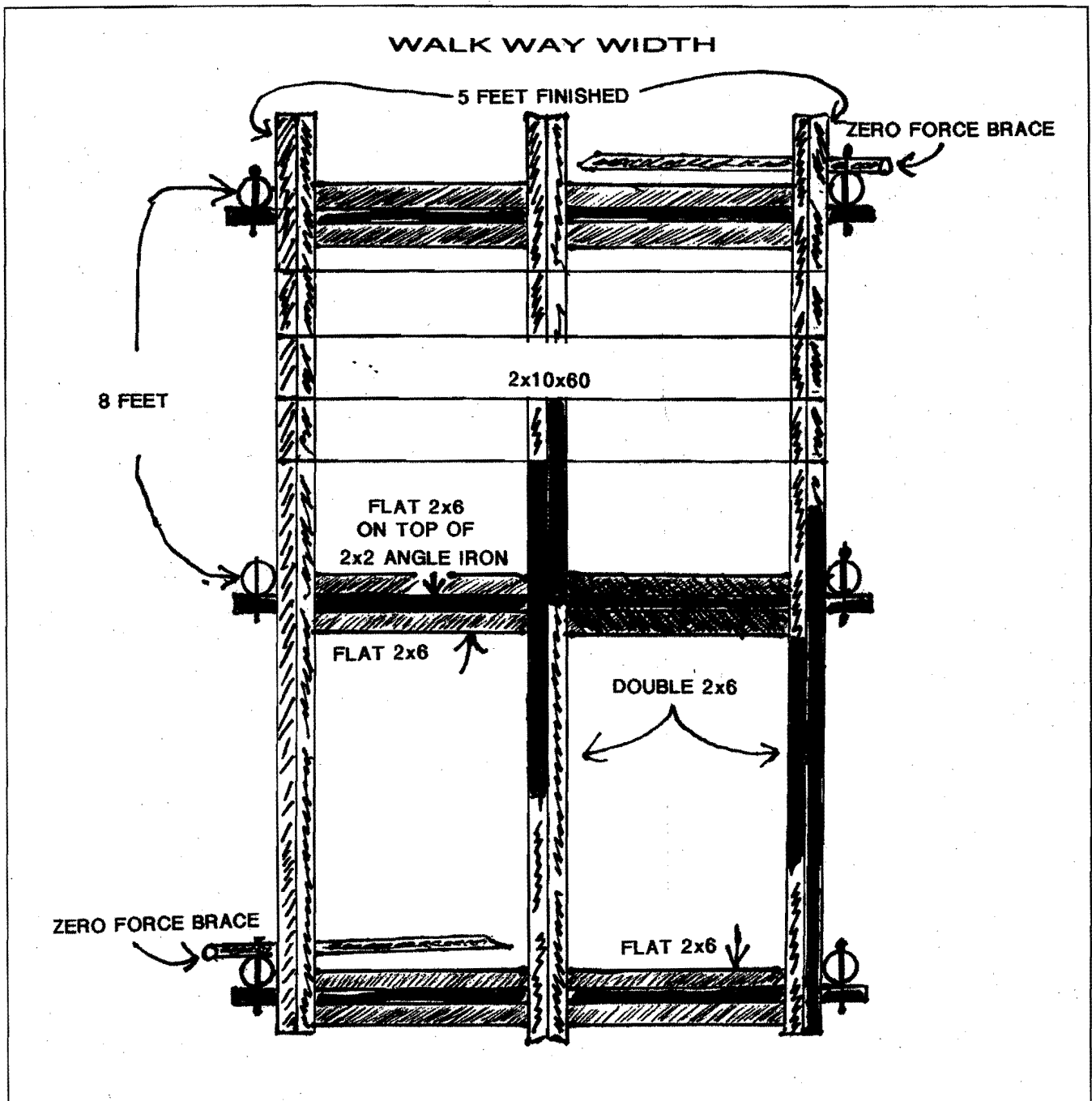
Dock Walk Way



ORIGINAL

- Free standing (not attached to dock platform).
- Wheel chair access. **4' OR LARGER**
- 2X6 double, edges and center.
- Walkway top 2X10X5' finished.
- Zero force brace, opposite sides, every 4th walkway support pipe.
- Hand rail one side only at 40" from top of walkway deck

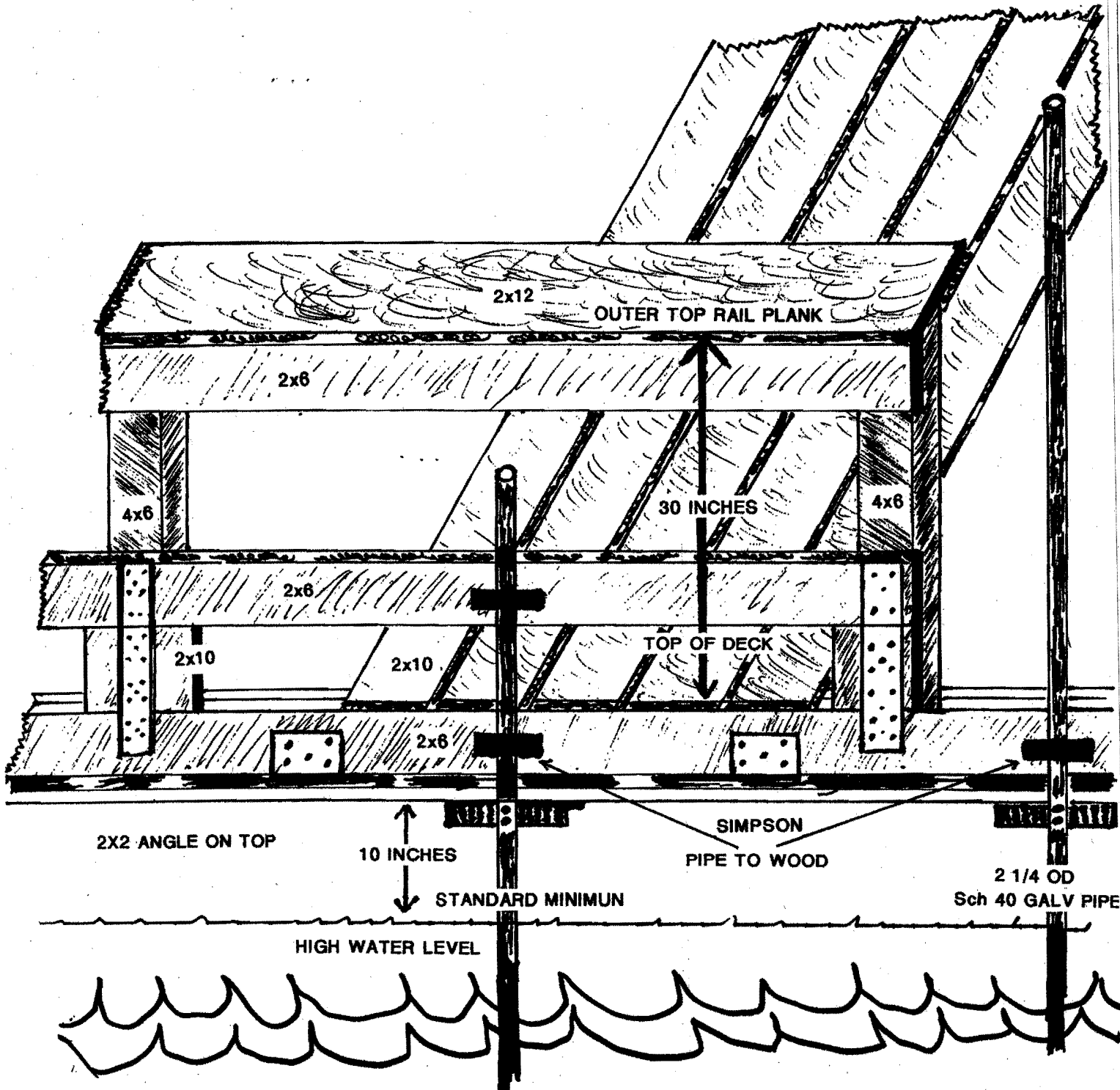
STANDARD MINIMUM WIDTH 4 FEET



OUTER TOP RAIL AND DECK

 ORIGINAL

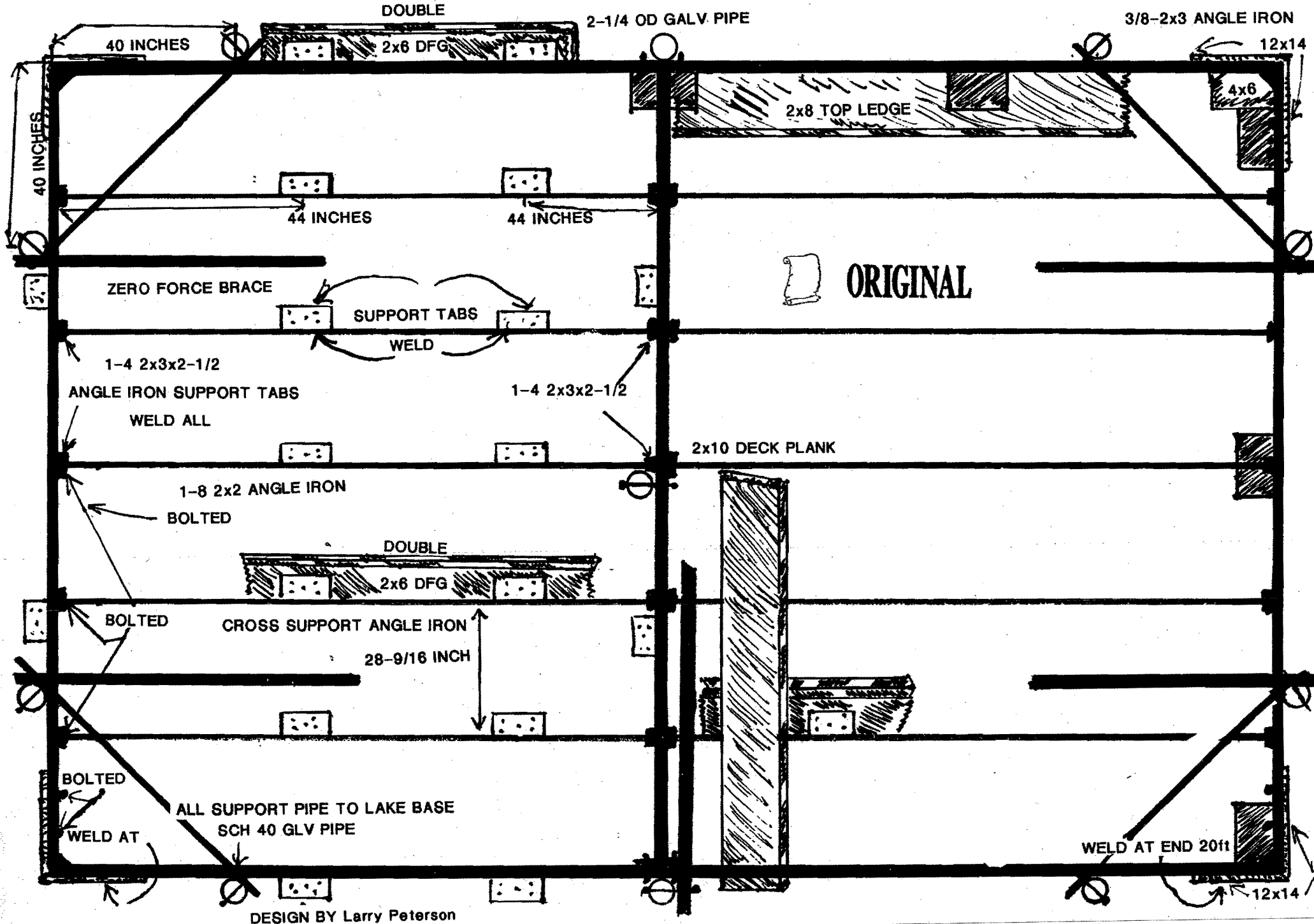
3-8 GAP AT EACH 2x10 DECK PLATE



PICNIC DECK

SUPER STRUCTURE

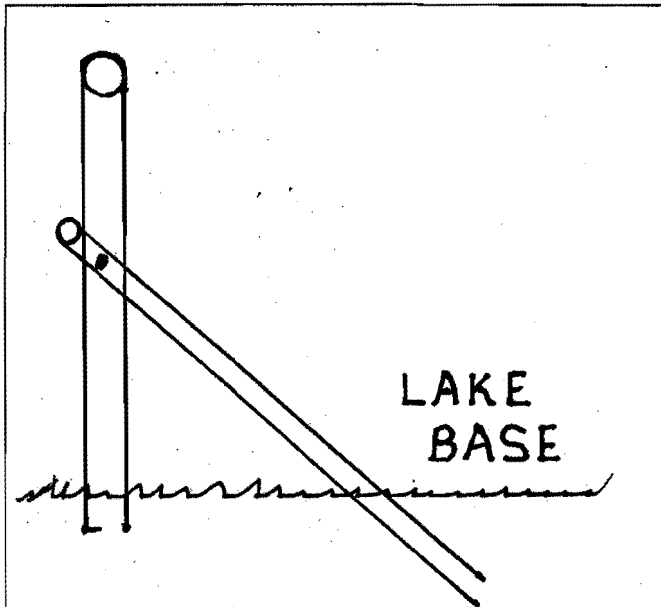
12ft x 20ft



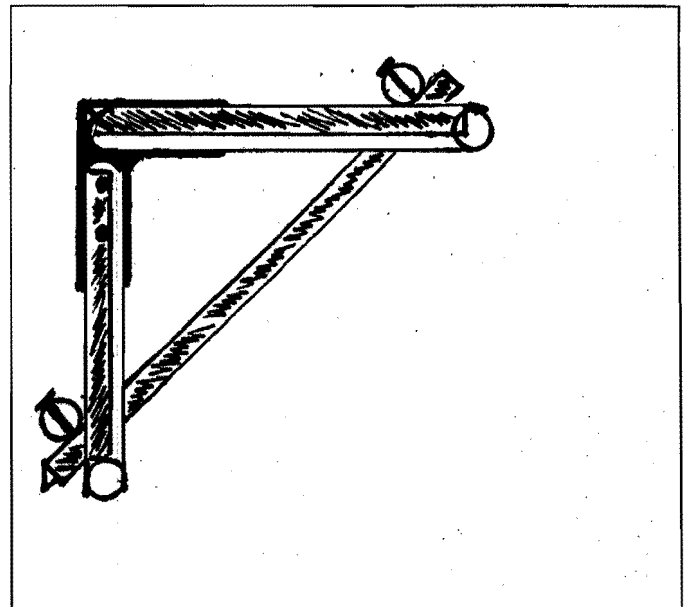


ORIGINAL

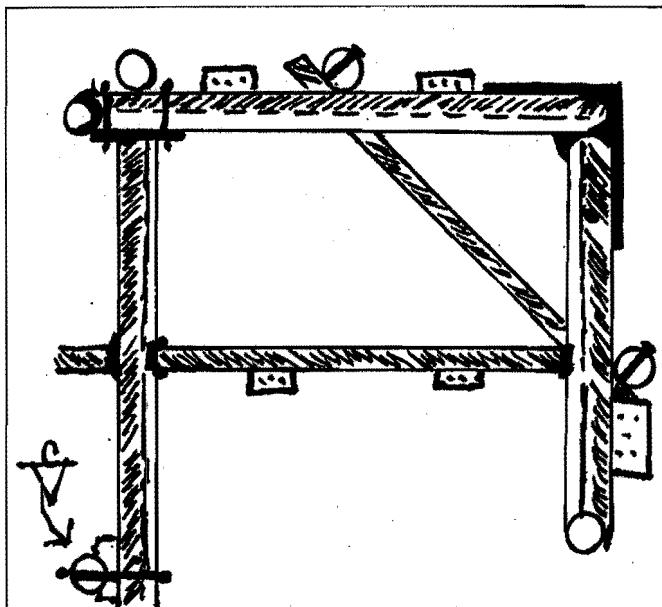
Zero Force Brace
1 1/4" - 1 1/2" Pipe
45 angle or less



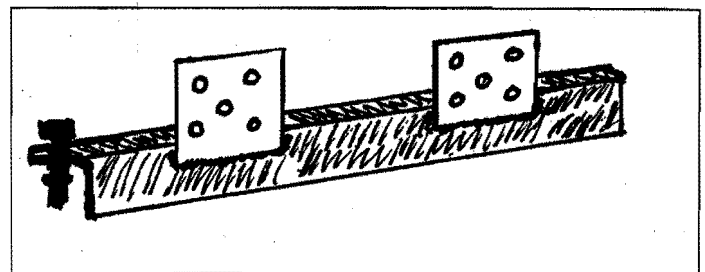
Platform Support Ties
2X2 or 2X3 angle iron
Bolted or weld, 3/8 bolt



Platform Cross
Brace support
2X angle iron bolted 3/8



Weld 6"X6" steel tabs to side of angle iron. 2 places equal distance apart with screw hole pre-drilled.



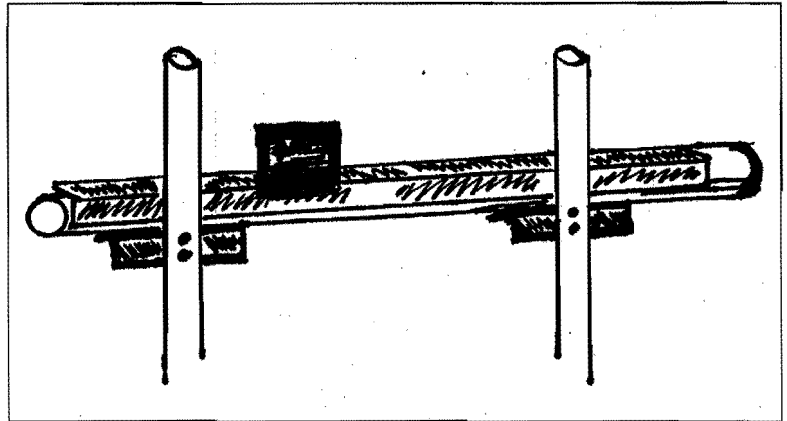
Attach 2X6 cross supports on top of 2X2 angle iron screw to welded tabs.

Dock Platform Option 1

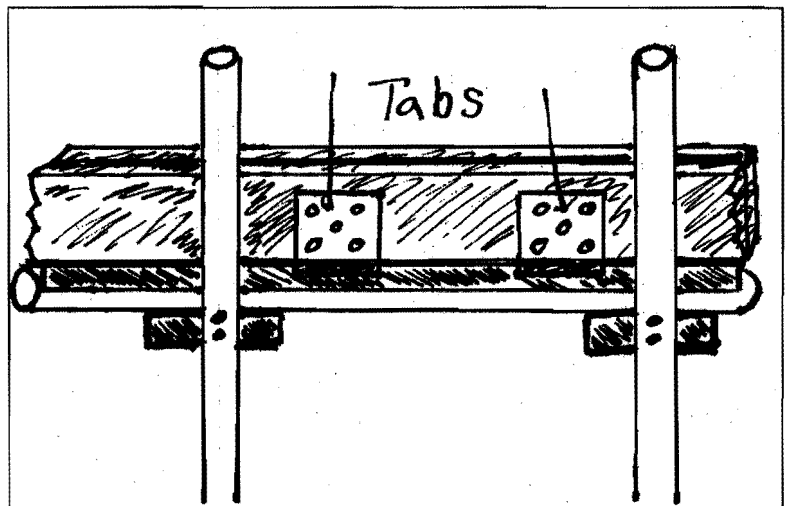


ORIGINAL

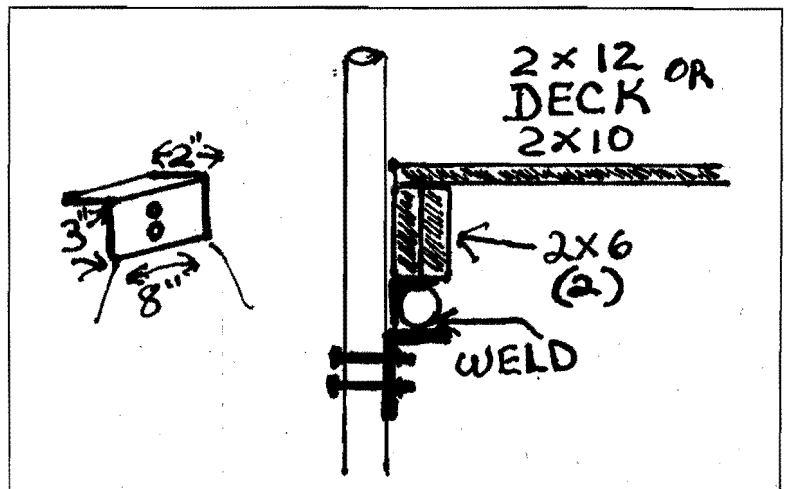
- Platform top pipe, weld 2X2 angle iron on top outside wedge.



- Weld tabs to outer edge of angle iron. Screw to cross brace lumber. Top Deck 2X10 or 2X12



- Platform:
Top pipe weld 2"X3"X3/8" 8 inches long. Bottom weld 2' side flush to outside edge, 3" outside edge, 3" outside down. Bolt to dock pipe support.

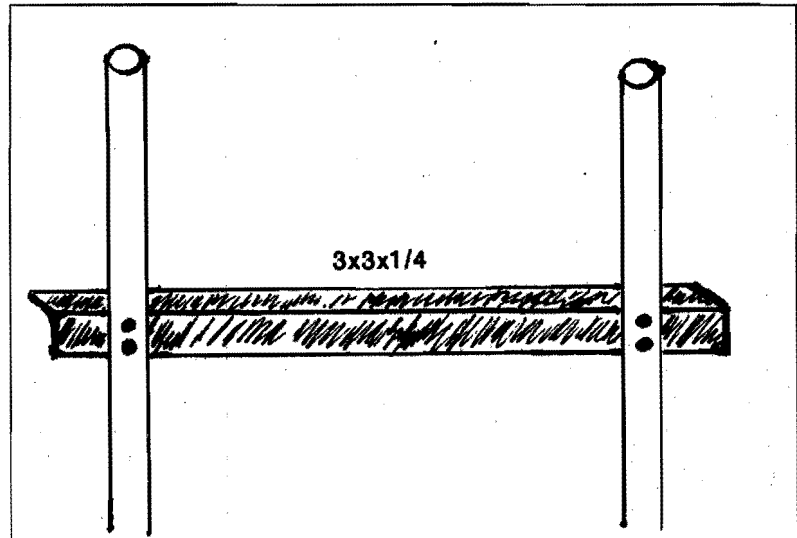


Dock Platform Option 2

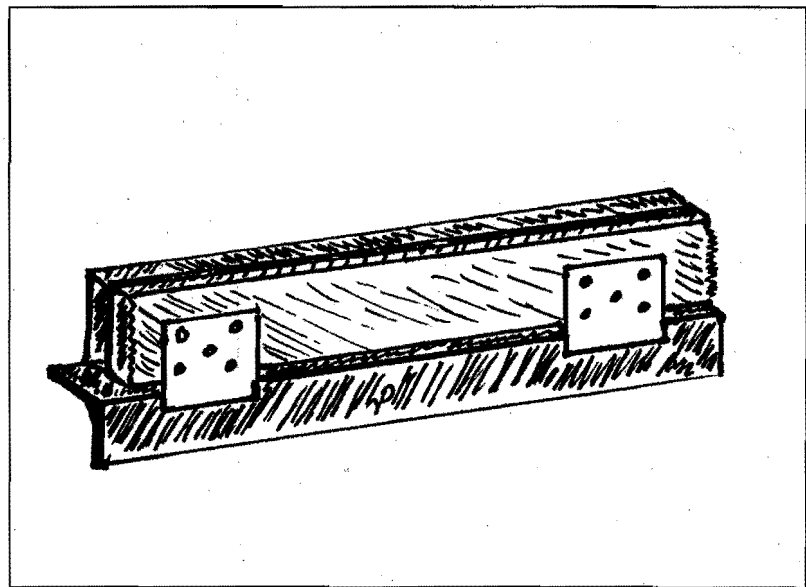


ORIGINAL

- Platform top plate may use **3x3x1/4** angle iron bolted with 2-3/8 or larger bolts, washers and nuts or welded to pipe supports.



- Top plate tabs welded on outside edge of angle iron. Screws or lag bolts used to secure base plate lumber to platform top plate.



NOTE: When welding angle iron to support pipe, no future adjustment is available.

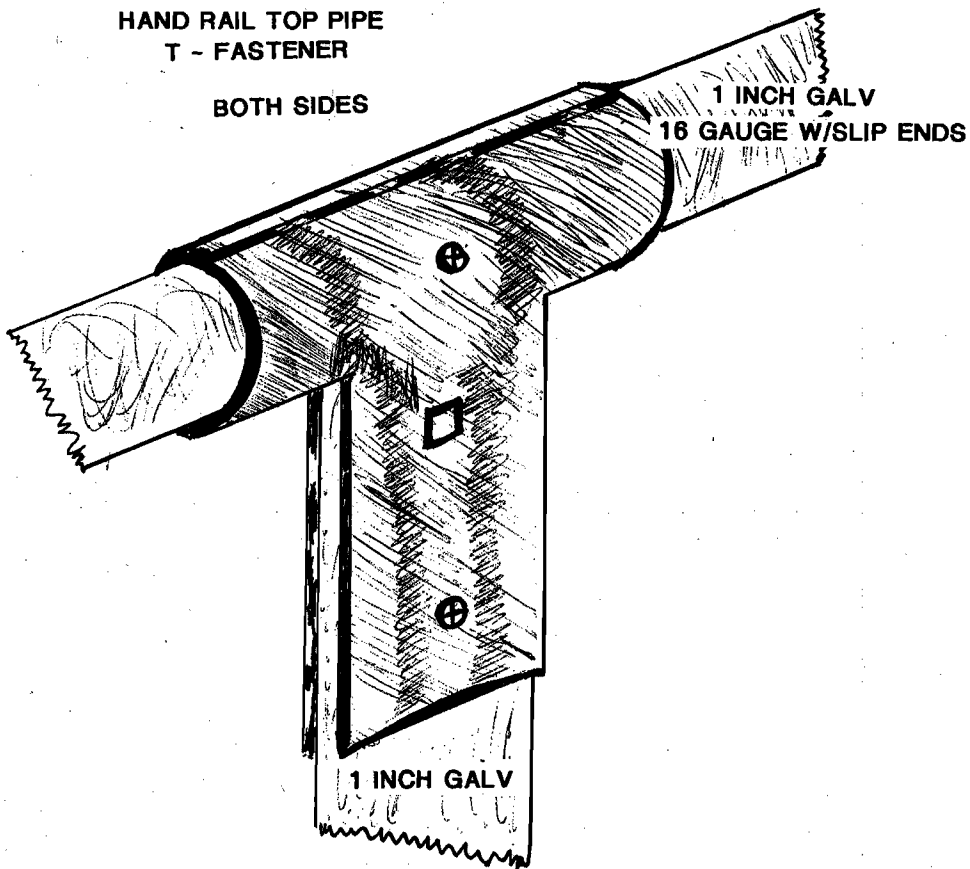
FASTENERS



ORIGINAL

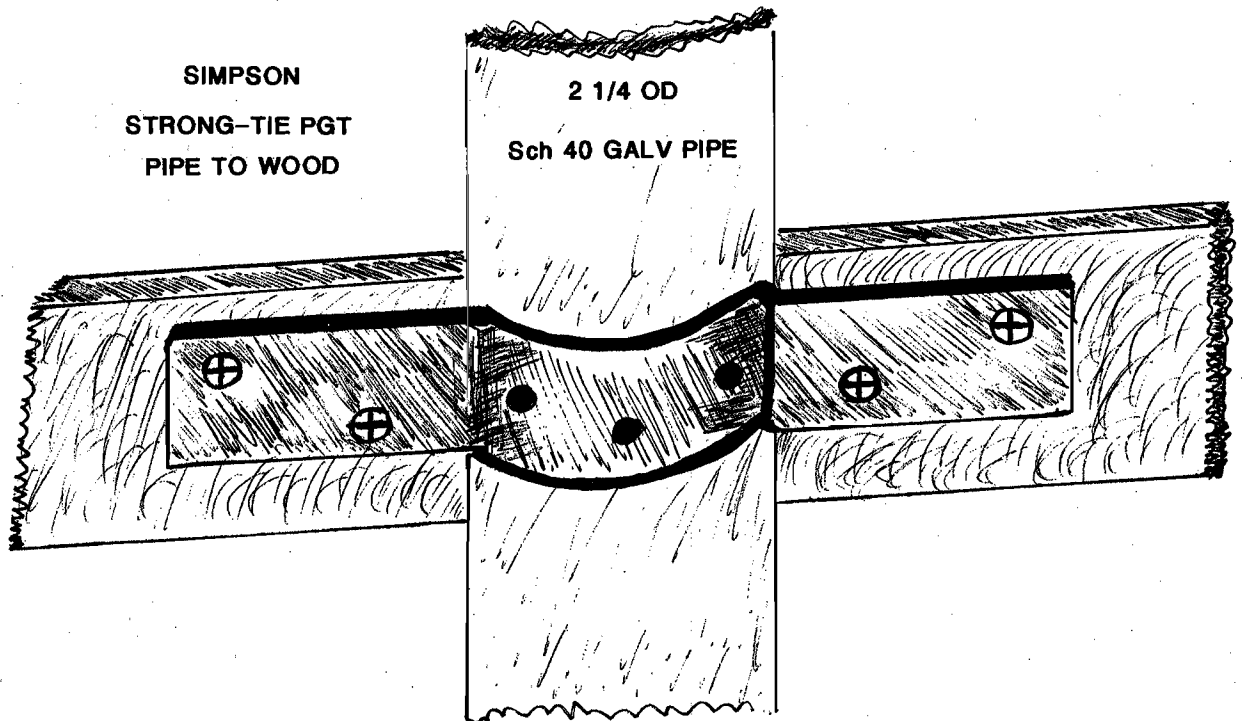
HAND RAIL TOP PIPE
T - FASTENER

BOTH SIDES



SIMPSON
STRONG-TIE PGT
PIPE TO WOOD

2 1/4 OD
Sch 40 GALV PIPE



Prohibited Materials



ORIGINAL

- Treated lumber
- Plywood
- Particleboard
- T-11-Panel
- Masonite
- Dry wall screws
- Rope, chain or cable for hand railing
- Tires
- No painted docks
- STYROFOAM FLOATING DOCKS OR WALKWAYS
- _____
- _____

Approved Lumber, Hardware and Sealer



ORIGINAL

Lumber:

- Douglas Fir #2 or better.

Sealer:

- Boiled Linseed Oil or Thompson's Water Seal.

Screws:

- Deck mate coated 3" screws.
- Screw head PSD-2-2
- Pan Tapping screws # 12 X 2 1/2 A

Bolts:

- Galvanized or Zinc plated.

Washers:

- Galvanized or Zinc.
- 3/8 X 1" zinc and 3/8X2" zinc.

Nuts:

- Lock Tite - Zinc harden steel # 5 bolts as needed on dock platform.
- Hardened steel bolts (zinc) #3 as needed for walkway and railing.

Nails:

- Bright ring shank common nails 8d - 2 1/2" 6.35cm. To be used with Simpson Strong Tie, Teko's Joist Hangers and other steel fasteners as needed.

Screws:

- Hex-Washer self drill screws. Zinc pipe - platform support, walkway that passes through water to lake base. SCH40 galvanized minimum.

*Steel and iron may be used above water level.

Approved Fasteners



ORIGINAL

Simpson Strong Tie:

1. Pipe to wood, P6T (see diagram)
2. Pipe to T-Fastener
3. Teko
4. Joist Hangers
5. Steel square 1/4 x 2 1/2 x 2 1/2 center span.

*Each corner wrap. Steel 13 gauge and all support tabs.



ORIGINAL

Dock Platform - Super Structure Materials List

- Pipe: SCH 40 Galvanized 2 1/4 od 21ft, 13 pcs.
- Pipe: Zero Force Brace. 1 1/2 od, 18 gauge (or better), 21ft, 10 pcs.
- Pipe: SCH 40 2 1/4 od Galvanized 16ft, 3 pcs.
- Center truss: Square steel tube, 3 x 3, 16ft, 1 pcs.
- Angle iron: 2 x 2 x 20' , 12 pcs.
- Angle iron: 1/4 x 2 x 3 x 10' , 3 pcs.
- Angle iron: 3/8 - 2 x 3 x 26' , 4 pcs.
- Steel tabs: 6" x 8" (to be welded at supports) 34 - each platform.
- Steel Corner Fasteners: 13 gauge 5" x 16"
- Nuts, bolts, washers, deck screws, and hex-washer self tap screws as needed.

Lumber Take-off



ORIGINAL

Walkway:

Each 5' x 20' section = 240" =

- 2 x 6 x 12' = 6 100 ft. of walkway 12' - 30
- 2 x 6 x 10' = 6 100 ft. of walkway 10' - 30
- 2 x 6 x 10' = 5 Brace
- 2 x 10 x 10' = 13 100 ft. of walkway 65 pieces/130 pieces

Platform Deck over Pipe:

Each 5' x 20'

- 2 x 6 x 10' - 40 pcs.
- 2 x 6 x 8' - 20 pcs.
- 2 x 10 x 16' - 26 pcs.
- 2 x 12 x 16' - 3 pcs.
- 2 x 12 x 10' - 2 pcs.
- 4x 6 x 8' - 7 pcs

Total: 98

Picnic deck:

12' x 20'

- 2 x 6 x 8' - 20 pcs.
- 2 x 6 x 10' - 40 pcs.
- 2 x 10 x 8' - 3 pcs.
- 2 x 10 x 16' - 26 pcs.
- 2 x 12 x 12' - 4 pcs.
- 4 x 6 x 8 - 6 pcs.



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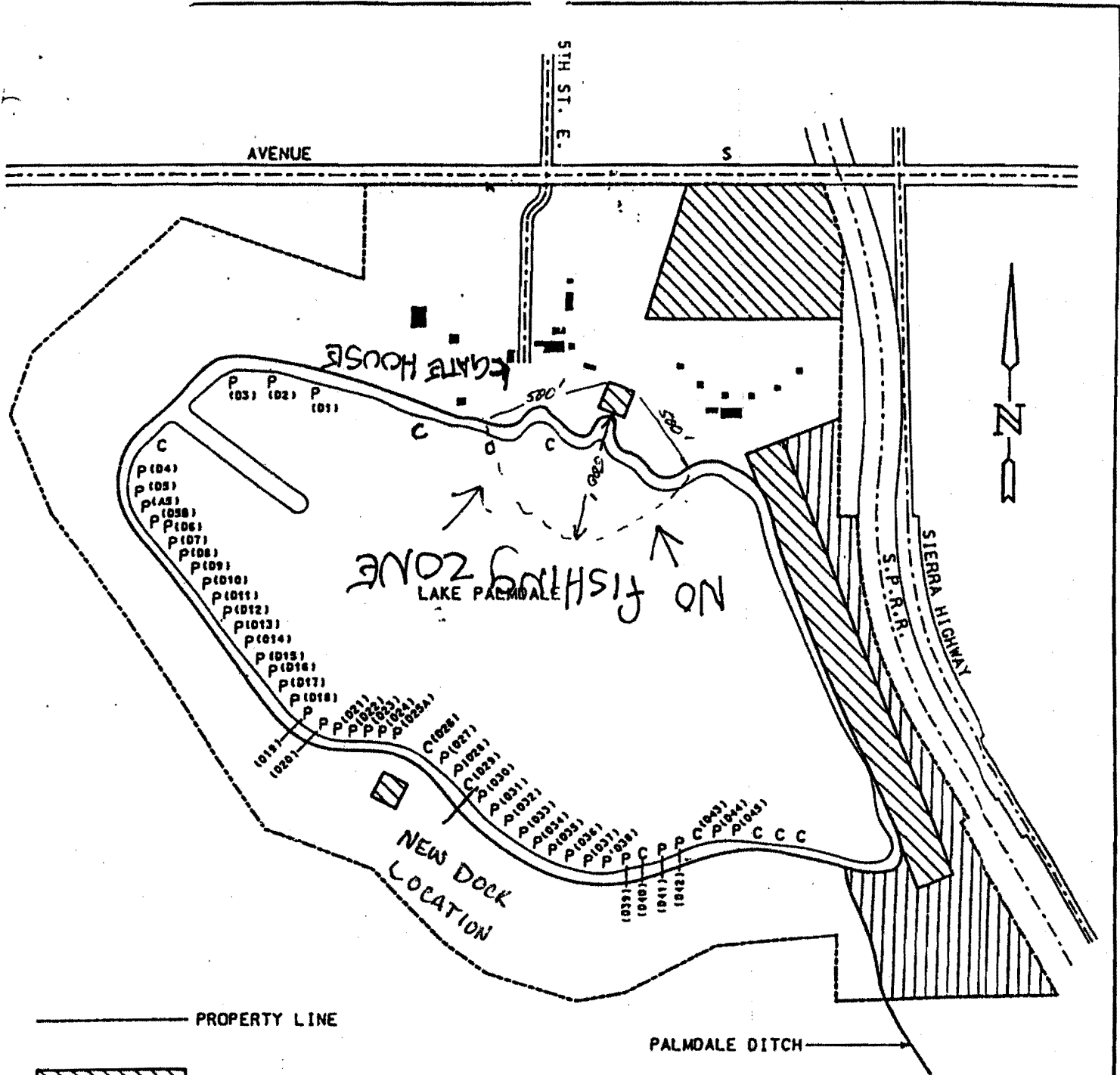
Palmdale Water District,

The Fin and Feather Club Board of Directors would like to submit for your consideration, the construction of a new dock to be located on the south side of the lake, just east of the PWD building. The exact location is to be between existing Club Dock number 29 and private member Dock 30. The new dock will be referred to as Dock 29A.


All construction is to be completed under the new guidelines submitted to PWD at the Fin and Feather board meeting of May 1st, 2012.

-Palmdale Fin and Feather Club

Perry Duggan
PRESIDENT



Perry Duggan

APPROVED <i>[Signature]</i> GENERAL MANAGER 45906 12/31/99 S.L.C. NO. EXP. DATE	
DESIGN <i>[Signature]</i>	
DRAWN R. MEYHART	



PALMDALE WATER DISTRICT
2029 EAST AVENUE G. PALMDALE, CA. 93550
805-947-4111

P.W.D. - PALMDALE FIN & FEATHER
CLUB LEASE AGREEMENT

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: June 6, 2012 **June 13, 2012**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Randy Hardenbrook, Equipment Mechanic Spvsr.
Mr. Tim Moore, Facilities Manager
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.9 – CONSIDERATION AND POSSIBLE ACTION
ON DECLARING DISTRICT VEHICLES AS SURPLUS AND
OFFERING SAME FOR SALE.***

Recommendation:

Staff and the Facilities Committee recommend District vehicles PWD09FACV-19 and PWD09FACV-10 be declared as surplus property and offered for sale.

Background:

Truck 19 (PWD09FACV-19) is a 1996 Ford F250 with 151,000 miles. The utility bed has been removed and re-utilized to up-fit Truck 85.

Truck 10 (PWD09FACV-10) is a 1998 Ford F150 with 110,000 miles. While this is not the highest mileage truck, it has an anti-lock brake issue rendering the truck unsafe to operate. The issue cannot be resolved due to lack of parts availability.

Strategic Plan Element:

This work is part of Strategic Element 3.0 Infrastructure Management.

Budget:

The impact to the Budget will be positive depending on the sale of the vehicles.

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: June 6, 2012 **June 13, 2012**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Matthew R. Knudson, Engineering Manager
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.10 – CONSIDERATION AND POSSIBLE
ACTION ON PROFESSIONAL SERVICES AGREEMENT FOR
MONITORING AND REPORTING OF WIND TURBINE***

Recommendation:

Staff and the Facilities Committee recommend the District enter into a professional services agreement with Black & Veatch Corporation for remote monitoring and diagnostics services associated with the wind turbine for a period of 3-years in the not-to-exceed amount of \$10,000 per year.

Background:

The attached proposal will cover continuous on-line performance and equipment monitoring of the District's wind turbine located at the Leslie O. Carter Water Treatment Plant by Black & Veatch Corporation, which will closely monitor and track the performance and efficiency of the wind turbine and inform the District of any anomalies that may be detected in order to ensure peak performance and revenue generation of the wind turbine. Black & Veatch is waiving all set-up fees associated with this project and will also be providing quarterly reports that will include a summary of wind speeds, power expected, power generated, operational availability and the offset billing for Southern California Edison bills.

Strategic Plan Element:

This work is part of Strategic Goal 3.0 – Infrastructure Management

Budget:

The approved 2012 Budget has \$23,274 available for contracted services, and if the Board accepts this proposal, the agreement will take effect July 1, 2012, and \$5,000 will be paid out under the 2012 Budget.

Supporting Documents:

- Proposal submitted by Black and Veatch Corporation – Remote Monitoring & Diagnostics Services



REMOTE MONITORING & DIAGNOSTICS SERVICES

Palmdale Water District



BLACK & VEATCH
Building a world of difference

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1.0 Summary

Long-term and sustained excellence in wind turbine performance and availability improvement requires an investment in people, processes, and tools. Through the unique PowerPlantMD solution, Palmdale Water District can leverage Black & Veatch's PowerPlantMD software platform and Kansas City based Monitoring & Diagnostics Center staff to bring best-in-class monitoring and diagnostic process management as a complement to your plant operations and maintenance strategies. This proposal provides a basic understanding of all aspects of the PowerPlantMD solution with specific scope and pricing for software and services requested by Palmdale Water District.

1.1 Black & Veatch

Black & Veatch is a single-source supplier for consulting, engineering, procurement, and construction services around the globe. The employee-owned company has more than 8,500 professionals located in over 90 offices worldwide. The core competencies of managing projects and application of key technologies allows Black & Veatch to deliver services that help its clients create value for their stakeholders. Within our Consulting Engineering Services / Renewable Service (CES/RS) business we provide industry leading asset management services that focus performance optimization, operations, and maintenance and outage services for our clients operating in regulated and competitive environments.

1.2 PowerPlantMD Platform

The PowerPlantMD Platform is an integrated software suite providing data transparency between plant planning processes, measured operations data, and maintenance activities. The software platform is built generically such that existing planning tools (spreadsheets, databases), process data historians, and performance monitoring tools can be integrated. The platform integration capabilities extend across asset types to include renewable generation, fossil generation, and water treatment facilities enabling the client to monitor all assets in a single location. While all existing client tools and processes are integrated, PowerPlantMD can provide any missing functionality such that regardless of the current level of sophistication. See APPENDIX A for more information on the platform software capabilities.

1.3 PowerPlantMD Monitoring & Diagnostics (M&D) Center

The Black & Veatch PowerPlantMD Center was founded in 2001 as a means for helping our clients take tangible steps toward achieving their ever more demanding plant operations and maintenance goals. The Center is designed to leverage Black & Veatch's industry leading power engineering consulting capabilities, 20+ years of performance monitoring expertise, and the industry defining PowerPlantMD Platform software. Black & Veatch's PowerPlantMD Center process has been applied to 99 units representing over 28,000 MW of power generation capacity. Each of our clients is available as a positive reference. Black & Veatch has the scale of resources and flexibility to make any outsourced monitoring program a success!

The PowerPlantMD Center is process centric, not tools centric. Some plant assets operate at a high enough capacity factor to justify the implementation of advanced optimization tools. For other plant assets it may be difficult to cost justify any performance analytic tools beyond the plant historian. All operating plants, however, can benefit financially from a proactive Monitoring & Diagnostics program. Through PowerPlantMD, Black & Veatch excels at helping our clients make more effective use of the myriad of available plant data and tools, whatever the level of sophistication. Success in this effort is vital to real and sustainable improvement in plant efficiency, capacity and reliability as well as enabling the plant's O&M team to improve the ratio of proactive to reactive activities. Key to a successful monitoring and diagnostic program is an effective process to support the communication associated with diagnosis, prioritization, and action planning. PowerPlantMD.com provides a user friendly communication environment for discussing and diagnosing plant problems, planning remedial action, and knowledge capture.



Black & Veatch has developed a methodology and process that properly balances the roles of software tools, processes and people; encompassing four primary elements.

Anomaly Detection & Diagnosis – Leverages the capability of advanced mathematics and technology to enable automated “mining” of plant data for meaningful plant equipment and process anomalies. The analytical talent of the engineers are properly focused on validating and diagnosing these anomalies rather than simply handling and screening data.

Trend Analysis & Quarterly Reporting – Supplements the anomaly detection process by leveraging automated long-term trend analysis to identify problems that aren’t readily apparent through the Anomaly Detection & Diagnostics process. A wind power specialist will review the data and provide a customized report.

See APPENDIX B for more information on the PowerPlantMD M&D Center process.

2.0 Scope of Work

In this section, we provide the specific proposed scope of work for teaming the Black & Veatch PowerPlantMD Center with Palmdale Water District staff to create a successful plant monitoring and diagnostics program.

2.1 Program Setup

Program setup includes several tasks required to ensure adequate personnel and data resources exist to support the program. The program setup fee is a one-time cost.

2.1.1 Assemble Team

Black & Veatch will work with the client to define the "Core Team" which includes Black & Veatch personnel in Kansas City and Denver and extends to key plant operations personnel. The Core Team is responsible for the success of the program.

Below is a summary of the typical team members and their role. The Plant Team Leader is part of the Core Team and will require someone that is able to spend a few hours each quarter to administer the program from the client perspective and to provide B&V with certain data and information.

Black & Veatch Monitoring - This project will be managed from Kansas City by one of the project managers identified in the organization chart of APPENDIX B. Day to day technical oversight and supervision of all monitoring functions will be provided by Matt Wood. Two performance engineers from the PowerPlantMD Center will be assigned to directly support this project. Our entire technical support team will be available as needed to the Team. A Black & Veatch wind expert will provide quarterly analysis and reporting to supplement the day-to-day monitoring.

Plant Team Leader - It is expected that someone at the plant will be assigned as team leader and primary contact for Black & Veatch. This person is typically a plant engineer but can also be an operations, maintenance, or I&C lead as well. This person will provide review and oversight of problem alerts and corrective action recommendations, as well as direct communication and follow-through with other plant personnel.

2.1.2 Collect Design Data

Black & Veatch will submit a detailed data request checklist including a prioritized list of data and why it is needed. The plant is responsible for providing design data to be assembled by B&V into our M&D Center plant data repository. This data is used in the program setup and also remains available to the monitoring team to aid in problem diagnosis activities.

2.1.3 Integrate and Configure Software Tools

Black & Veatch will work with the customer IT and Network Security professionals to define an acceptable remote access process. Discussions will begin based on a B&V proposed network diagram that shows how our MDtransfer process works to securely push data from the customer network into the PowerPlantMD Center. B&V will leverage all existing customer owned tools to the extent feasible in order to provide the highest value service. This often includes a real-time data historian and SCADA. In addition, other existing plant level tools may be leveraged including, predictive maintenance reports, operations and maintenance logs, work order viewing systems, drawing vaults, etc. These systems, if accessible, provide important insight and context into plant operations and maintenance that will improve the effectiveness and efficiency of the remote monitoring program. B&V will provide the PowerPlantMD software to enable the remote monitoring program. Added details for each of these software components is included in APPENDIX A.



- PowerPlantMD Base Modules
 - MDtransfer, MDcalc, MDarchive
 - MDfilter, MDalerts
 - Trend Analysis Workbooks
- PowerPlantMD Functional Modules
 - Alerts Module
 - Issues Module and client web portal (www.PowerPlantMD.com)

2.2 The PowerPlantMD Monitoring Process

This section details the specific activities associated with the proposed services. These processes, and the associated tools used, are described in more detail in APPENDIX B. Monitoring will include process and equipment performance as well as equipment health parameters.

2.2.1 Anomaly Detection & Diagnostics

Using the PowerPlantMD Alerts Module, B&V will provide monitoring, assessment, and evaluation of generated data anomalies. Monitoring will occur in real time on all B&V business days from 6 AM to 6 PM in the US Central Time Zone. All detected problems will be screened and validated against all available forms of context information, B&V experience, and the PowerPlantMD.com knowledge base. Once validated to the extent practical, potential impacts and risks will be estimated and the problems will be communicated to the Team, as appropriate; through PowerPlantMD.com. Escalated communication, as appropriate, will include e-mail, pagers and phone calls. Feedback and corrective action on these issues will be handled on a cost/benefit basis. Other communications will be directed as required to the appropriate individuals and in support of the appropriate processes within the plant.

2.2.2 Trend Analysis & Reporting

Once each quarter, B&V will run and analyze the automated Trend Analysis Workbooks. Based on the aggregate of potential issues found from the Anomaly Detection and Diagnostics process and potential problems detected through the Trend Analysis Process, Black & Veatch will work with the plant to diagnose all relevant problems and to plan corrective action through PowerPlantMD.com. Posting of potential problems to PowerPlantMD will include focused and prioritized information with quantified deviations and actionable recommendations. Where appropriate, easy to follow diagnostic steps or test plans are included to aid in plant physical diagnostics when data alone doesn't determine root cause.

On a quarterly basis B&V will provide a report to Palmdale in a format similar to that shown in Appendix C, or as mutually agreed to by both parties. This report will include summary of wind speeds, power expected, power generated, operational availability and the offset billing for Southern California Edison.

2.2.3 Team Conference Calls

Regular plant meetings have proven to be very beneficial across Black & Veatch's entire base of PowerPlantMD clients. Black & Veatch will facilitate a conference call once a quarter to follow the status of active problems posted on PowerPlantMD.com but have the flexibility to meet additional plant needs. When detailed reports are delivered, a conference call will be used to review the issues and action plans with the team. Black & Veatch will communicate follow-up items from these meetings via email.

Other questions or opportunities for improvement may arise, either through B&V observation or through a request from the plant. These vary from a question about a poorly performing process or chronic equipment problem to a specific request to study a retrofit option or capital improvement. Through documentation of current performance, comparison to industry standards, and its extensive knowledge and experience, Black & Veatch can provide technical insight into potential options within the context of expected performance and economic viability. A limited amount of assistance on these types of problems

may be provided within the context of normal monitoring activities, but certain instances will warrant escalation, as defined in the cost section below.

3.0 Compensation and Schedule

3.1 Cost

Black & Veatch offers the below fixed cost pricing for Palmdale Water District. This pricing is good for the calendar year 2012. Note that the pricing is dependant upon a 3-year service contract with annual payment due in the 1st quarter.

	Cost
One-Time Setup Fee <ul style="list-style-type: none"> - Design data collection and survey - Support client network and PC setup - Implement MDtransfer - Implement MDcalc, MDalert, and MDtrend tools - PowerPlantMD.com setup - Team kickoff meeting via conference call 	Waived
Yearly Fee for Performance & Equipment Health Monitoring <ul style="list-style-type: none"> - Anomaly Detection & Diagnosis Process - Trend Analysis & Report (1-per quarter) - Escalation from Detected Anomalies - Team Conference Calls - Use of PowerPlantMD.com 	\$10,000

The scope defined in Section 2.2 includes Routine Escalations from core monitoring activities. Routine Escalations include such things as solving occasional remote connection or computer problems, additional data analysis within current time periods to help understand a potential problem, discussions with plant personnel to help understand a potential problem, and reacting to routine plant performance questions asked by the plant. Routine Escalations would typically *not* include things such as a specific request from the plant to help with a capital project evaluation, evaluation of a long term issue outside of current time periods, or travel to the plant for testing or diagnostics outside of normal visits defined in Section 2.2.3. Any requests that are *not* Routine Escalations will be noted as such by Black & Veatch and we will proceed with execution of such requests only after written agreement of the scope and expected cost. The cost of any such escalations will be billed on a time & material basis in addition to the regular monthly fees. Labor and standard office expenses will be billed based on the hourly rate schedule provided in Appendix D of this proposal. All other expenses including but not limited to travel and equipment will be billed at cost as incurred.

3.2 Invoices

Upon award of this work, Black & Veatch will issue an invoice to cover the first year fixed fee. Payment is net-30 days.

3.3 Contractual Agreement

Black & Veatch and client will negotiate mutually agreeable terms and conditions prior to award.



APPENDIX A. B&V PowerPlantMD® Platform

The PowerPlantMD® Platform is a fully integrated software suite providing transparency across plant planning and operations and maintenance functions. The software and resulting user experience is centered on the best practice outlined below.

PLAN: Users assemble multiple market, generation, performance, and cost scenarios. Sensitivity analyses are run and a final plan is determined which sets an annual budget.

FORECAST: Real-time comparison of month-to-date actual data is shown versus budget and the user can forecast new end-of-year projections.

PERFORM: Unit performance is tracked relative to history and plan or forecast. Where a variance occurs, users drill down into equipment metrics to identify cause, impact, and corrective action.

DIAGNOSE: Predictive analytics provide early detection of performance and equipment health parameters deviating from predicted values. Contextual data and diagnostic rules help determine cause, impact, and corrective action

ACT: Identified and diagnosed issues are prioritized relative to other activities and the history of all issues and actions are stored and searchable within the system database.

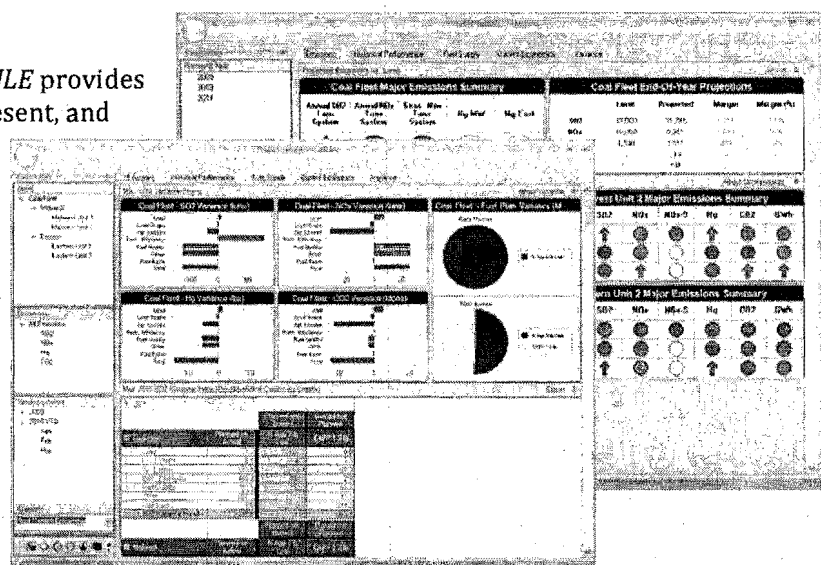
A.1 Base Modules

The base software functionality includes several modules that collectively integrate existing plant data into the PowerPlantMD Platform within the Kansas City located data center. Once data is within PowerPlantMD, certain data transformation and calculation engines operate in the background to enable PowerPlantMD functionality. These transformation and calculation engines are briefly described below:

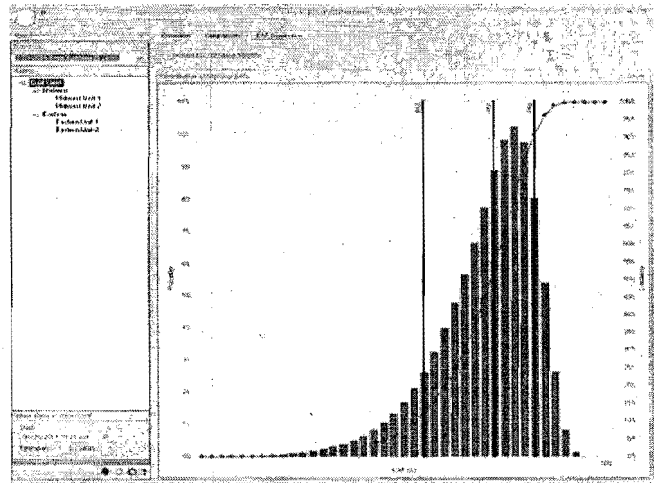
- *MDtransfer* provides secure Internet transmittal of data from the plant DCS, SCADA, or data historian system(s).
- *MDcalc* provides data transformation and thermal performance calculations.
- *MDarchive* provides data archival and averaging for rapid long-term data retrieval.
- *MDfilter* provides data filtration based on user defined filters or operation modes.
- *MDalert* executes the predictive analytics alerting functionality to support anomaly detection.

A.2 Functional Modules

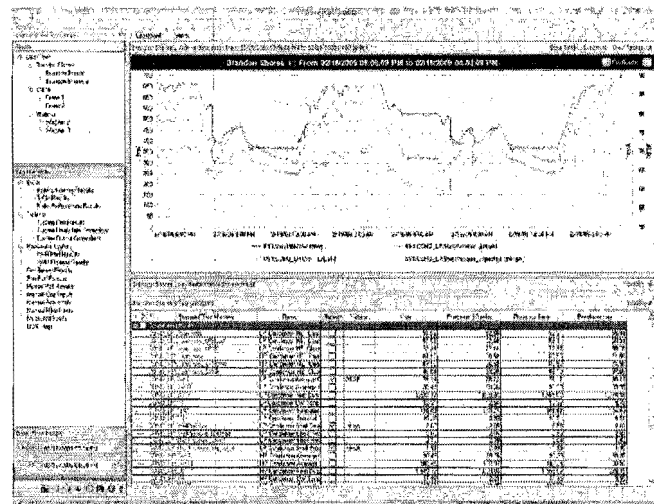
- **EXECUTIVE DASHBOARD MODULE** provides an executive roll-up of past, present, and future information available from all purchased modules. It combines dashboard views and tabular views of the data as well as shows a variance analysis view that shows the status of fleet/station/unit versus target or plan.



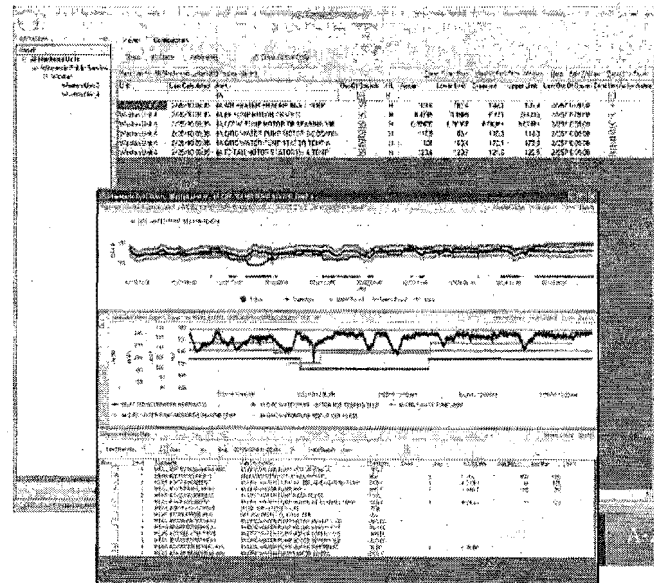
- **RELIABILITY PLANNING MODULE** uses the B&V developed PowerRAMTM software for modeling and Monte Carlo based simulation of unit reliability and availability. The user creates multiple scenarios based on varying equipment selection, system design, and outage maintenance frequency and the software provides a distribution of unit reliability/availability.



- **PERFORMANCE MODULE** integrates results from the client's existing real-time performance monitoring calculations or the B&V Online Performance Monitoring (OPM) system. It provides the actual performance information used by each of the other modules. Raw measured and calculated data are retrieved from the process data historian and shown on dynamic charts that begin with overall fleet, plant, or unit performance (output, heat rate, or CO2 rate) trend then provides drill-down into individual system losses and context parameters that allow the user to identify the source of a performance issue.

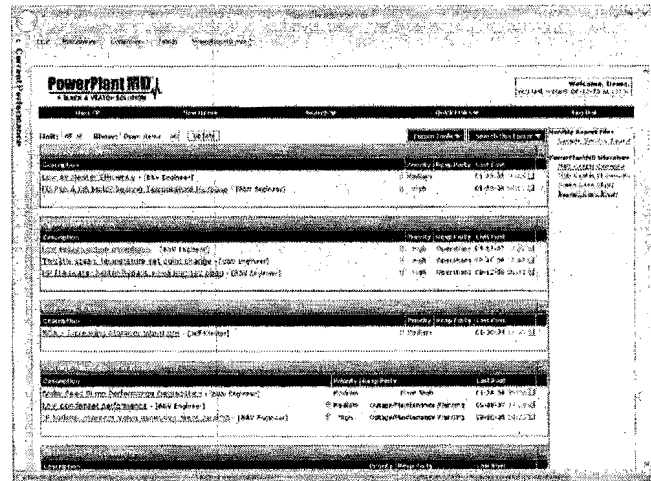


- **ALERTS MODULE** enables our remote monitoring and diagnostics center service. Smart alarms are configured that highlight data that is not updating (such as due to a communication or sensor error) or data that has statistically deviated from that predicted by the pattern recognition algorithm. From the primary alarm screen, the user can drill down into a diagnostic view that provides full contextual information to help determine the cause of the anomaly. Also, the user can drill down into the model viewer to understand and/or modify the data model and correlations driving the prediction. The



center staff detects, diagnoses, and quantifies the impact of issues then works with the client to prioritize and resolve the issues.

- **ISSUES MODULE** provides a useful way for the Black & Veatch and client team to share and communicate information related to the diagnosis and correction of issues. Issues are organized into user defined categories such as "Operational Issues", "Maintenance Issues", "Instrumentation Issues", etc. The database of past issues (knowledge) is searchable. File sharing is provided via the right window pane for easy access to manual plant data, inspection reports, performance test reports, etc. Each user has access to only those data aggregation groups allowed.



APPENDIX B. B&V PowerPlantMD® Center

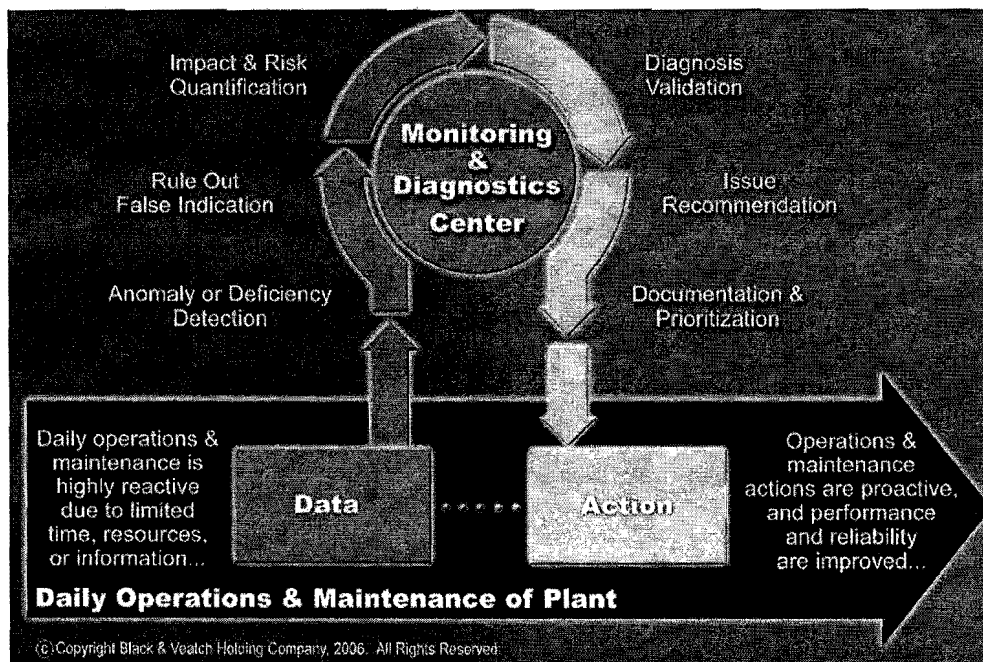
The Black & Veatch PowerPlantMD® Monitoring & Diagnostic (M&D) Center was founded in 2001 to help our clients take quick and tangible steps to achieving their ever more demanding plant performance and reliability goals. Black & Veatch has developed a standardized monitoring and diagnostic process that has achieved proven results for numerous power generation clients providing competitive edge in the emerging competitive marketplace. This process and the resulting PowerPlantMD service offering are introduced within this section of the proposal.

B.1 Black & Veatch PowerPlantMD Center Overview

Plant information systems can provide a wealth of information regarding current, emerging and evolving plant issues. Frequently, such issues are clouded by variations in load, weather, fuel quality, sensor quality, or a lack of direct measurement to "see" the issue. Plants also tend to lack the resources and tools necessary to effectively evaluate the myriad of data to identify specific and meaningful equipment and process performance issues. Transforming disparate data sources into meaningful and actionable information requires complementing data and analytical tools with a standardized process and methodology encompassing the following guidelines.

- Successful monitoring and diagnostics goes beyond the tools and data.
- Performance monitoring and equipment health monitoring solutions only yield value when integrated within a plant performance improvement culture.
- Monitoring and diagnostic methods and processes produce value when plant operations and maintenance are integrated.
- The process needs to be centered on determining root cause and corrective action plans with accountability.

Black & Veatch has developed and refined a Monitoring & Diagnostics process that has produced proven and sustainable success for our clients over the past five years.



The goal is to provide an effective and low cost methodology to help customers move from generating data to generating action. This fosters a transition of plant O&M process from reactive to proactive. Due to the wide variability and capabilities of plant level data historians and other analytical software tools, the process must generally be independent of the tools. For most customers, this means maximizing the use of existing plant data and software analytical tools infrastructure with the ability to supplement these tools where there are gaps.

B.2 PowerPlantMD Service

An effective monitoring and diagnostic program can bring significant value to any power plant asset. PowerPlantMD is designed to help plants achieve the benefits of a proactive M&D process regardless of the tools in place at the plant. The PowerPlantMD service addresses the following needs.

- Means to efficiently sift through the available data to identify meaningful anomalies
- Means to validate anomalies and correlate to potential root cause(s) and outcomes, including the criticality of issues in terms of impact and timing
- Means to effectively leverage available plant resources to assist in diagnosis and corrective action planning
- Means to document, communicate, and coordinate action plans across plant operations, maintenance, and management as well as a means to track results to ensure accountability and sustainability

Effective communication of potential problems with the plant is a vital function of PowerPlantMD. Plant operations and maintenance personnel need to be involved in the M&D process, however, they need the process to facilitate effective time management and resource allocation. The PowerPlantMD setup process maps out a core and extended plant team and defines communication guidelines. Based on this, B&V leverages all communication methods based on the criticality of the problem at hand. Additionally, the www.PowerPlantMD.com website offers a means for user friendly problem diagnostic dialogue and tracking among key plant personnel and Black & Veatch. The web site can be used for tracking the complete life-cycle of each problem from identification, to criticality assessment, to diagnosis and corrective action planning and finally to closeout. See the following example.

PowerPlantMD
A BLACK & VEATCH SOLUTION

Welcome, Demo
You last visited: 01-23-08 at 09:43

User CP New Items Search Quick Links Log Out

Unit: All Show: Open Items Update Forum Tools Search this Forum Monthly Report Files Sample Monthly Report PowerPlantMD Literature B&V Control Overview B&V Control IT Security B&V Case Study B&V Case Study

Description	Priority	Resp Party	Last Post
Low boiler section cleanliness - (B&V Engineer)	High	Operations	08-17-07 15:27
Throttle steam temperature set point change - (B&V Engineer)	High	Operations	12-31-06 14:42
HP feedwater heater bypass valve partially open - (B&V Engineer)	High	Operations	08-12-06 10:10

Description	Priority	Resp Party	Last Post
Low condenser performance - (B&V Engineer)	Medium	Outage/Maintenance Planning	05-09-07 10:00
IP turbine interceptor valve excessive pressure drop - (B&V Engineer)	High	Outage/Maintenance Planning	09-20-05 10:05

Description	Priority	Resp Party	Last Post
IP heater sticking normal drain - (B&V Engineer)	Medium	Maintenance	08-04-07 11:18
Pump seal wear - (B&V Engineer)	High	Maintenance	03-07-06 10:14

Step 1 -- Problem Identification

PowerPlantMD
A BLACK & VEATCH SOLUTION

Welcome, Demo
You last visited: 01-23-08 at 09:43

User CP New Items Search Quick Links Log Out

Thread Tools Search this Thread Display Modes

Category: Maintenance w/ Outage Items Applies To: Unit 1 Overall Priority: High Status: Open
HR Impact: 38 Btu/kWh Capacity Impact: 4000 kW Responsible Party: Outage/Maintenance Planning

Jan Date: Jan 2008 Posts: 10

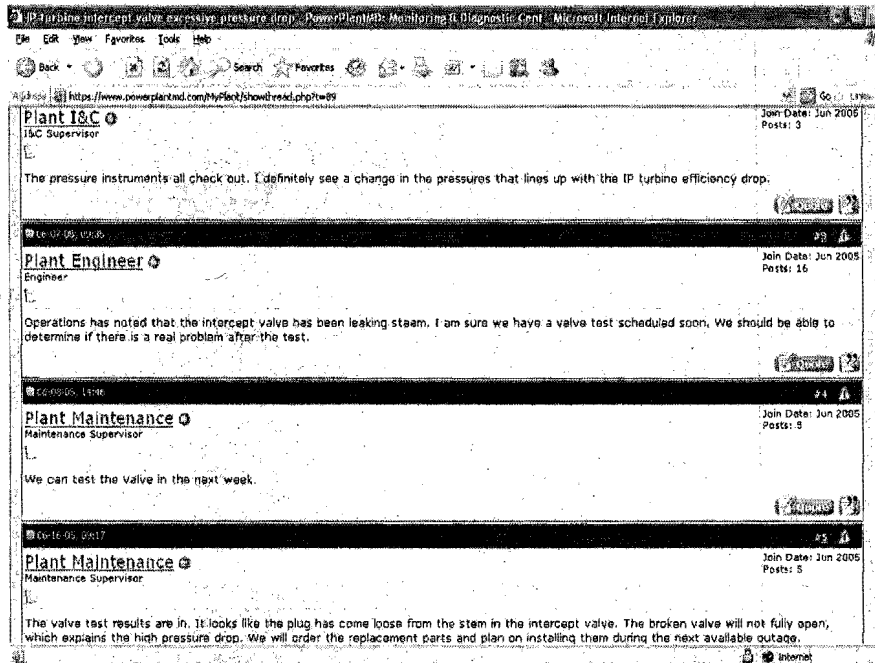
B&V Engineer
Engineer

IP turbine intercept valve excessive pressure drop

Overall IP turbine efficiency recently underwent a step change of 2%. IP inlet to IP loop pressure drop increased greatly, while downstream IP turbine stage pressure drops remained steady. Downstream IP turbine pressures all show a loss in available energy. The 2% decrease in IP efficiency is equivalent to 38 Btu/kWh (\$22.040/month) in additional fuel cost and 3-5 MW in lost capacity. We recommend checking the pressure instruments, and verifying proper intercept valve operation by performing a valve test or by some other means.

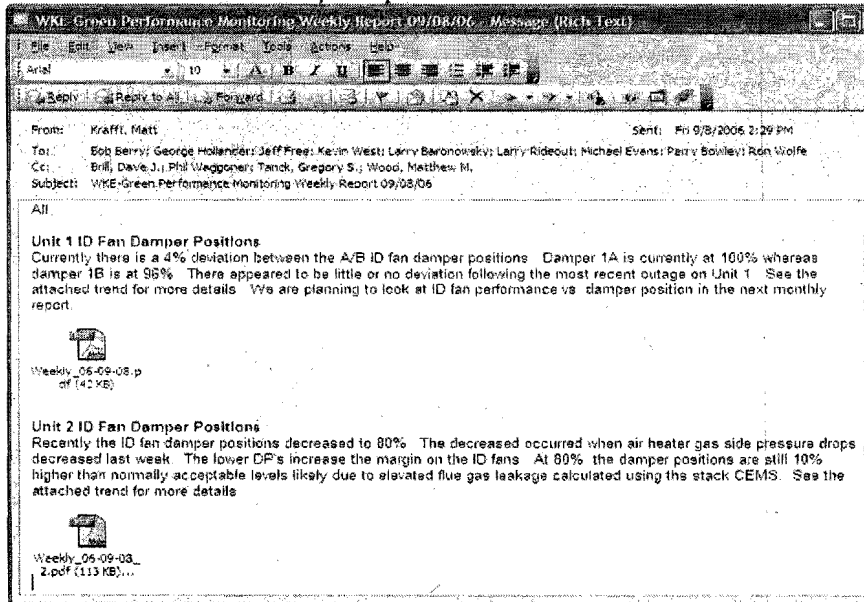
Attached Thumbnails

Step 2 -- Initial Recommendation and Criticality Assessment

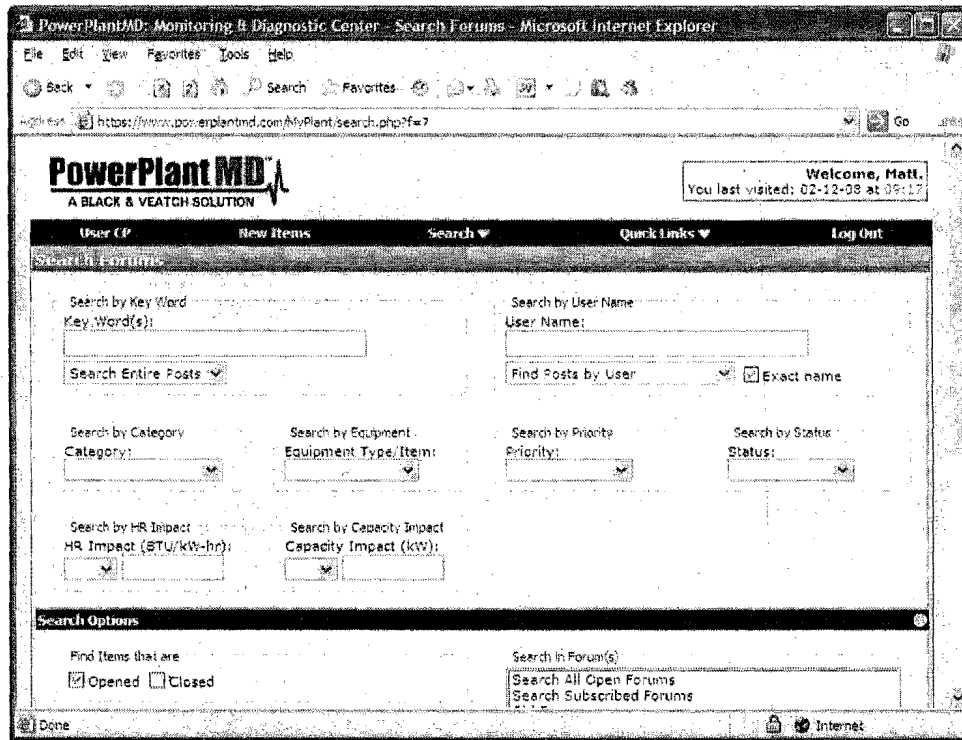


Step 3 – Problem Diagnosis Dialogue With the Plant and Remedial Action

Depending on problem severity and criticality, alternate methods of communication include e-mail alerts as shown below and/or a phone call to the control room or other designated plant contact.



PowerPlantMD.com is also a database containing the collection of all problem diagnostics and resolution information from previously identified plant issues. This knowledge is searchable by plant staff to aid in future diagnosis activities and can be an important resource for future performance engineering and predictive maintenance staff.



The four principal analytical components of the PowerPlantMD process are described in more detail below. The communications structure outlined above is fully utilized in all four of the described components of the PowerPlantMD Service.

ELEMENT #1: ANOMALY DETECTION & DIAGNOSTICS

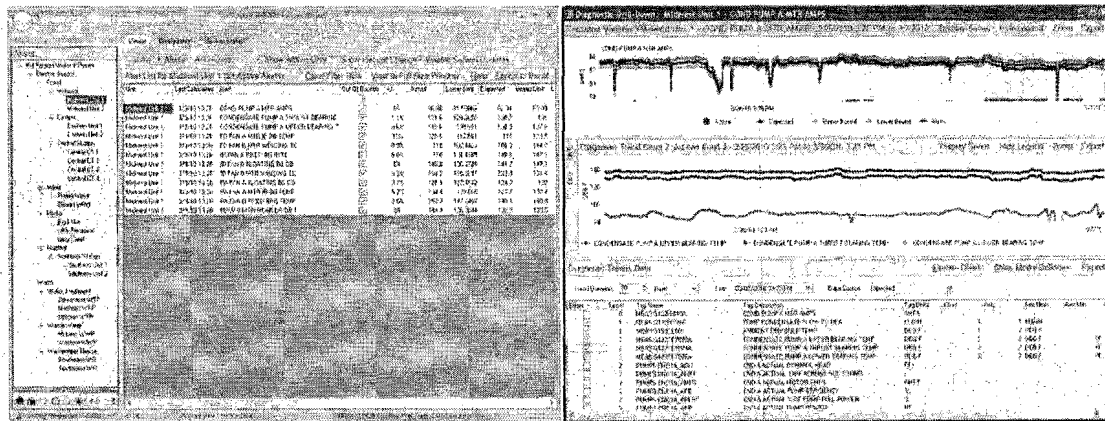
With the rapid adoption of modern global plant historians over the past decade, most plants have convenient access to a myriad of plant data. However, convenient access does not necessarily translate into actionable value without the ability to provide context to that data in a manner that is useful in problem identification, diagnosis, and resolution.

To that end, Black & Veatch applies a process featuring advanced mathematics and technology on the front-end to “find” meaningful anomalies for engineer evaluation, and economically driven contextualization on the back-end to establish both problem criticality and priority. More specifically, the anomaly detection and diagnostics process can be outlined as follows:

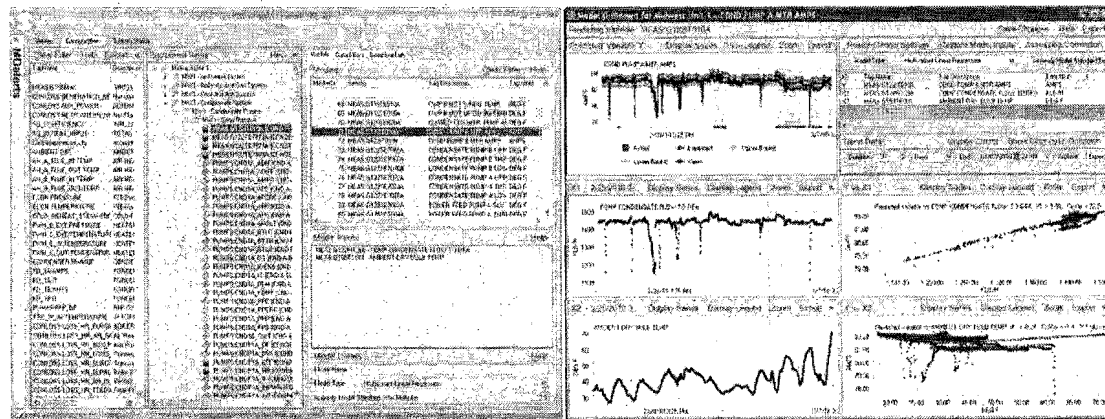
- MDalerts Pattern Recognition Software to Alarm Statistically Relevant Deviations
 - Data models use automatic learning methodology
 - Steady state process and equipment out of service data filtering
 - Application of multi-variable linear regression modeling for prediction
 - Dynamic alarming via comparison standard error computation to both predicted and historic averages
- Engineer Review
 - Filters triggered alarms to assess alarm criticality
 - Issues recommendation focused on diagnosis and economic impact
 - Communicates with plant staff to establish an appropriate action plan
- Plant Action/Planning
 - Operations troubleshooting

- Implementation of operational changes
- Short and long term maintenance planning

This process is implemented as a service in which B&V engineers review and diagnose alarms in real time throughout a 60 hour per week monitoring period. The following figure shows some screen-shots from B&V's MDalerts Module, the front-end data processing and alarming component to this element.



Anomaly List & Diagnostic Drill-Down Views



Model Configuration & Model Drill-Down Views

ELEMENT #2: TREND ANALYSIS & RECONCILIATION

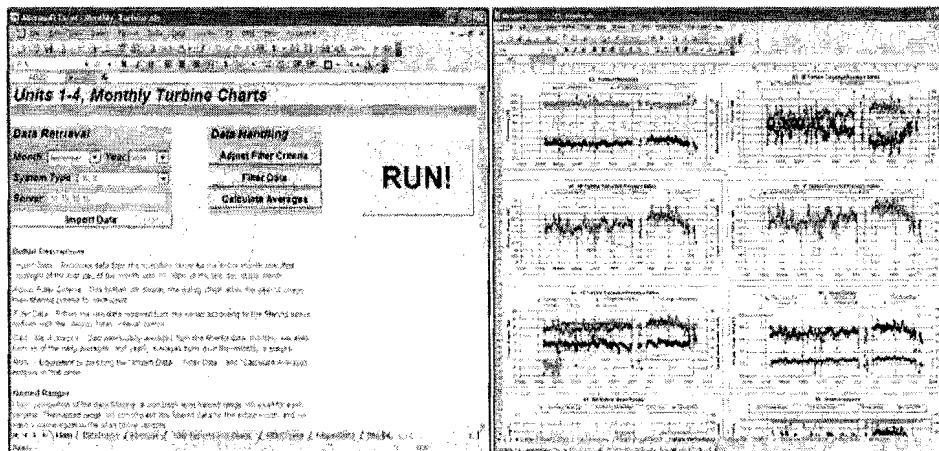
Black & Veatch supplements the Anomaly Detection & Diagnostics process with this "on-demand" overall plant performance review. Slowly developing performance issues may not be detected by the anomaly detection process and this process provides a secondary mechanism to ensure pro-active detection. Furthermore, comparing long-term and short-term operational trends provides important context to changes in plant equipment and system performance that can be critical to supporting problem diagnostic efforts.

Available plant data is initially reviewed to determine necessary trends and performance calculations that may not be readily available within the data historian or through existing plant performance trends. The analysis portion of the process can be broken down into specific components as itemized below:

Automated data handling and charting of major equipment and process trends
Performance data analysis and review by PowerPlantMD staff

- Evaluation/review of all long term degradation
- Quantification, prioritization, and documentation of issues

Black & Veatch has specially developed data handling and analytical tools to support this process as a supplement the existing plant-owned tools. The following figure shows screen-shots of our Trend Analysis Workbook and a sample of the trends generated.



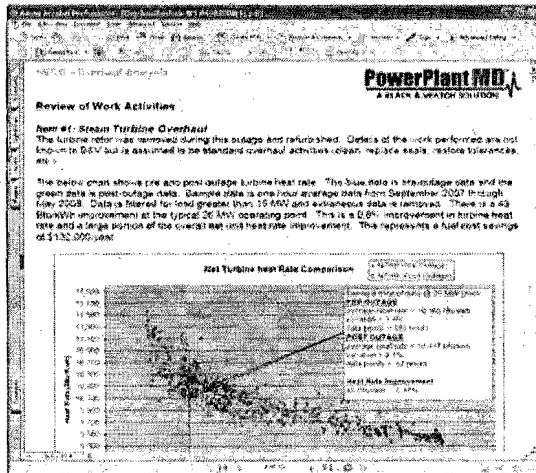
Trend Analysis Workbook

Additional benefits to this process include:

- Provides important insight and context into the problems previously identified through the anomaly detection process
- Active monitoring of impact(s)/benefit(s) of corrective action plans in progress

ELEMENT #3: OUTAGE/OVERHAUL ANALYSIS

The outage/overhaul analysis process is an on-demand study and review focused on documenting pre- and post-outage/upgrade performance. Metrics, both performance and economic, are compiled to summarize the observed change in operational performance. The following figure provides a general example of an analysis conducted to review a steam turbine upgrade.



Overhaul Analysis Report

ELEMENT #4: TEAM MEETINGS & CONFERENCE CALLS

Periodic meetings with lead representation from plant operations, maintenance and management are an essential element for ensuring sustainability and long-term success. The meetings can be held monthly, bimonthly or quarterly and provide for the following.

- Team accountability and follow-through
- Review of results and status of action plans from previous meetings
- Review, prioritization, and corrective action planning related to problems found through the anomaly detection and trend analysis processes
- Planning of activities related to outage/overhaul analysis process
- Opportunity for Black & Veatch to perform supplemental on-site diagnostics, tests, etc.

Often times, other questions or opportunities for improvement or process optimization arise, either through B&V observation or through a request from the plant. These vary from a question about a poorly performing process or chronic equipment problem to a specific request to study a plant redesign option or capital improvement. Through documentation of current performance, comparison to industry standards, and its extensive knowledge and experience, Black & Veatch can provide technical insight into potential options within the contexts of expected performance and economic viability. A limited amount of assistance on these types of problems, depending on the magnitude of effort, can be provided within the context of normal monitoring activities.

B.3 Black & Veatch PowerPlantMD Organization

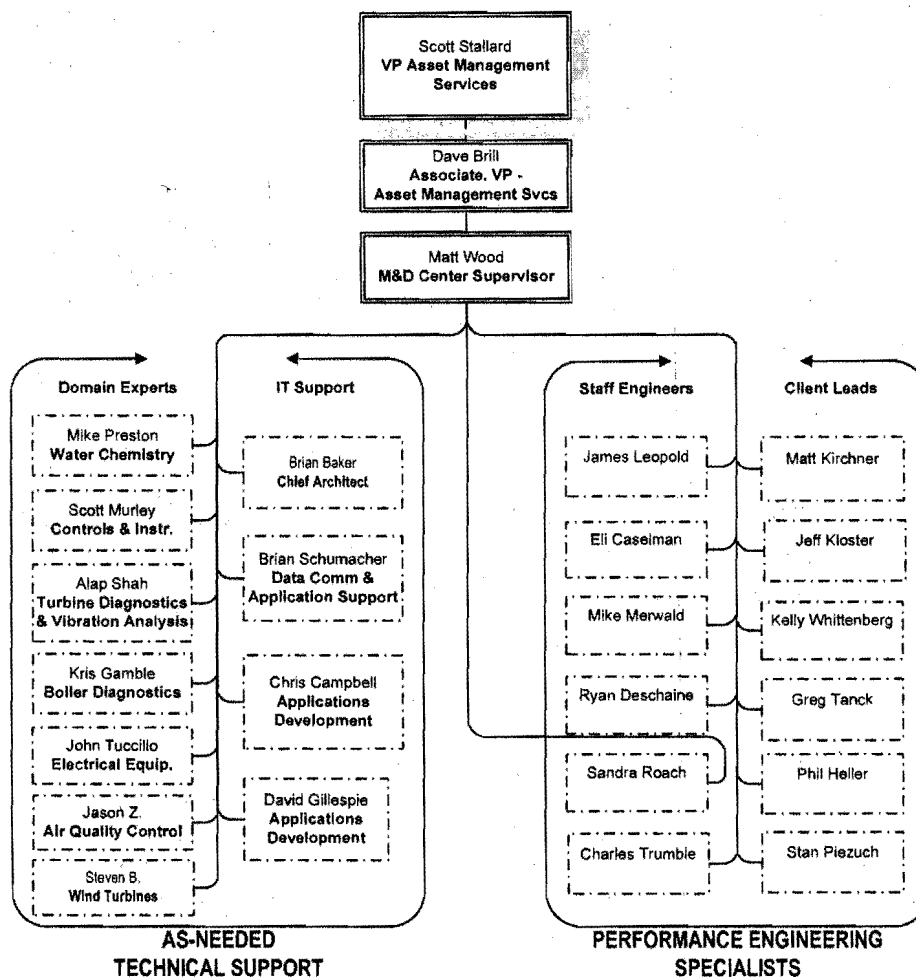
Black & Veatch has implemented performance monitoring tools for over twenty years and has operated a remote monitoring center for over 10 years. Black & Veatch has a large and experienced full-time staff of performance engineering professionals dedicated to helping our customers identify and diagnose performance related problems. In addition, the PowerPlantMD Center can leverage the wide range of expert level engineering resources available throughout the Black & Veatch Energy organization. The PowerPlantMD Center organizational structure is shown on the following page. Below are short bios of the lead professionals.

Mr. Scott Stallard serves as Vice President in charge of Asset Management Services within B&V Energy. In this role, he is responsible for management of the business and solutions associated with a wide range of operational issues including fuels, plant performance, O&M, and plant/portfolio optimization. The

principle focus for Mr. Stallard and his group lies in the area of processes, tools, and solutions that are geared toward helping the power generator better address the technical and financial challenges facing the generator in today's market. Mr. Stallard has been actively involved as a consultant in helping power generators address performance, maintenance, and fuel issues to improve reliability, enhance fuel flexibility, and better manage capital and O&M expenditures.

Mr. David Brill serves as Associate Vice-President in the Consulting Energy Services (CES) business line of Black & Veatch Energy. As a Senior Project Manager for power plant asset management services, Mr. Brill's primary responsibility is for oversight and development of B&V's performance engineering products and services.

Mr. Matthew Wood serves as project manager and supervisor of the PowerPlantMD Center. In this role, he is involved in the daily operation of all aspects of the PowerPlantMD Center and manages all related technologies and processes.



B.4 Black & Veatch PowerPlantMD Center Infrastructure

The PowerPlantMD Center includes the physical infrastructure and technology required to support remote monitoring functions. The Center provides secure, high speed Internet-based capability to support data access and handling for multiple customers and plant sites. It also provides an ideal environment for our remote monitoring engineers and analysts to provide focused effort on the plants they are monitoring

while also providing a teamwork environment where shared experiences and the Black & Veatch knowledge base can help facilitate rapid recognition and diagnosis of newly emerging problems.

NETWORK & DATA PROTECTION

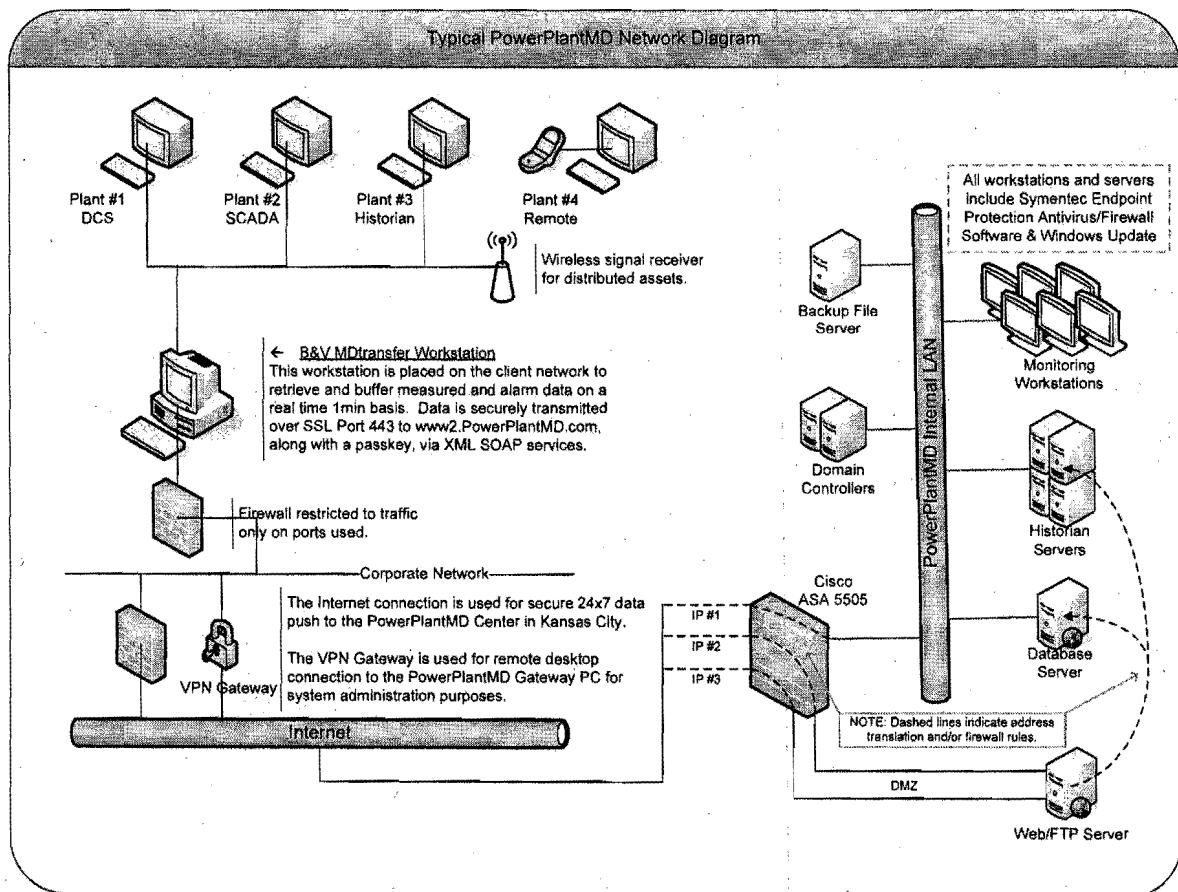
Black & Veatch shares our clients' concern for maintaining a secure environment in which data can be retrieved, analyzed, and stored. Therefore, Black & Veatch makes every effort to protect the networks, computers, and data from computer viruses and network intrusions. To minimize the potential for such attacks Black & Veatch uses several layers of hardware and software protection including network firewalls, antivirus software, and a secure room for restricting access to computer hardware utilized for remote monitoring services. Our network data protection and facility have been audited by three large utilities to ensure compliance and in each case has passed the test.

HARDWARE

As mentioned above, the remote monitoring service primarily uses the Internet for connectivity to client sites. A diagram of the typical hardware configuration is shown below. The computers used by the remote monitoring service are protected from Internet-based attacks by several layers of hardware protection.

SOFTWARE

In addition to the hardware protection outlined above, software protection is also provided. Each computer used for Black & Veatch's remote monitoring service is configured with Symantec Endpoint Protection software to provide network firewall security and anti-virus at the individual PC level. Each computer is continually updated with the latest virus definition files.



B.5 Black & Veatch Experience

The PowerPlantMD Center customer base has grown steadily from our first client in 2001. The PowerPlantMD process has been applied to 99 units, representing over 28,000 MW of power generation capacity. We understand that clients expect value and we strive to deliver. We believe the most impressive testament to the value that our Center delivers is that each of our clients entered into a pilot program period and 100% have continued using our services beyond the pilot period. See the below references.

REFERENCES

LG&E-KU – Brown, Cane Run, Ghent, Green River, Mill Creek, & Trimble County Stations

LG&E-KU entered into a one year pilot of the PowerPlantMD service starting January 1, 2010. Two ~500 MW units were selected for the pilot program, which was managed by Jeff Simpson, head of the corporate PdM department. In October 2010, LG&E-KU signed a five-year fleet agreement covering all 18 of their U.S. coal units.

Contact: Mr. Jeff Simpson – Sr Mechanical Engineer (502) 627-4354

Minnesota Power – Boswell Units 1-4

Minnesota Power has been utilizing Black & Veatch's OPM system since 1993 and became a PowerPlantMD subscriber in 2003, initially for Unit 3. The other units were later added to the process. Boswell has limited engineering staff to devote to proactive monitoring of plant performance. Minnesota Power hired Black & Veatch to establish a process to ensure operations and maintenance decisions are informed and aligned with reliability, efficiency, capacity and financial goals.

Contact: Mr. Lester Flem – Sr Performance Engineer (218) 313-4621

Contact: Mr. Rick Fannin – Plant Engineer (218) 313-4788

City Utilities of Springfield (CUOS) – Southwest Station Unit 1-2

CUOS is a long-term OPM system user and a PowerPlantMD subscriber since 2003. The Southwest Station is a single 190 MW coal fired unit located in south central Missouri. This plant is known for high reliability and is critical to meeting the native electrical load of the City of Springfield and surrounding region. CUOS has directed Black & Veatch's efforts to diagnose a few key stealth performance losses at the plant. Unit 2, currently under construction, monitoring has been added to aid in the new unit startup and tuning process.

Contact: Mr. Bryan Feemster – Plant Manager (417) 831-8853

Hoosier Energy – Merom Station Unit 1 & 2, Ratts Station Unit 2

Merom subscribed to PowerPlantMD on both units in 2008. These are 500 MW coal fired units located in western Indiana. Ratts station was added later in 2011.

Contact: Mr. Rob Hochstetler – VP Power Production (812) 876-0542

Contact: Mr. Mark Kramer – Merom Engineering Manager (812) 356-4291 x3160

Contact: Mr. John Kunkle – Ratts Production Engineer (812) 354-8941

Wisconsin Public Service – Weston Station Unit 3 & 4

WPS subscribed to a pilot of PowerPlantMD on Weston Unit 3 in 2007. This is a 360 MW coal fired unit located in Wisconsin. Following completion of the pilot, Weston added Unit 4 monitoring.

Contact: Mr. Travis Haupt – Performance Engineer (715) 843-2335

Basin Electric Power Cooperative – Antelope Valley Unit 1 & 2, Laramie River Unit 1, 2, & 3, & Leland Olds Unit 1 & 2

Basin is a long-term OPM system user and in 2007 subscribed to a pilot of PowerPlantMD at both units of the Antelope Valley Station. These are two 490 MW lignite fired unit located in North Dakota. Following completion of the pilot, Basin hired Black & Veatch to help them internalize the program for the entire coal fleet. B&V's ongoing role includes support of their software and internal M&D team including annual audit and enhancement of their process.

Contact: Mr. Larry Nelson – Senior Performance Engineer (701) 355-5695

Big Rivers Electric Corp. (BREC) – Green Unit 1 & 2, Coleman Unit 1, 2, & 3, Wilson Unit 1, Henderson Unit 1 & 2

BREC has been utilizing Black & Veatch's OPM system since 1990 and became a PowerPlantMD subscriber in 2002. Wilson and Henderson units were added in 2009. In 2010, a three-year fleet agreement was signed with specific focus on the routine outage analysis portion of the program. B&V assistance in this way helps them to fine tune their work plans and provide feedback on the outcome of these maintenance investments.

Contact: Mr. Duane Braunecker – Manager Production Services (270) 844-6191

Contact: Mr. Wayne O'Bryan – Coleman Plant Manager (270) 844-6052

Contact: Mr. George Hollander – Reid/Green/Henderson Plant Engineer (270) 844-5529

Contact: Mrs. Diana Merritt – Wilson Plant Engineer (270) 844-5008

Contact: Mr. Jeff Francis – HMP&L Production Manager (270) 844-5820

Hawaiian Electric Company – Kahe Unit 5 & Waiau Unit 5

HECO subscribed to a pilot of PowerPlantMD on two units in 2007. One is a 60 MW non-reheat oil-fired unit which operates in a daily cycling mode. The second is a 130 MW reheat oil-fired unit which operates in a load-following mode. The pilot was extended in 2008 and then in 2009, HECO determined that their internal performance monitoring program was sufficient for detecting performance issues and their PdM program was sufficient for detecting equipment issues. Although routine monitoring is not provided, HECO has maintained B&V data connection and services for routine assessment of unit overhaul activities to ensure that the units are running optimally.

Contact: Mr. Mike Decaprio – Sr Supervisor, Engineering & PdM (808) 543-4257

APPENDIX C. Sample Quarterly Report



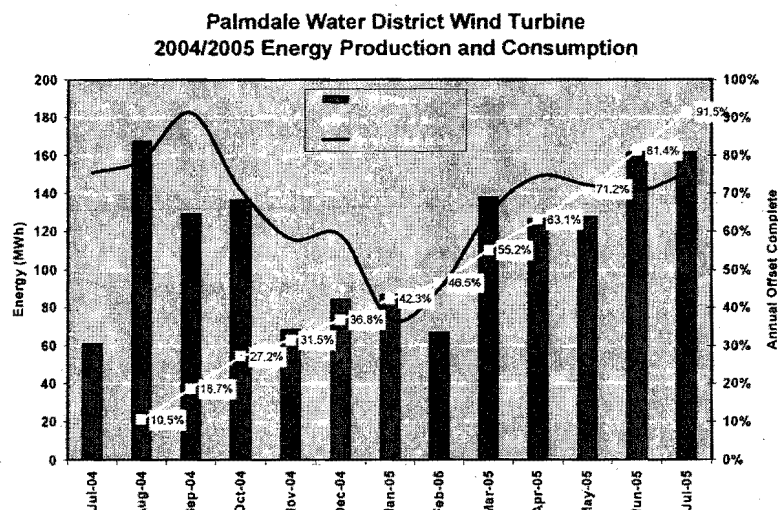


Palmdale Water District Wind Turbine Summary - July 2005



BLACK & VEATCH

	Average Wind Speed			Energy				Operational Characteristics			SCE Bills	
	Nacelle (m/s)	Expected (m/s)	OCES (m/s)	Generated (MWh)	Plant Use (MWh)	Shortfall (MWh)	Complete	Avail	On-Line	Capacity Factor	Effective Bill	Savings
Aug-04	4.84	5.50	7.0	167.9	157.7	-10.2	10.5%			23.8%	\$6,007	\$7,751
Sep-04	4.69	5.52	6.5	129.4	182.5	42.9	18.7%			18.9%	\$6,243	\$9,677
Oct-04	2.28	5.66	5.8	136.8	141.7	47.8	27.2%			19.4%	\$3,594	\$8,762
Nov-04	3.13	5.24	4.8	68.6	116.2	95.4	31.5%	99.6%	41.3%	10.0%	\$3,293	\$6,842
Dec-04	3.35	5.35	4.0	84.4	118.0	128.9	36.8%	99.8%	42.4%	11.9%	\$3,252	\$7,038
Jan-05	3.29	3.86	3.8	87.1	73.7	115.5	42.3%	99.1%	38.3%	12.3%	\$2,018	\$4,410
Feb-05	3.40	4.44		67.0	89.7	138.3	46.5%	99.9%	47.8%	10.5%	\$2,337	\$5,489
Mar-05	4.83	5.73		138.3	129.2	129.2	55.2%	99.1%	59.8%	19.6%	\$2,871	\$8,399
Apr-05	4.80	7.47		127.0	149.1	151.3	63.1%	99.7%	56.0%	18.8%	\$1,355	\$8,854
May-05	4.77	6.54		128.3	144.5	167.5	71.2%	94.6%	59.2%	18.2%	\$1,137	\$9,077
Jun-05	5.16	7.42		162.0	140.9	146.4	81.4%	99.5%	63.9%	23.7%	\$2,712	\$10,074
Jul-05	5.22	6.14		161.9	150.9	135.4	91.5%	99.8%	65.4%	22.9%		
Ave/Sum	4.05	5.74		1,459	1,594		91.5%	98.9%	51.1%	17.0%	\$34,818	\$86,373



Important July Notes

1. June winds were close to budgeted levels.
2. This month is the end of the 2004/2005 Net Metering year (Aug – July). The turbine produced 1,459 MWh, or 92 percent of the Treatment Plant's estimated total electrical load.
3. Treatment plant loads were about 15% higher than in previous years. The wind turbine did not offset total plant annual consumption, but no wind energy from PWD is likely to be given to SCE without payment.
4. The turbine produced about 5 percent more power this year than budgeted, due to slight variations in actual wind conditions over budgeted levels.



Palmdale Water District Wind Turbine Summary – July 2005



BLACK & VEATCH

Wind Turbine Performance:

1. The turbine power curve shows better than expected performance at low winds and lower than expected at high winds. B&V believes this is an issue with anemometer accuracy (not turbine performance) but awaits input from Oak Creek and Vestas.

Site/Environmental/Safety Issues:

1. Minor re-grading from heavy January rains still needs to be performed.
2. The performance of both FAA lights was impacted by a grid failure in May. Upon last inspection, one light was operating normally while the other is operating constantly in daytime mode (white strobe). OCES replaced the lights on June 7, and they appear to be functioning normally again. Awaiting findings of light vendor as to cause of failure, and if it will be covered by warranty.
3. No dead birds were found this month, nor any time since the turbine was installed.

Maintenance:

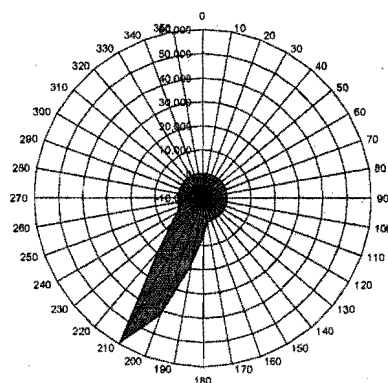
1. The "A" maintenance was done Oct. 1, 2004. This is a one-time-only maintenance service
2. The "B" maintenance was done March 22-23, 2005. The next "B" maintenance is due in March/April, 2006.
3. The "C" maintenance has yet to be performed. The next "C" maintenance is due Sept. 22, 2005.
4. Rust was found on the anchor bolts. B&V and PWD are working on this issue.
5. There was 62.5 hours of communications failure during which no data was collected. The turbine appeared to operate normally during that period. B&V checking with OCES on cause of failure, given last month's replacement of a breaker to avoid similar issue.

Utility Issues:

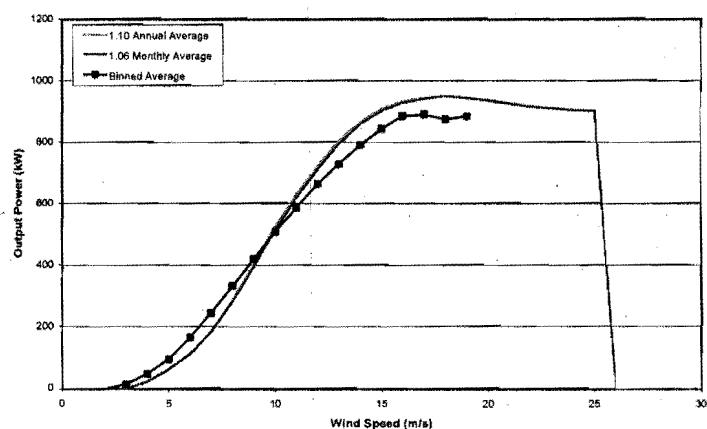
1. The last bill received by SCE was on July 25, 2005. B&V has reviewed this billing summary and did not locate any errors (although the bill for March 2005 was not included). B&V awaits the next bill for the final information to finish the net energy metering billing year.

Other Issues:

Palmdale Water District
Energy Production Wind Rose



Palmdale Water District
Measured Wind Turbine Power Curve



APPENDIX D. Hourly Rate Schedule

CONFIDENTIAL Note 2

Black & Veatch
Billing Rates and Expense Schedule
for
Home Office Consulting Engineering Services
Calendar Year 2012

HOURLY BILLING RATES (See Client Agreements and Notes)		
Category/Description/Grade/Hourly Billing Rate (\$/hr)		
ADM -- Administrative/Business Administrative business functions for the firm, including personnel, public relations, publications, purchasing, and other functions.	01	\$49.90
	02	\$53.80
	03	\$64.57
	04	\$86.19
	05	\$101.32
	06	\$107.76
	07	\$138.35
	08	\$184.08
	09	\$241.01
ADS -- Administrative Support Office support including clerical and secretarial.	01	\$36.97
	02	\$42.24
	03	\$48.51
	04	\$60.94
	05	\$79.65
ARC -- Architecture Architectural design, analysis, and management of the architectural function.	03	\$80.05
	04	\$96.44
	05	\$107.87
	06	\$123.22
	07	\$160.85
CNS -- Construction Services Construction service functions, including construction management, construction support, resident engineering, and project review.	02	\$78.45
	03	\$81.20
	04	\$83.93
	05	\$109.83
	06	\$131.70
	07	\$140.40
	08	\$164.64
	09	\$188.08
	10	\$202.89
	11	\$210.22
CST - Consulting Provide advisory services to clients regarding operational and administrative functions	01	\$140.40
	02	\$176.80
	03	\$192.40
	04	\$228.80
	05	\$249.60
	06	\$291.20
	07	\$317.20
	08	\$348.40
ENG -- Engineering Engineering design, analysis, and management. Includes departmental and project assignments including engineering department management.	127	\$79.43
	128	\$86.08
	129	\$95.87
	130	\$110.18
	131	\$136.55
	132	\$156.81
	133	\$177.01
	134	\$211.59
	135	\$220.18
ENS -- Engineering Specialist Professionals who provide expertise and project support for engineering and other types of projects.	128	\$75.75
	129	\$78.45
	130	\$94.89
	131	\$111.08
	132	\$147.40
ENT -- Engineering Technician Technical designers and drafters.	133	\$153.48
	125	\$58.57
	126	\$60.72
	127	\$65.63
	128	\$71.66
	129	\$84.31
	130	\$96.28
	131	\$119.24
	132	\$137.48
EST -- Estimating Professionals who assess the cost related to projects to assist with the preparation of proposals.	133	\$165.70
	134	\$174.34
	01	\$65.82
	02	\$76.86
	03	\$88.26
	04	\$122.18
	05	\$138.81
	06	\$160.03
	07	\$172.73

CONFIDENTIAL ^{Page 2}

Black & Veatch
Billing Rates and Expense Schedule
for
Home Office Consulting Engineering Services
Calendar Year 2012

HOURLY BILLING RATES (See Client Biller and Notes)

Salary Plan/Description/Grade/Hourly Billing Rate (\$USD)

FIN -- Finance Project accounting; financial reporting, planning & analysis, accounting operations, and tax.	02	\$51.97
	03	\$62.11
	04	\$78.09
	05	\$98.00
	06	\$121.09
	07	\$139.41
	08	\$158.31
ITS -- Information Science Information science functions including systems and software analysis, and network/communications consulting.	04	\$90.82
	06	\$135.24
	07	\$162.21
	08	\$197.52
OFF -- Office Services Word processing, document control, clerical accounting services, and related group supervisors.	05	\$47.01
	06	\$50.42
	07	\$61.79
	08	\$70.21
PCR -- Procurement Professionals who secure and administer the purchase of goods, commodities, and services.	01	\$52.98
	02	\$67.70
	03	\$77.93
	04	\$92.35
	05	\$107.40
	06	\$126.19
	07	\$152.91
PJC -- Project Controls Professionals who track the cost associated with a project and perform planning and scheduling functions related to projects.	01	\$72.12
	02	\$82.26
	03	\$92.60
	04	\$116.05
	05	\$130.25
	06	\$142.90
	07	\$176.69
PMT -- Project Management Project managers and project directors.	01	\$161.36
	02	\$172.54
	03	\$184.89
	04	\$198.09
	05	\$205.83
	06	\$219.69
	07	\$243.98
	08	\$269.04
SPC -- Specialized Staff Legal, scientific, economic, and related services for project assignments. Includes scientists, lawyers, economists, etc.	01	\$48.94
	02	\$64.84
	03	\$75.91
	04	\$93.39
	05	\$108.19
	06	\$134.59
	07	\$152.99
	08	\$208.29
	09	\$208.70

Client Billing: Client shall pay to Engineer for the performance of the Services the sum of the following amounts unless the compensation is otherwise stated in the specific task assignment:

1. Labor cost will be billed as actual hours charged to this project by Black & Veatch personnel and in accordance with the rates above.
2. Typical and customary home office expenses, including computer related expenses (network server charges, PC usage charges, software and design application charges, printing, plotting, and server storage), reprographic services, document production, fax, telephone, postage/courier, etc. will be billed at a rate of \$8.00 per hour of direct billed labor.
3. Expenses for travel and lodging will be billed at actual cost. These expenses include cost such as air-fare, personal mileage, lodging, meals, motor vehicles rental, telephone, special rental equipment, etc.
4. Cost of 3rd party services will be billed at actual cost plus 10%.
5. Field assignments of longer than 60 days will be billed as actual hours charged to this project by Black & Veatch personnel in accordance with the rate sheet plus uplift as determined by current field services policy. Expenses for field assignments can be per diem, actual expenses, or a combination of both as specific to the assignment.
6. Overtime applies only to non-exempt personnel as defined by the US Federal Wage and Hour Law. Overtime will be billed as actual hours charged to this project by Black & Veatch personnel in accordance with the rate sheet plus 50%.
7. Any other professionals not specifically identified above will be placed in the most appropriate category above based on function and experience.

Notes:

1. Billing rates are subject to annual adjustment on each January 1.
2. This Rate Sheet contains information that may be privileged, confidential and exempt from disclosure under applicable law. Any unauthorized disclosure, copying, or distribution of this document or any of its contents is prohibited.

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: June 7, 2012 **June 13, 2012**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Matthew R. Knudson, Engineering Manager
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: *AGENDA ITEM NO. 7.11 – CONSIDERATION AND POSSIBLE
ACTION ON PIPELINE RELOCATION AGREEMENT FOR APN'S
3053-005-902, 903, AND 905*

Recommendation:

Staff and the Facilities Committee recommend approving the attached agreement between Palmdale Water District and Antelope Valley Union High School District for the approval and acknowledgement of the proposed relocation of the water line as shown on Exhibit “A” attached to the proposed agreement.

Background:

The District has an existing 8-inch steel water main that was constructed in 1965 that has experienced numerous leaks over the last several years and is in need of replacement. District staff has prepared a design for the installation of a new 8-inch water main that will cross the above referenced parcels owned by the Antelope Valley Union High School District (AVUHSD). The District’s construction crew is scheduled to start construction of said replacement water main within the next few weeks, and District staff would like to have an agreement in place prior to starting construction that acknowledges that the AVUHSD accepts the location of the proposed 8-inch water main.

Strategic Plan Element:

This work is part of Strategic Goal 3.0 – Infrastructure Management.

Budget:

The approval of the attached agreement will have no impact on the 2012 Budget.

Supporting Documents:

- Proposed Agreement between Palmdale Water District and Antelope Valley Union High School District
- Exhibit “A” – Approved Water System Design Drawings

AGREEMENT

This Agreement is entered into by and between Palmdale Water District, an irrigation district formed under Division 11 of the California Water Code ("District"), and Antelope Valley Union High School District, a public entity ("Owner"), as of the last date set forth below with respect to the following facts:

RECITALS

- A. Owner owns the real property shown as parcel 902, 903, and 905 in map book 3053, page 005 of the Los Angeles County Assessor and situated in Palmdale, California (the "Property"), and
- B. District provides domestic water service to the Property and desires to perform certain construction work (the "Work") related to its continuing water service to that property, and
- C. Owner and the District desire to specify their respective rights and responsibilities relative to the Work.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows.

1. Approval of Relocation of Water Line. Owner acknowledges that it has reviewed the plans for the Work, as set forth in Exhibit A hereto, and by its entering into this Agreement, Owner hereby approves the location of the new water line the District will construct and install as part of the Work.

2. Cost of the Work. The District shall bear all costs associated with the planning, design and construction of the Work, and shall hold Owner completely harmless from such costs and from any liabilities that may result from that Work.

3. Costs of Agreement. Each party shall bear its own costs incurred in connection with the preparation of this Agreement.

Palmdale Water District

Dated: June __, 2012

By _____
Dennis D. LaMoreaux,
General Manager

Antelope Valley Union High School District

Dated: June __, 2012

By _____
Its _____

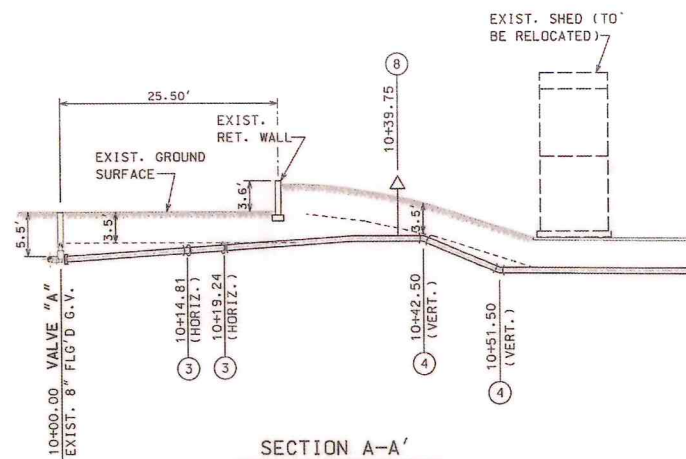
LIST OF MATERIALS			
NO.	ITEM DESCRIPTION	ESTIMATED QUANTITIES	
		TOTAL	UNIT
1	8" DUCTILE IRON PIPE, CL 350, D.C.M.L.	1048	L.F.
2	10" FLG x PE ADAPTER, D.I., CL 350, D.C.M.L.	1	EA.
3	8" M.J. 45° ELBOW, D.I., CL 350, D.C.M.L.	6	EA.
4	8" M.J. 22 1/2° ELBOW, D.I., CL 350, D.C.M.L.	4	EA.
5	8" FLG. x M.J. 90° ELBOW, D.I., CL 350, D.C.M.L.	1	EA.
6	8" FLG'D GATE VALVE, CL 150, WITH VALVE BOX PER P.W.D. STD. W-5	1	EA.
7	8" FLG x M.J. GATE VALVE, CL 150, WITH VALVE BOX PER P.W.D. STD. W-5	1	EA.
8	1" AIR & VACUUM RELEASE VALVE PER P.W.D. STD. W-16	1	EA.
9	8" x 6" M.J. x FLG TEE, D.I., CL 350, D.C.M.L.	4	EA.
10	6" x 4" x 2 1/2" FIRE HYDRANT ASS'LY PER P.W.D. STD. W-2A	1	EA.
11	8" FLG. x M.J. ADAPTER, D.I., CL 350, D.C.M.L.	2	EA.
12	6" FLG'D GATE VALVE, CL 150, WITH VALVE BOX PER P.W.D. STD. W-5	2	EA.
13	10" x 8" FLG'D REDUCER, D.I., CL 350, D.C.M.L.	1	EA.
14	6" SLIP-ON WELDING FLANGE	4	EA.
15	8" x 4" M.J. x FLG TEE, D.I., CL 350, D.C.M.L.	1	EA.
16	4" FLG'D GATE VALVE, CL 150, WITH VALVE BOX PER P.W.D. STD. W-5	1	EA.
17	3" SLIP-ON WELDING FLANGE	12	EA.
18	8" FLANGE INSULATION KIT	1	EA.
19	6" STEEL PIPE, 10 GA, CMLC	46	L.F.
20	3" STEEL PIPE, 10 GA, CMLC	17	L.F.
21	2" METERED SERVICE PER P.W.D. STD. W-1 (SEE GENERAL NOTES THIS SHEET)	2	EA.
22	6" FLANGE INSULATION KIT	2	EA.
23	4" FLANGE INSULATION KIT	1	EA.
24	8" TEST PLATE	1	EA.
25	8" M.J. GATE VALVE, CL 150, WITH VALVE BOX PER P.W.D. STD. W-5	1	EA.
26	NO ITEM		
27	4" x 3" FLG'D REDUCER, STL, CMLC	1	EA.
28	6" x 4" x 2 1/2" FIRE HYDRANT ASS'LY PER P.W.D. STD. W-3A	1	EA.
29	3" FLG'D. 90° ELBOW, STL, CMLC	3	EA.
30	3" STEEL PLAIN ELBOW W/ WELD-ON FLANGES, CMLC	1	EA.
31	BROOKS NO. 66 METER BOX	1	EA.
32	3" WATER METER, MASTER METER "OCTAVE" MODEL	1	EA.
33	3" BRASS SWEAT x FLANGE ADAPTER	1	EA.
34	3" COPPER TUBING	10	L.F.
35	3" COPPER JOIN SLEEVE	1	EA.

GENERAL NOTES:

- FITTINGS REFLECT THE USE OF D.I. PIPE. IF C900 P.V.C. PIPE IS USED THE FITTINGS MUST REFLECT THE USE OF SAID PIPE.
- EXISTING SERVICES ARE SHOWN AT APPROXIMATE LOCATION. NEW SERVICES MAY BE PLACED AT DIFFERENT LOCATION UNDER THE DIRECTION OF THE OWNER'S REPRESENTATIVE.
- EXISTING SIDEWALKS, CURBS, DRIVEWAYS, AND OTHER STRUCTURES ARE SHOWN AT APPROXIMATE LOCATIONS
- UTILIZE EXISTING METERS.
- ALL SALVAGEABLE FITTINGS TO BE RETURNED TO P.W.D. YARD.
- MISCELLANEOUS BLIND FLANGES, TEST PLATES, AND BLOW-OFFS WILL BE REQUIRED TO TEST NEW MAIN PRIOR TO TIE-IN. BLOW-OFFS TO BE PLUGGED WITH IRON PLUG AFTER TIE-IN.
- FILL-IN AND PAVE OVER VALVE BOX AFTER ABANDONMENT. REMOVE VALVE AND INSTALL BLIND FLANGE IF NECESSARY.
- NOTIFY ALL AFFECTED CUSTOMERS A MINIMUM OF 24 HOURS IN ADVANCE OF DOWNTIME. DOWNTIME NOT TO EXCEED 4 HOURS.
- ALL EXPOSED ENDS OF WATER MAINS TO BE ABANDONED SHALL BE PLATED PRIOR TO BACKFILL.
- ALL M.J. FITTINGS ARE TO BE EQUIPPED WITH RETAINING GLANDS.
- REPAIR OR REPLACE ALL LANDSCAPING DISTURBED BY CONSTRUCTION ACTIVITIES.
- FLANGES AND FITTINGS TO BE MIN. 5' FROM UTILITY CROSSINGS.

TYPICAL NOTES:

- REMOVE EXIST. FIRE HYDRANT ASSEMBLY & RISER AFTER NEW MAIN IS TESTED, DISINFECTED, & TIED-IN. PLATE EXIST. 6" STL. AFTER ABANDONMENT. REPAIR OR REPLACE DISTURBED LANDSCAPING. FILL-IN AND PAVE OVER VALVE BOX AFTER ABANDONMENT.
- FILL-IN AND PAVE OVER VALVE BOX AFTER ABANDONMENT. REMOVE VALVE AND INSTALL BLIND FLANGE IF NECESSARY.
- SPECIAL CONSTRUCTION REQ. AT SEWER CROSSING PER P.W.D. STD. W-10.



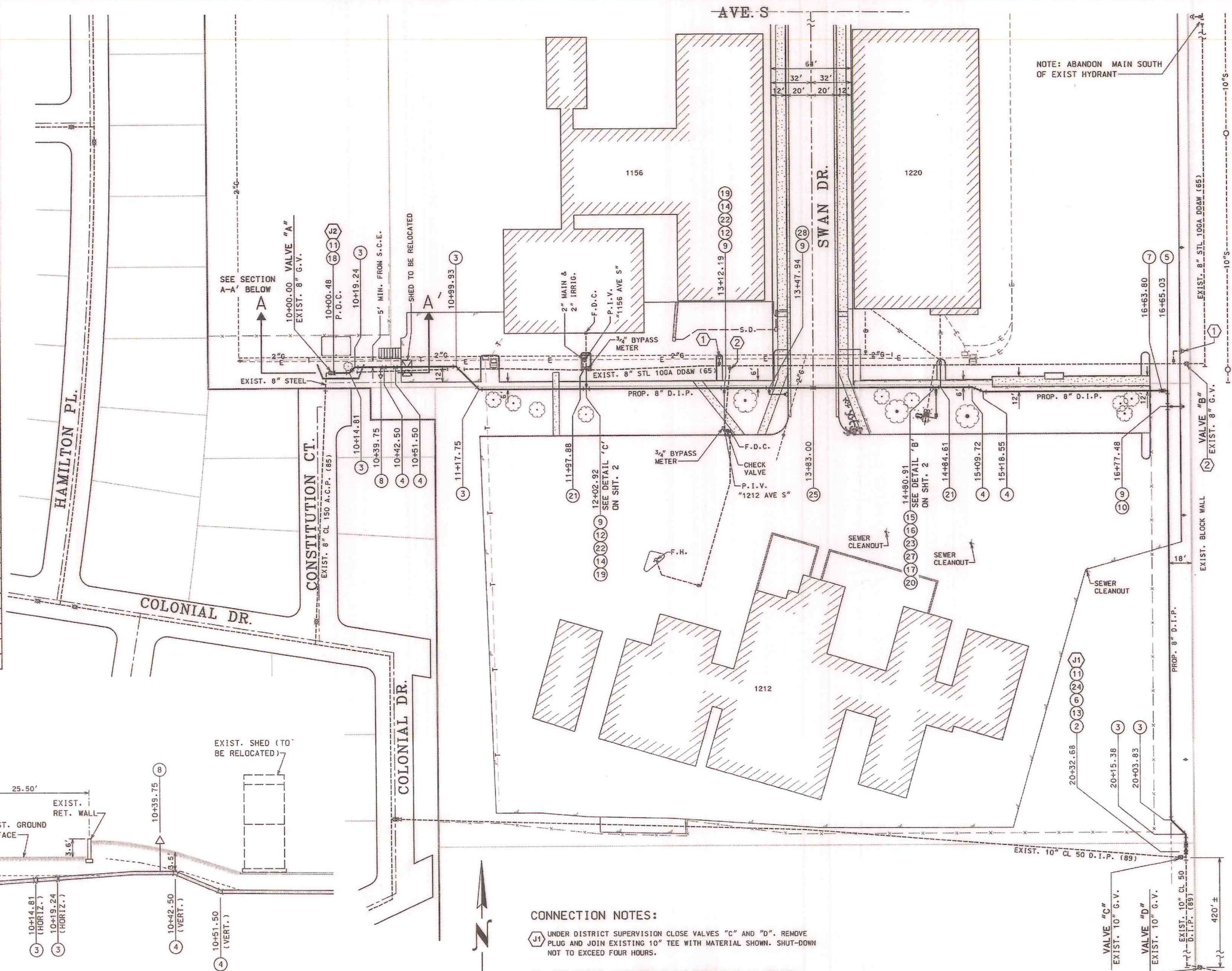
SECTION A-A'

SCALE: 1" = 10'

PROPOSED WATER MAIN SHALL MAINTAIN 42" OF COVER FROM TOP OF CURB

POT HOLE ALL UTILITY CROSSINGS AND TIE-IN POINTS AHEAD OF CONSTRUCTION TO VERIFY LOCATION, DEPTH, AND CONFIGURATION OF EXISTING FACILITIES

ALL TIE-INS AND SHUTDOWNS INVOLVING EXISTING SYSTEM WILL BE COORDINATED WITH AND PERFORMED UNDER P.W.D. SUPERVISION



CONNECTION NOTES:

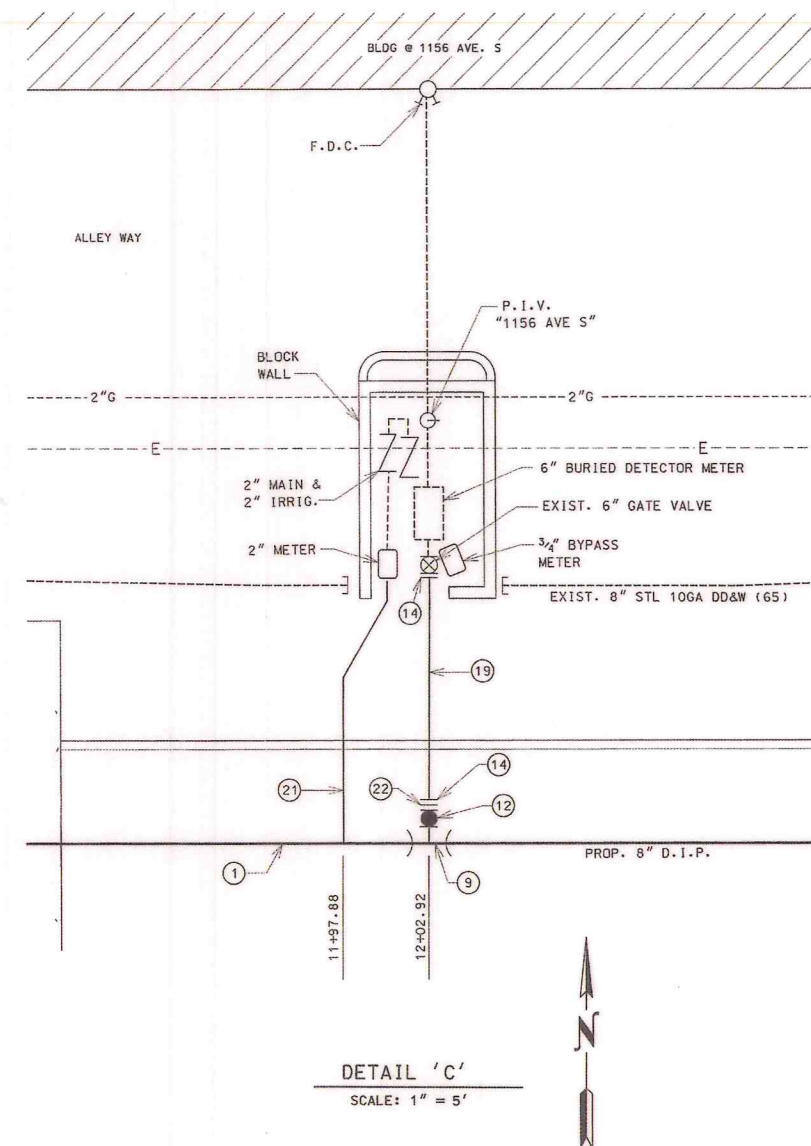
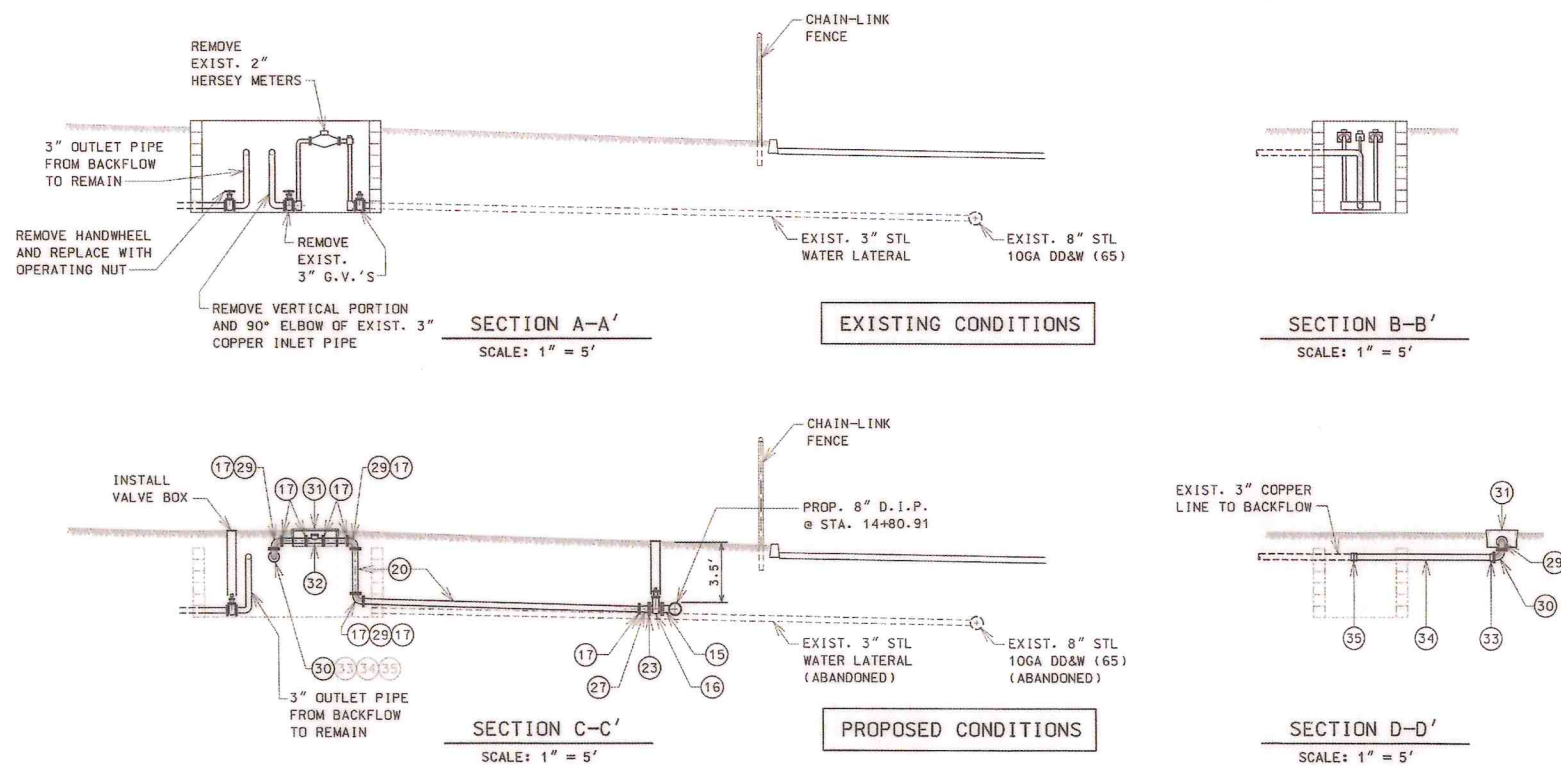
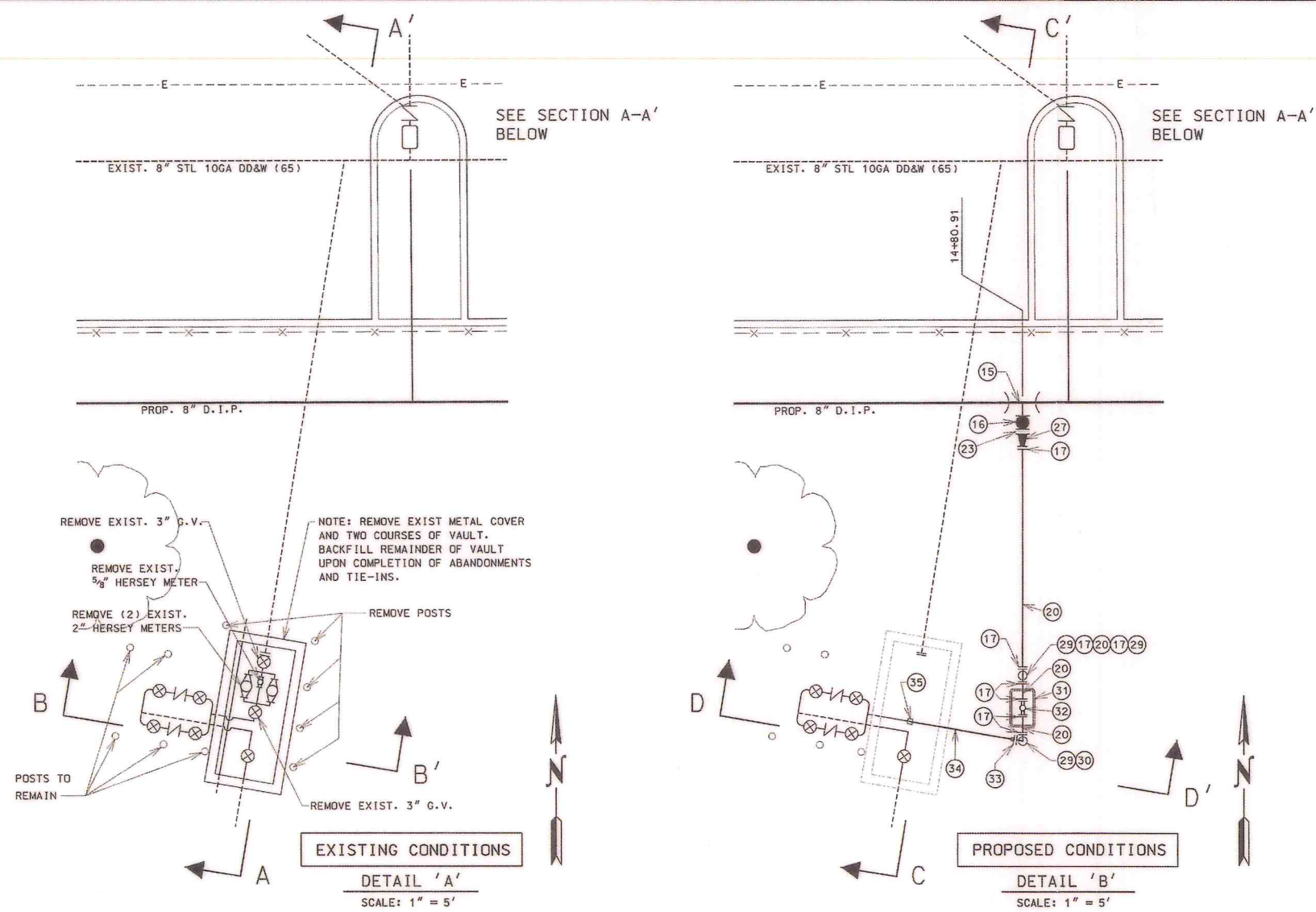
- UNDER DISTRICT SUPERVISION CLOSE VALVES "C" AND "D". REMOVE PLUG AND JOIN EXISTING 10" TEE WITH MATERIAL SHOWN. SHUT-DOWN NOT TO EXCEED FOUR HOURS.
- AFTER TESTING, DISINFECTION, AND TIE-OVER OF ALL SERVICES CLOSE VALVES "A" AND "B". REMOVE A PORTION OF EXIST 8" STL E'LY AND JOIN EXIST 8" FLG'D GATE VALVE WITH MATERIAL SHOWN. PLUG OR PLATE EXIST 8" STL E'LY FOR ABANDONMENT. SHUT-DOWN NOT TO EXCEED FOUR HOURS.


SCALE: 1" = 40'

REVISIONS			
DRAWN BY:	DATE:	DRAWN BY:	DATE:
APPROVED BY:	DATE:	APPROVED BY:	DATE:
△		△	

APPROVED	5/4/12
DATE	
DESIGN	M. KNUDSON
DRAWN	M. WEST
AS SHOWN	
SCALE	5/3/12
DATE	
W.S.N.	42-54

PALMDALE WATER DISTRICT 2029 EAST AVENUE 0, PALMDALE, CALIFORNIA 93550 (661) 947-4111	
P.W.D. WORK ORDER NO. 608-11	
8" WATER MAIN SOUTH OF 1156 & 1220 AVENUE S	1 OF 2



REVISIONS		APPROVED <u>5/4/12</u> <u>David L. Rothman</u> DATE		PALMDALE WATER DISTRICT	
DRAWN BY:	DATE:	GENERAL MANAGER		2029 EAST AVENUE Q, PALMDALE, CALIFORNIA 93550	
APPROVED BY:	DATE:	45906 12/31/12 R.C.E. NO. EXP. DATE	(661) 947-4111		
△	DESIGN		P.W.D. WORK ORDER NO. 608-11		
	M. KNUDSON				
DRAWN		M. WEST			
AS SHOWN					
SCALE		5/3/12	8" WATER MAIN SOUTH OF		
DATE			1156 & 1220 AVENUE S		
W.S.M.		42-54	2		
△			OF		
			2		

MINUTES OF MEETING OF THE FACILITIES COMMITTEE OF THE PALMDALE WATER DISTRICT, MARCH 21, 2012:

A meeting of the Facilities Committee of the Palmdale Water District was held Wednesday, March 21, 2012, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Alvarado called the meeting to order.

1) Roll Call.

Attendance:

Facilities Committee:
Robert Alvarado, Chair
Gordon Dexter, Committee
Member

Others Present:

Dennis LaMoreaux, General Manager
Matt Knudson, Engineering Manager
Tim Moore, Facilities Manager
Dawn Deans, Executive Assistant
4 members of the public

2) Adoption of Agenda.

It was moved by Committee Member Dexter, seconded by Chair Alvarado, and unanimously carried to adopt the agenda, as written.

3) Public Comments.

There were no 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 Regular Meeting Held September 21, 2011.

It was moved by Committee Member Dexter, seconded by Chair Alvarado, and unanimously carried to approve the minutes of the Facilities Committee meeting held September 21, 2011, as written.

4.2) Discussion and Possible Action on Energy Efficiency Proposal Received From Orion Engineered Systems West. (General Manager LaMoreaux/Willie Evans, Energy Reduction Consultant, Orion Engineered Systems West)

General Manager LaMoreaux stated that staff recommends the Committee consider an energy efficiency lighting proposal for changing out the lighting at the District's office, shop buildings, and water treatment plant facilities after which Mr. Willie Evans, Energy Reduction Consultant for Orion Engineered Systems West, reviewed their lighting audit conducted on District facilities, the details and cost of their proposal for providing energy efficient lighting fixtures and bulbs, available rebates, and financing options followed by discussion of the details of the proposal and retrofit.

Mr. Bill McNeese, Business Development Manager for Energy Protection Systems, then gave a presentation on an overall energy savings program strategy for the District including the lighting retrofit, a proactive real-time sentinel program for measuring and monitoring the District's usage and costs, the generation of power through a PV system, which would create renewable energy credits and provide a return on investment, and then reviewed the cost of these programs and their involvement.

The Committee then recommended the energy efficiency lighting proposal be presented to the full Board for consideration and staff review the potential cost and savings, anticipated payback, and replacement costs.

4.3) Status Report on Request Received From the Antelope Valley Conservancy for Conservation Easement on District-Owned Property. (General Manager LaMoreaux)

General Manager LaMoreaux provided an overview of the Antelope Valley Conservancy's request for a conservation easement on District-owned property located between Una Lake and the travelway for Barrel Springs Road on the east side of Sierra Highway, including use of their grant funds to help with trash clean-up and provide fencing for this site, and then informed the Committee that revised mitigation requirements for the Palmdale Ditch Enclosure Project have been requested from the Department of Fish and Game; that the District cannot commit to a conservation easement until these mitigation requirements are received as the conservation easement and mitigation measures cannot overlap; that members of the Conservancy will be contacting Board members individually regarding the conservation easement; and that the District has issued a support letter to the Conservancy's grant issuing agency for a time extension on their use of potential grant funds in this area.

Chair Alvarado then requested that information on the conservation easement be made available to the Directors.

5) Information Items.

Chair Alvarado requested Facilities Manager Moore share information on the potential lighting energy efficiency project with facilities staff after which General Manager LaMoreaux informed the Committee that this information can also be shared at next week's all-hands lunch/meeting.

There were no additional information items to discuss.

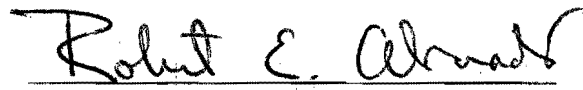
6) Board Members' Requests for Future Agenda Items.

General Manager LaMoreaux informed the Committee that staff is working with Black & Veatch for an evaluation of the wind turbine's performance, and this information will be brought before the Committee when available.

There were no requests for future agenda items.

7) Adjournment.

There being no further business to come before the Facilities Committee, the meeting was adjourned.



Chair

**MINUTES OF MEETING OF THE WATER SUPPLY & RELIABILITY COMMITTEE
OF THE PALMDALE WATER DISTRICT, APRIL 20, 2012:**

A meeting of the Water Supply & Reliability Committee of the Palmdale Water District was held Friday, April 20, 2012, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Dexter called the meeting to order.

1) Roll Call.

Attendance:

Water Supply & Reliability Cmte:
Gordon Dexter, Chair
Gloria Dizmang, Committee
Member

Others Present:

Dennis LaMoreaux, General Manager
Jon Pernula, Water & Energy Resources Mngr.
Matt Knudson, Engineering Manager
Danielle Doll, Administrative Assistant
0 members of the public

2) Adoption of Agenda.

It was moved by Committee Member Dizmang, seconded by Chair Dexter, and unanimously carried to adopt the agenda, as written.

3) Public Comments.

There were no public comments.

4) Action Items:

4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held April 20, 2012.

It was moved by Committee Member Dizmang, seconded by Chair Dexter, and unanimously carried to approve the minutes of the Water Supply & Reliability Committee meeting held April 20, 2012, as written.

4.2) Presentation of Monthly Water Demand and Supply Status. (Water & Energy Resources Manager Pernula)

Water & Energy Resources Manager Pernula informed the Committee that the District's State Water Project allocation has been increased to 60% and then reviewed the water supply projections and charts included with the agenda packet followed by discussion of precipitation charts and the elevation of Littlerock Reservoir.

**4.3) Consideration and Possible Action on Strategic Water Resources Plan.
(Water & Energy Resources Manager Pernula)**

Water & Energy Resources Manager Pernula reviewed additional comments received on the draft Programmatic Environmental Impact Report for the Strategic Water Resources Plan.

4.4) Consideration and Possible Action on Proposals for Preparation of Local Groundwater Assistance (LGA) Grant Application. (\$50,000.00 – Non-Budgeted – Engineering Manager Knudson)

Engineering Manager Knudson informed the Committee that staff is seeking assistance in preparing the grant application for the \$250,000.00 LGA offered by the Department of Water Resources; that staff has received two proposals for this work; and that based on review of the proposals, staff recommends accepting the proposal received from Wildermuth Environmental, Inc. in the not-to-exceed amount of \$35,000.00, and after a further discussion of the grant, of District work performed by Wildermuth Environmental, Inc., and of the District's intent for the grant funds, the Committee concurred with staff's recommendation and that this item be presented to the full Board for consideration.

5) Project Updates.

5.1) Recycled Water Master Plan. (Water & Energy Resources Manager Pernula)

Chair Dexter stated that there are no updates to report on this item due to litigation.

5.2) Garden Bar Water Supply and Power Project. (Water & Energy Resources Manager Pernula)

Water & Energy Resources Manager Pernula reported that staff has been invited to attend a meeting at the upcoming ACWA Conference on this Project and that the next steps, outreach, and co-partnerships for this Project are scheduled to be discussed.

5.3) Water Purchase Opportunities. (Water & Energy Resources Manager Pernula)

Water & Energy Resources Manager Pernula reported on the negotiations of the water purchase opportunity with Butte County followed by discussion of the number of State Water Project contractors and Littlerock Creek Irrigation District's use of their State Water Project allotment.

5.4) Water Treatment and Transportation Agreement Between Palmdale Water District and Antelope Valley East Kern Water Agency – Acton Water Treatment Plant. (Engineering Manager Knudson)

Engineering Manager Knudson reported that AVEK's contractor for construction of this project has completed the boring underneath the railroad at Sierra Highway and are laying pipeline; that the District is providing construction inspection for the project; and then provided photographs of the railroad boring process followed by discussion of an anticipated completion date and construction of a raw water line to Palmdale Ditch after which Chair Dexter stated that this project is a success story and should be publicized when water is flowing.

5.5) Littlerock Dam Sediment Removal Project. (Engineering Manager Knudson)

Engineering Manager Knudson reported that the Forest Service has been responsive to submittals and requested feedback; that letters have been submitted to various quarry owners regarding disposal of sediment; and that a meeting is scheduled next week with one of the quarry owners.

6) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

7) Closed Session Under:

7.1) Government Code Section 54956.9(a), Existing Litigation: *Antelope Valley Ground Water Cases.*

At 3:30 p.m. Chair Dexter called for a closed session pursuant to Government Code Section 54956.9(a), Existing Litigation – one case: *Antelope Valley Ground Water Cases*.

He reconvened the Committee meeting at 3:35 p.m.

8) Public Report of Any Action Taken in Closed Session.

Chair Dexter reported that a closed session had been held under Government Code Section 54956.9(a), Existing Litigation – one case: *Antelope Valley Ground Water Cases*; that the Committee was briefed on this matter; but that no reportable action under the Brown Act was taken in closed session on any of these matters.

9) Information Items.

There were no additional information items to discuss.


10) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

Chair Dexter stated that the next Water Supply & Reliability Committee meeting will be held May 18, 2012 at 3:00 p.m.

11) Adjournment.

There being no further business to come before the Water Supply & Reliability Committee, the meeting was adjourned.



Chair