



# PALMDALE WATER DISTRICT

2029 East Avenue Q • Palmdale, California 93550 • Telephone (661) 947-4111

Fax (661) 947-8604

[www.palmdalewater.org](http://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, SENECA, GOSNEY & KRUSE LLP  
Attorneys



October 3, 2013

***Agenda for a Meeting  
of the Finance Committee of the Palmdale Water District  
Committee Members: Gloria Dizmang-Chair, Steve Cordova  
to be held at the District's office at 2029 East Avenue Q, Palmdale***

***Wednesday, October 9, 2013***

***5:00 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 x1003 at least 48 hours prior to a Board meeting to inform us of your needs and to determine if accommodation is feasible.

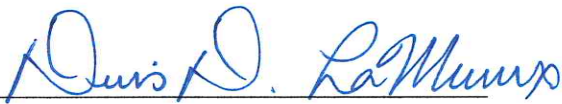
Agenda item materials, as well as materials related to agenda items submitted after distribution of the agenda packets, are available for public review at the District's office located at 2029 East Avenue Q, Palmdale. Please call Dawn Deans at 661-947-4111 x1003 for public review of materials.

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

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

- 1) Roll call.
- 2) Adoption of agenda.
- 3) Public comments.
- 4) Action Items: (The public shall have an opportunity to comment on any action item as each item is considered by the Committee prior to action being taken.)

- 4.1) Consideration and possible action on approval of minutes of meeting held September 11, 2013.
- 4.2) Discussion and overview of Cash Flow Statement and Current Cash Balances as of August 31, 2013. (Financial Advisor Egan)
- 4.3) Discussion and overview of Financial Statements, Revenue and Expense and Departmental Budget Reports for August 31, 2013. (Finance Manager Williams)
- 4.4) Discussion and overview of committed contracts issued. (Engineering Manager Knudson)
- 4.5) Discussion and review of 2014 Budget. (Finance Manager Williams)
- 4.6) Consideration and possible action on Reserve Policy. (Chair Dizmang)
- 4.7) Consideration and possible action on Request for Proposals for auditor. (Financial Advisor Egan)
- 4.8) Consideration and possible action on Request for Proposals for preparing a rate study. (General Manager LaMoreaux)
- 5) Information items.
- 6) Board members' requests for future agenda items.
- 7) Adjournment.

  
DENNIS D. LaMOREAUX,  
General Manager

DDL/dd

**PALMDALE  
WATER DISTRICT  
BOARD MEMORANDUM**

---

<b>DATE:</b>	October 3, 2013	October 9, 2013
<b>TO:</b>	FINANCE COMMITTEE	Committee Meeting
<b>FROM:</b>	Mr. Bob Egan, Financial Advisor	
<b>RE:</b>	<i>AGENDA ITEM NO. 4.2 – DISCUSSION AND OVERVIEW OF CASH FLOW STATEMENT AND CURRENT CASH BALANCES AS OF AUGUST 31, 2013</i>	

---

Attached is the Investment Funds Report and current cash balance as of August 31, 2013. The reports will be reviewed in detail at the Finance Committee meeting.

PALMDALE WATER DISTRICT  
INVESTMENT FUNDS REPORT

			August 31, 2013			August-13	July-13
DESCR						VALUE	VALUE
A/C #							
<b>CASH</b>							
0-0103	Citizens/US Bank - Checking					188,488.64	193,158.63
0-0104	Citizens- Merchant					71,531.35	107,431.18
					Bank cash	260,019.99	300,589.81
0-0119	PETTY CASH					300.00	300.00
0-0120	CASH ON HAND					3,400.00	3,400.00
	<b>TOTAL CASH</b>					<b>263,719.99</b>	<b>304,289.81</b>
<b>INVESTMENTS</b>							
0-0110	UBS ACCOUNT SS 11469 GG						
	UBS RMA Government Portfolio					5,430,799.65	5,296,207.95
	UBS Bank USA Dep acct					250,000.00	250,000.00
	1998 Debt Reserve Fund						
	FHLB par 1.4Mil matures 10/18/13 3.625% interest					1,406,160.00	1,410,514.00
	Accrued interest					18,608.38	14,520.10
						7,105,568.03	6,971,242.05
0-1110	UBS ACCOUNT SS 11475 GG						
	UBS Bank USA Dep acct					203,592.73	181,535.23
	UBS RMA Government Portfolio					0.00	0.00
						203,592.73	181,535.23
0-0115	LAIF					11,690.59	11,690.59
0-0111	UBS ACCOUNT SS 11432 GG						
	UBS Bank USA Dep acct					56,761.15	54,881.51
	UBS RMA Government Portfolio					2.53	2.53
	Accrued interest					6,284.00	3,496.80
	US GOVERNMENT SECURITIES:						
	ISSUE DATE	ISSUER	EXPIR DATE	RATE	PAR	MARKET VALUE	MARKET VALUE
		FNMA	10/26/15	1.625	500,000	511,830.00	512,655.00
		FNMA	06/28/17	1.125	500,000	494,940.00	497,080.00
		FNMA	07/17/17	1.2	500,000	488,865.00	491,285.00
		FHLB	12/28/17	0.95	500,000	485,930.00	489,880.00
		FHLMC	07/25/18	2.00	500,000	499,460.00	501,305.00
					2,500,000.00	2,481,025.00	2,492,205.00
	<b>TOTAL MANAGED ACCOUNT</b>					<b>2,544,072.68</b>	<b>2,550,585.84</b>
	<b>TOTAL INVESTMENTS</b>					<b>9,864,924.03</b>	<b>9,715,053.71</b>
	<b>GRAND TOTAL CASH AND RESTRICTED CASH</b>					<b>10,128,644.02</b>	<b>10,019,343.52</b>
					Incr (Decr)	109,300.50	(986,704.15)
	Checking		263,720				
	UBS MM		7,309,161		BNY Mellon		
	LAIF		11,691		Construction	8,222,485.96	8,376,631.63
	UBS Investment		2,544,073		Issuance	0.00	0.00
	Restricted		0			8,222,485.96	8,376,631.63
	Total		10,128,644				



REVISED 10/01/13	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	
	January	February	March	April	May	June	July	August	September	October	November	December	YTD
Water Sales	1,650,519	1,596,949	1,675,412	1,839,852	1,983,700	2,140,418	2,277,708	2,431,328	2,452,200	2,221,000	2,054,200	1,759,700	24,082,985
	1,650,519	1,596,949	1,675,412	1,839,852	1,983,700	2,140,418	2,277,708	2,431,328	2,452,200	2,221,000	2,054,200	1,759,700	
Beginning Balance	9,001,455	9,043,624	9,364,314	7,809,930	10,211,620	10,779,452	11,006,048	10,019,343	10,128,644	8,006,291	7,647,218	8,340,800	
Water Receipts	2,428,492	1,596,949	1,905,179	1,839,852	1,931,246	2,072,882	2,277,708	2,270,293	2,452,200	2,221,000	2,054,200	1,759,700	24,809,700
Other													
Total Operating Revenue	2,428,492	1,596,949	1,905,179	1,839,852	1,931,246	2,072,882	2,277,708	2,270,293	2,452,200	2,221,000	2,054,200	1,759,700	
Operating Expenses:													
Total Operating Expenses excl GAC	1,953,262	1,477,034	1,514,430	1,096,787	1,588,065	1,618,182	1,764,877	1,781,171	1,725,700	1,839,550	1,794,100	2,255,100	20,408,258
													3,674,727
Non-Operating Revenue Expenses:													
Assessments, net	620,213	287,572	2,234	1,883,965	585,806	5,790	287,658	134,539			113,500	2,383,600	6,304,877
Special Avek CIF Payment													0
Interest	(5,316)	(6,054)	1,396	(424)	835	5,250	(66)	8,950	2,100	2,100	2,100	2,100	12,971
Mkt adj					(16,104)	(16,532)	7,269	(15,534)					
Grant Re-imbursement											485,000		485,000
Capital Improvement Fees		44,176	(116,241)	0	48,031	0	0	22,053	12,500	12,500	12,500	12,500	48,019
													0
DWR Refund/( payment )				59,514	35,285		(436,485)						(341,686)
Other /Palmdale Redevel Agency	9,828	54,653	6,774	13,488	16,165	9,849	41,835						152,592
Total Non-Operating Revenues	624,724	380,347	(105,836)	1,956,543	670,018	4,358	(99,789)	150,008	14,600	14,600	613,100	2,398,200	6,661,773
Capital Expenditures	(194,434)		(61,168)	(103,645)	(54,481)	(52,617)	(82,411)	(99,088)	(8,898)	(319,100)			(975,842)
GAC	(233,893)				(216,776)		(216,829)	(216,829)	(555,923)	(256,405)			(1,696,655)
SWP Capitalized	(629,459)	(156,354)	(180,606)	(156,354)	(156,354)	(156,354)	(575,348)	(156,281)	(184,600)	(156,400)	(156,400)	(156,400)	(2,820,910)
Prepaid Insurance (paid) refunded			(65,835)					(34,140)					(99,975)
Bond Payments Interest			(1,010,820)						(829,635)				(1,840,455)
Principal			(517,540)						(1,261,179)				(1,778,719)
System Work for AVEK													0
Butte payments							(507,402)					(507,402)	(1,014,804)
Capital leases		(23,218)	(3,327)	(37,919)	(17,756)	(23,491)	(17,756)	(23,491)	(23,218)	(23,218)	(23,218)	(23,218)	(239,830)
Legal adjudication fees													0
Total Cash Ending Balance	9,043,624	9,364,314	7,809,930	10,211,620	10,779,452	11,006,048	10,019,343	10,128,644	8,006,291	7,647,218	8,340,800	9,556,580	(10,467,190)
											Budget	8,193,078	(130,690)
											diff	1,363,502	

# **PALMDALE WATER DISTRICT BOARD MEMORANDUM**

**DATE:** October 2, 2013 **October 9, 2013**  
**TO:** FINANCE COMMITTEE **Committee Meeting**  
**FROM:** Michael Williams, Finance Manager/CFO  
**VIA:** Mr. Dennis LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM 4.3 – DISCUSSION AND OVERVIEW OF FINANCIAL STATEMENTS, REVENUE AND EXPENSE AND DEPARTMENTAL BUDGET REPORTS FOR AUGUST 31, 2013.***

---

## **Discussion:**

Presented here are the Balance Sheet and Profit/Loss Statement for the period ending August 31, 2013. Also included are Year-To-Year Comparisons and Month-To-Month comparisons for both revenue and expense. Finally, I have provided individual departmental budget reports for the month of August, 2013.

This is the eighth month of the District's Budget Year 2013. The target percentage is 66%. Revenues ideally are at or above, and expenditures ideally are below.

## **Balance Sheet:**

- Page 1 is our balance sheet on August 31, 2013.
- Current Assets have increased by approximately \$1.3MM due to adjustment in our assessments receivables.

## **Profit/Loss Statement:**

- Page 3 is our profit/loss statement on August 31, 2013.
- Operating revenue is at 68% of budget.
- Cash operating expense is at 63% of budget.
- Two departments and one major expense category are over the target 66%. Those are Engineering, Operations, and Water Purchases. Remaining departments are under the 66% target.
- Under Non-Operating revenue, Assessments are showing strong at 71% for debt service and 85% for the 1%.
- Page 3-1 is the make-up of other operating revenues.

## **Year-To-Year Comparison P&L:**

- Page 7 is our comparison of August, 2012 to August, 2013.
- Total operating revenue is down by \$96K, or 5.8%.
- Operating expenditures are up by \$307K, or 19%.
- Page 8 is a graphic presentation of the water consumption comparison. Units billed in acre feet were down by 89, or 3.8%. Total revenue per unit sold is up \$0.12, or 5.2%, and total revenue per connection is up \$1.26, or 1.3%.

FINANCE COMMITTEE  
PALMDALE WATER DISTRICT

VIA: Mr. Dennis LaMoreaux, General Manager

-2-

October 2, 2013

**Revenue Analysis Year-To-Date:**

- Page 9 is our comparison of revenue, year-to-date.
- Operating revenue through August, 2013 is up by \$1.2MM, or 9%, compared to 2012.
- Retail water related sales are up by \$929K over last year.
- As mentioned, we are at 67% of budget; last year this time we were at 65%.
- Total revenue is up \$493K. or 2.5%.

**Expense Analysis Year-To-Date:**

- Page 11 is our comparison of expense, year-to-date.
- Cash Operating Expenses through August, 2013 are down by \$327K, or 2.4%, compared to 2012.
- Total Expenses are approximately even with last year.

**Departments:**

- Pages 14 through 22 are detailed budgets of each department. As stated earlier, all departments are below the target 66% with the exception of Engineering and Operations. Nothing unusual for Engineering; the higher percentage is due to the implementation of the GIS project.
- In Operations, we are seeing four line items that are over budget. Our analysis shows that contracted services were under budgeted for the year for costs associated with the wind turbine. Maintenance of the shop building is over due to unexpected costs associated with the air conditioning. Maintenance of Hypo Generator is over budget due to an unexpected failure. Outside lab work is over budget due to increased activity in testing.

**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.

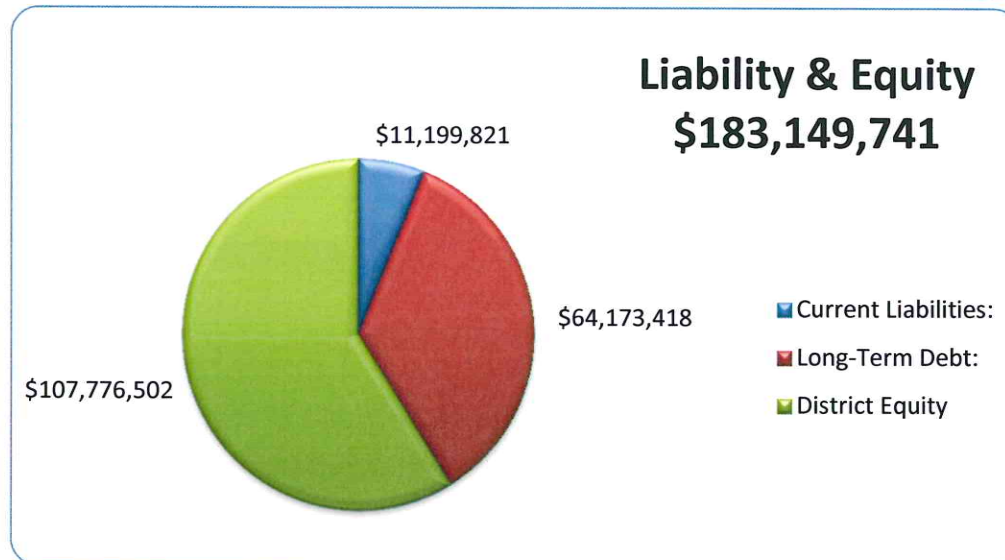
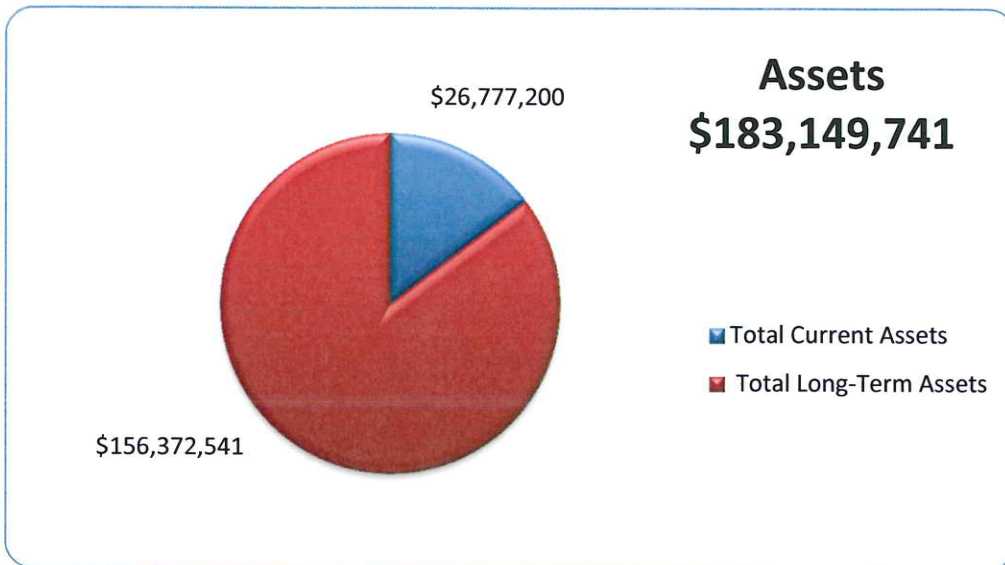
**Service Cost Construction:** The value of material, parts & supplies from inventory used to construct, repair and maintain our asset infrastructure.

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

**Palmdale Water District**  
**Balance Sheet Report**  
**For the Eight Months Ending 8/31/2013**

	<b>August 2013</b>	<b>July 2013</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 263,720	\$ 304,484
Investments	9,864,931	9,715,061
2013A Bonds - Project Funds	8,222,486	8,367,524
	<u>\$ 18,351,137</u>	<u>\$ 18,387,068</u>
<b>Receivables:</b>		
Accounts Receivables - Water Sales	\$ 1,925,145	\$ 1,744,684
Accounts Receivables - Miscellaneous	255,213	255,741
Allowance for Uncollected Accounts	(49,317)	(49,317)
	<u>\$ 2,131,042</u>	<u>\$ 1,951,109</u>
Interest Receivable	\$ 9	\$ 9
Assessments Receivables	5,419,745	4,123,864
Meters, Materials and Supplies	793,260	907,755
Prepaid Expenses	82,006	49,805
<b>Total Current Assets</b>	<b><u>\$ 26,777,200</u></b>	<b><u>\$ 25,419,610</u></b>
<b>Long-Term Assets:</b>		
Property, Plant, and Equipment, net	\$ 116,567,356	\$ 116,759,680
Participation Rights in State Water Project, net	38,148,580	38,136,972
Bond Issuance Cost, Net	256,225	258,575
2013A Bonds - Cost of Issuance	1,159,832	1,159,832
2013A Bonds - Insurance & Surety Bond	240,548	241,215
<b>Total Long-Term Assets</b>	<b><u>\$ 156,372,541</u></b>	<b><u>\$ 156,556,275</u></b>
<b>Total Assets</b>	<b><u>\$ 183,149,741</u></b>	<b><u>\$ 181,975,885</u></b>
<b>LIABILITIES AND DISTRICT EQUITY</b>		
<b>Current Liabilities:</b>		
Current Interest Installment of Long-term Debt	\$ 638,046	\$ 446,457
Current Principal Installment of Long-term Debt	1,424,665	1,424,665
Accounts Payable and Accrued Expenses	5,220,449	5,431,823
Deferred Assessments	3,916,661	3,416,663
<b>Total Current Liabilities</b>	<b><u>\$ 11,199,821</u></b>	<b><u>\$ 10,719,608</u></b>
<b>Long-Term Debt:</b>		
Pension-Related Debt	\$ 1,141,041	\$ 1,141,041
OPEB Liability	7,153,477	7,005,348
2013A Water Revenue Bonds	44,422,483	44,424,734
2012 - Certificates of Participation	10,985,547	10,978,750
2011 - Capital Lease Payable	470,870	484,561
<b>Total Long-Term Liabilities</b>	<b><u>\$ 64,173,418</u></b>	<b><u>\$ 64,034,434</u></b>
<b>Total Liabilities</b>	<b><u>\$ 75,373,239</u></b>	<b><u>\$ 74,754,042</u></b>
<b>District Equity</b>		
Revenue from Operations	\$ (1,656,202)	\$ (2,210,861)
Retained Earnings	109,432,704	109,432,704
<b>Total Liabilities and District Equity</b>	<b><u>\$ 183,149,741</u></b>	<b><u>\$ 181,975,885</u></b>

## BALANCE SHEET AS OF AUGUST 31, 2013





**Palmdale Water District**  
**Consolidated Profit and Loss Statement**  
**For the Eight Months Ending 8/31/2013**

	Thru July	August	Year-to-Date	Adjustments	Adjusted Budget	% of Budget
<b>Operating Revenue:</b>						
Wholesale Water	\$ 60,746	\$ 28,325	\$ 89,071		\$ 175,000	50.90%
Water Sales	4,467,591	1,077,294	5,544,885		8,198,000	67.64%
Meter Fees	6,442,145	920,383	7,362,528		11,232,000	65.55%
Water Quality Fees	864,602	193,983	1,058,585		1,638,000	64.63%
Elevation Fees	283,841	67,381	351,222		550,000	63.86%
Other	1,048,152	143,962	1,192,114		1,250,000	95.37%
<b>Total Water Sales</b>	<b>\$ 13,167,078</b>	<b>\$ 2,431,328</b>	<b>\$ 15,598,405</b>	<b>\$ -</b>	<b>\$ 23,043,000</b>	<b>67.69%</b>
<b>Cash Operating Expenses:</b>						
Directors	\$ 58,970	\$ 7,147	\$ 66,117		\$ 117,500	56.27%
Administration	1,399,750	109,342	1,509,092		2,602,000	58.00%
Engineering	743,453	101,463	844,916		1,215,750	69.50%
Facilities	1,721,431	239,671	1,961,102		3,298,500	59.45%
Operations	2,865,693	549,488	3,415,180		4,944,250	69.07%
Finance*	1,551,354	272,518	1,823,871	(24,300)	2,764,700	65.97%
Water Conservation	132,811	19,409	152,220		239,750	63.49%
Human Resources*	94,595	14,569	109,164	24,300	233,900	46.67%
Information Technology	378,420	42,648	421,068		728,000	57.84%
Water Purchases	1,564,532	358,232	1,922,764		2,600,000	73.95%
Water Purchases-Prior Year OAP	436,485	-	436,485		-	
Water Recovery	(468,471)	(66,826)	(535,297)		(100,000)	535.30%
Capitalized Expenditures	531,028	84,171	615,199		836,500	73.54%
GAC Filter Media Replacement	653,896	-	653,896		1,638,000	39.92%
<b>Total Cash Operating Expenses</b>	<b>\$ 11,663,946</b>	<b>\$ 1,731,830</b>	<b>\$ 13,395,776</b>	<b>\$ -</b>	<b>\$ 21,118,850</b>	<b>63.43%</b>
<b>Non-Cash Operating Expenses:</b>						
Depreciation	\$ 4,656,777	\$ 580,701	\$ 5,237,478		\$ 7,250,000	72.24%
OPEB Accrual Expense	1,156,559	165,223	1,321,781		2,000,000	66.09%
Bad Debts	5,426	-	5,426		100,000	5.43%
Service Costs Construction	58,551	31,589	90,140		125,000	72.11%
Capitalized Construction	(548,118)	(189,580)	(737,698)		(1,000,000)	73.77%
<b>Total Non-Cash Operating Expenses</b>	<b>\$ 5,329,194</b>	<b>\$ 587,932</b>	<b>\$ 5,917,126</b>	<b>\$ -</b>	<b>\$ 8,475,000</b>	<b>69.82%</b>
<b>Net Operating Profit/(Loss)</b>	<b>\$ (3,826,062)</b>	<b>\$ 111,565</b>	<b>\$ (3,714,497)</b>	<b>\$ -</b>	<b>\$ (6,550,850)</b>	<b>56.70%</b>
<b>Non-Operating Revenues:</b>						
Assessments (Debt Service)	\$ 2,536,556	\$ 510,620	\$ 3,047,176		\$ 4,300,000	70.86%
Assessments (1%)	1,062,172	213,820	1,275,992		1,500,000	85.07%
DWR Fixed Charge Recovery	94,799	-	94,799		100,000	94.80%
Interest	(21,444)	(6,584)	(28,028)		25,000	-112.11%
Capital Improvement Fees	(24,034)	22,053	(1,981)		150,000	-1.32%
State Grants	-	-	-		485,000	0.00%
Other	158,011	3,489	161,500		150,000	107.67%
<b>Total Non-Operating Revenues</b>	<b>\$ 3,806,060</b>	<b>\$ 743,398</b>	<b>\$ 4,549,459</b>	<b>\$ -</b>	<b>\$ 6,710,000</b>	<b>67.80%</b>
<b>Non-Operating Expenses:</b>						
Interest on Long-Term Debt	\$ 1,048,887	\$ 201,329	\$ 1,250,216		\$ 2,111,000	59.22%
Amortization of SWP	1,010,599	144,745	1,155,344		1,679,000	68.81%
Water Conservation Programs	75,784	9,820	85,604		150,000	57.07%
<b>Total Non-Operating Expenses</b>	<b>\$ 2,135,270</b>	<b>\$ 355,894</b>	<b>\$ 2,491,164</b>	<b>\$ -</b>	<b>\$ 3,940,000</b>	<b>63.23%</b>
<b>Net Earnings</b>	<b>\$ (2,155,272)</b>	<b>\$ 499,070</b>	<b>\$ (1,656,202)</b>	<b>\$ -</b>	<b>\$ (3,780,850)</b>	<b>43.81%</b>

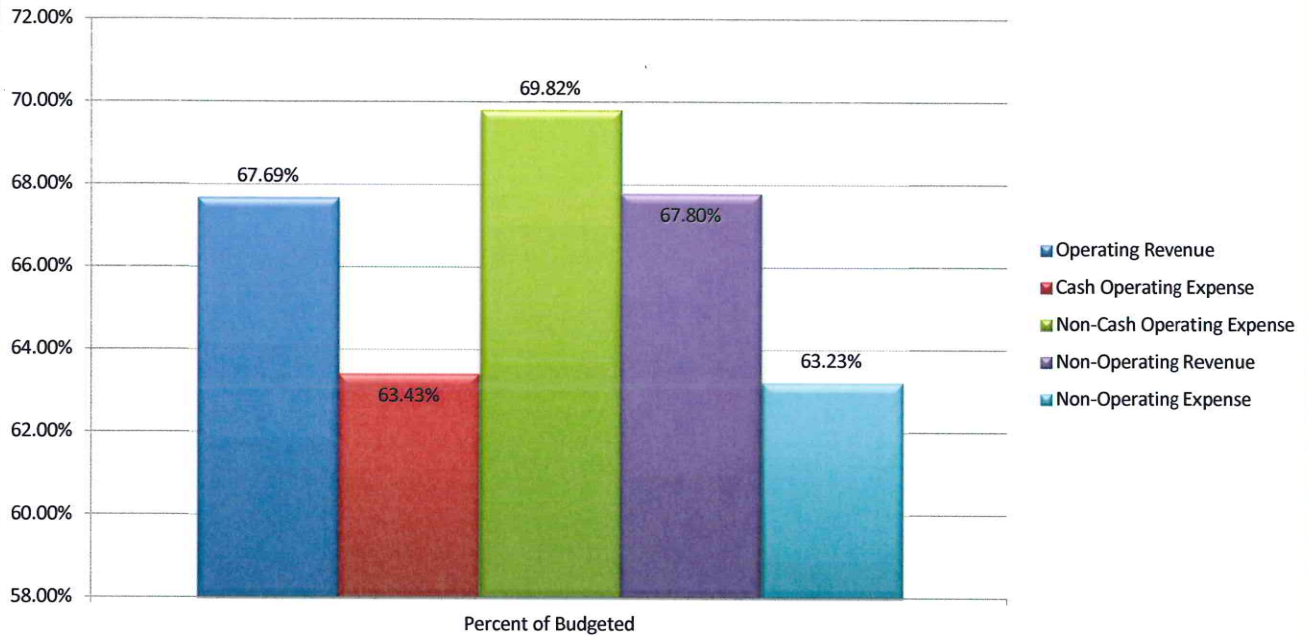
\* Budget adjustments by General Manager per Appendix A



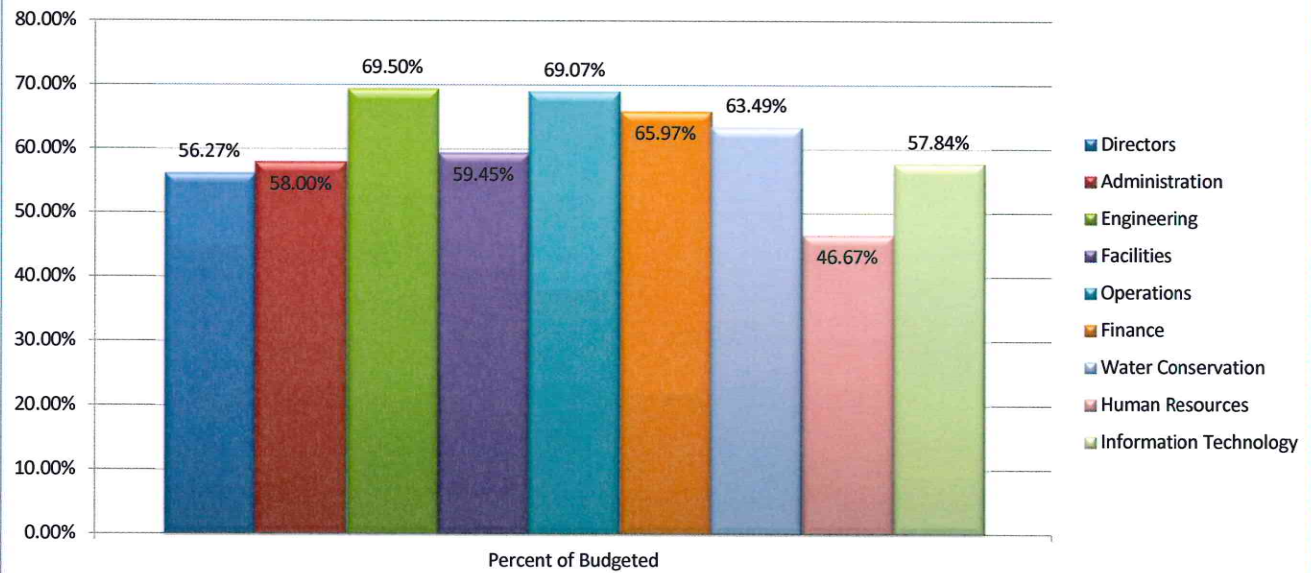
OTHER OPERATING REVENUE
-------------------------

5/8" Meter Charge(\$109)	(\$25.00)
Account Setup Charge(\$25)	\$2,670.00
Account Setup Charge/CC (\$35)	\$2,940.00
After Hours Service Call	\$320.00
Construction Meter Install(\$250)	\$1,500.00
Credit Check(\$10)	\$20.00
Customer Request Turn On/Off(\$15)	\$60.00
Door Tag Fee(\$20)	\$51,100.00
Grind Down Angle Stop (\$230)	\$230.00
Lock Broken or Missing(\$15)	\$225.00
Meter Exchange 1" to 5/8"(\$240)	\$720.00
Miscellaneous Charge	\$25.00
Monthly Service Charge	\$78.21
Non-Compliance Fee Backflow(\$50)	\$150.00
Pulled Meter Service Charge(\$60)	\$540.00
Repair Angle Stop(\$440.00)	\$2,640.00
Shut-Off Charge(\$30)	\$6,840.00
Shut-Off Processing Fee(\$20)	\$180.00
Standard Trip Charge(\$15)	\$360.00
Late Fees	\$57,022.45
NSF Fee	\$1,025.00
	<u>\$128,620.66</u>

### P & L BUDGET vs. ACTUAL



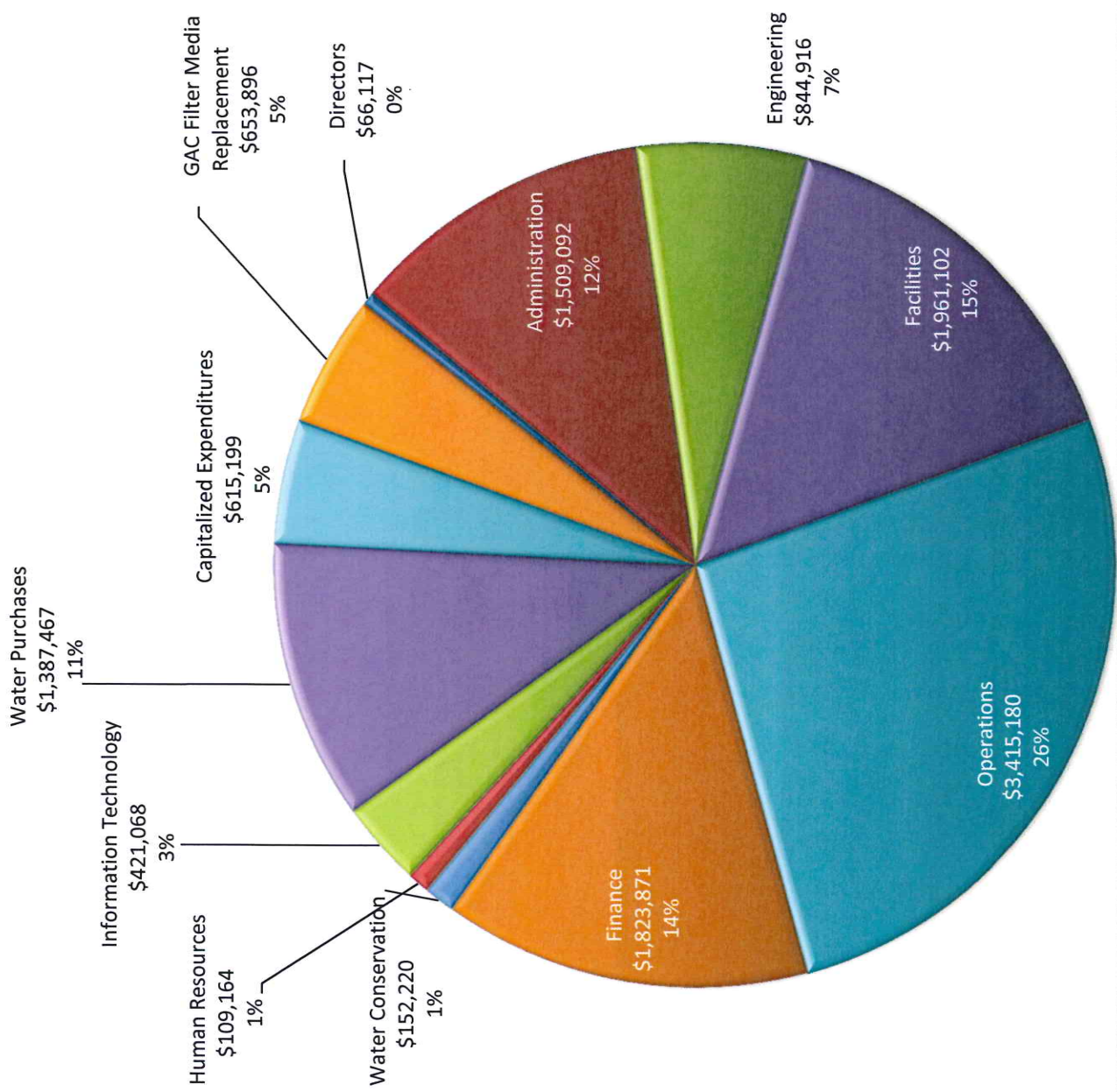
### DEPARTMENTAL - BUDGET vs. ACTUAL



# Cash Operating Expenses

## YTD 08/31/13

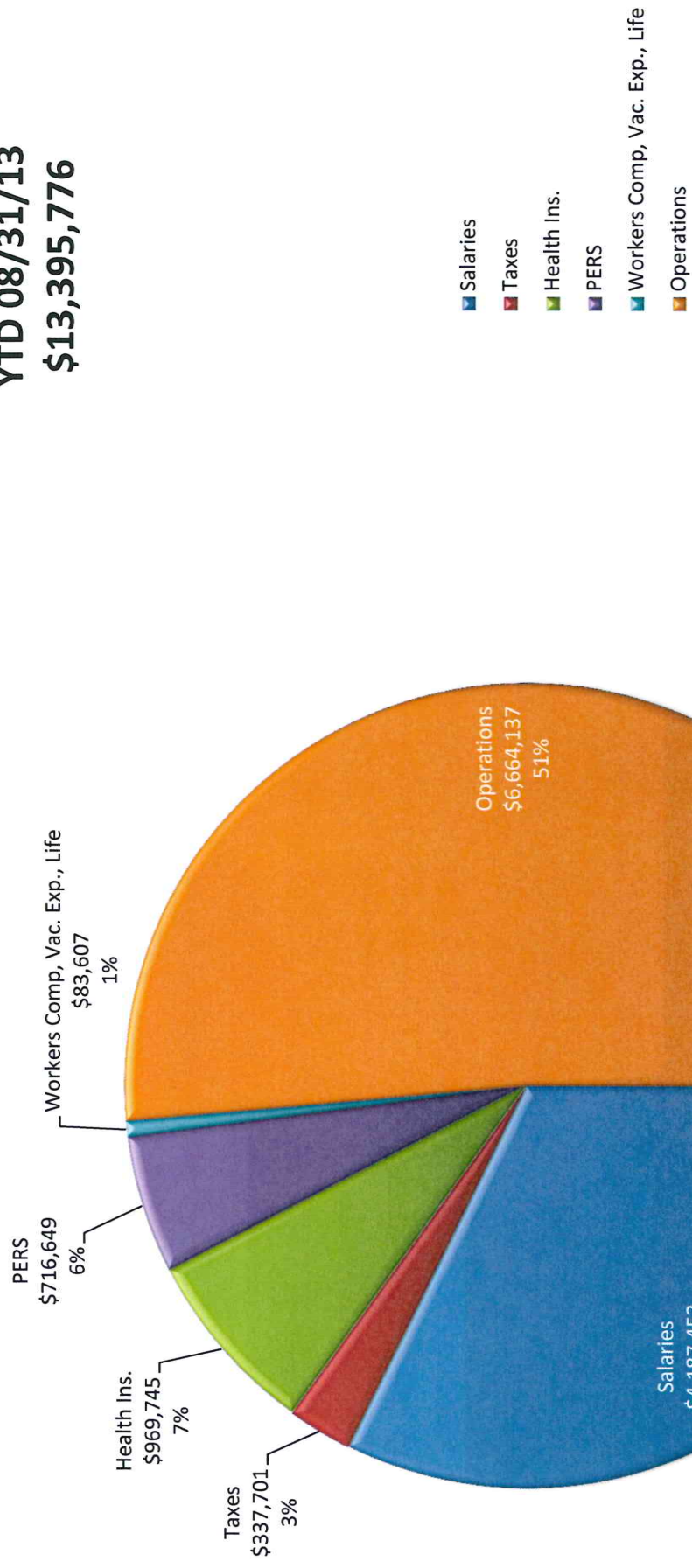
### \$13,395,776



# Personnel to Operations Exp

YTD 08/31/13

\$13,395,776



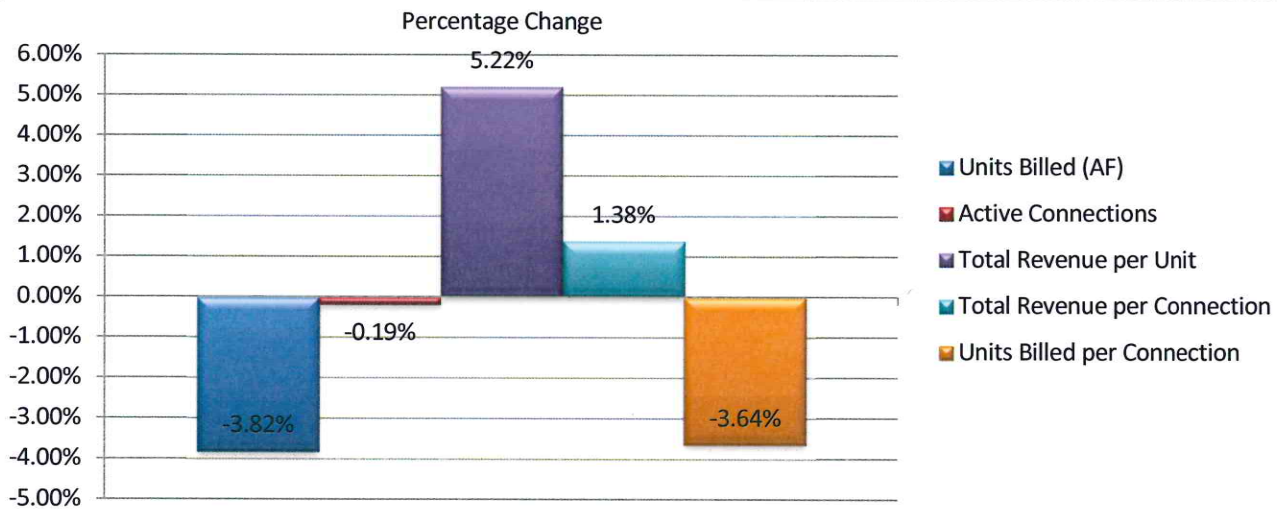
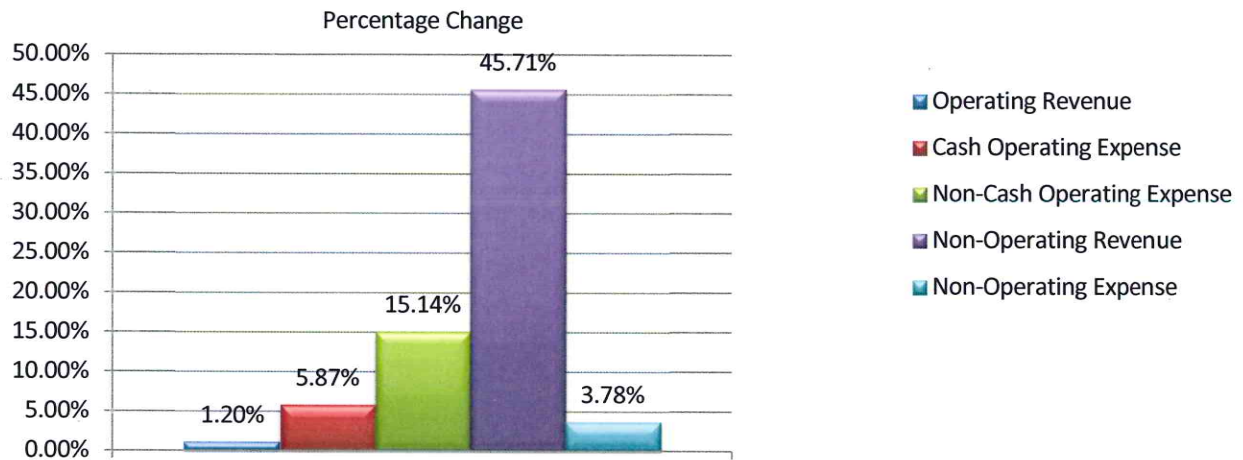


**Palmdale Water District**  
**Profit and Loss Statement**  
**Year-To-Year Comparison - August**

	2012 August	2013 August	Change	% Change	Consumption Comparison		
					Units Billed	2012 1,012,123	2013 973,462
<b>Operating Revenue:</b>							
Wholesale Water	\$ -	\$ 28,325	\$ 28,325		Active	26,373	26,324
Water Sales	1,152,212	1,077,294	(74,918)	-6.50%	Vacant	1,269	1,020
Meter Fees	862,128	920,383	58,255	6.76%			
Water Quality Fees	202,050	193,983	(8,067)	-3.99%			
Elevation Fees	72,236	67,381	(4,856)	-6.72%	Rev/unit	\$ 2.37	\$ 2.50
Other	113,958	143,962	30,004	26.33%	Rev/con	\$ 91.10	\$ 92.36
<b>Total Water Sales</b>	<b>\$ 2,402,584</b>	<b>\$ 2,431,328</b>	<b>\$ 28,744</b>	<b>1.20%</b>	Unit/con	38.38	36.98
<b>Cash Operating Expenses:</b>							
Directors	\$ 9,046	\$ 7,147	\$ (1,899)	-20.99%			
Administration	151,927	109,342	(42,585)	-28.03%			
Engineering	129,839	101,463	(28,376)	-21.85%			
Facilities	355,261	239,671	(115,590)	-32.54%			
Operations	520,220	549,488	29,268	5.63%			
Finance	313,962	272,518	(41,444)	-13.20%			
Water Conservation	23,795	19,409	(4,386)	-18.43%			
Human Resources	33,357	14,569	(18,788)	-56.32%			
Information Technology	39,584	42,648	3,063	7.74%			
Water Purchases	55,876	358,232	302,356	541.12%			
Water Purchases-Prior Year OAP	-	-	-				
Water Recovery	-	(66,826)	(66,826)				
Capitalized Expenditures	2,914	84,171	81,257	2788.16%			
GAC Filter Media Replacement	-	-	-				
<b>Total Cash Operating Expenses</b>	<b>\$ 1,635,782</b>	<b>\$ 1,731,830</b>	<b>\$ 96,049</b>	<b>5.87%</b>			
<b>Non-Cash Operating Expenses:</b>							
Depreciation	\$ 565,586	\$ 580,701	\$ 15,115	2.67%			
OPEB Accrual Expense	147,678	165,223	17,545	11.88%			
Bad Debts	(67)	-	67	-100.00%			
Service Costs Construction	5,777	31,589	25,811	446.78%			
Capitalized Construction	(208,347)	(189,580)	18,767	-9.01%			
<b>Total Non-Cash Operating Expenses</b>	<b>\$ 510,627</b>	<b>\$ 587,932</b>	<b>\$ 77,305</b>	<b>15.14%</b>			
<b>Net Operating Profit/(Loss)</b>	<b>\$ 256,175</b>	<b>\$ 111,565</b>	<b>\$ (144,609)</b>	<b>-56.45%</b>			
<b>Non-Operating Revenues:</b>							
Assessments	\$ 500,002	\$ 724,440	\$ 224,438	44.89%			
DWR Fixed Charge Recovery	-	-	-				
Interest	3,909	(6,584)	(10,493)	-268.40%			
Capital Improvement Fees	-	22,053	22,053				
State Grants	-	-	-				
Other	6,266	3,489	(2,777)	-44.32%			
<b>Total Non-Operating Revenues</b>	<b>\$ 510,177</b>	<b>\$ 743,398</b>	<b>\$ 233,221</b>	<b>45.71%</b>			
<b>Non-Operating Expenses:</b>							
Interest on Long-Term Debt	\$ 208,555	\$ 201,329	\$ (7,226)	-3.46%			
Amortization of SWP	128,945	144,745	15,800	12.25%			
Water Conservation Programs	5,424	9,820	4,396	81.03%			
<b>Total Non-Operating Expenses</b>	<b>\$ 342,924</b>	<b>\$ 355,894</b>	<b>\$ 12,970</b>	<b>3.78%</b>			
<b>Net Earnings</b>	<b>\$ 423,428</b>	<b>\$ 499,070</b>	<b>\$ 75,642</b>	<b>17.86%</b>			

# YEAR-TO-YEAR COMPARISON

## August '12 -To- August '13



	2012	2013	Change	
Units Billed (AF)	2,324	2,235	-89	-3.82%
Active Connections	26,373	26,324	-49	-0.19%
Non-Active	1,269	1,020	-249	-19.62%
Total Revenue per Unit	\$2.37	\$2.50	\$0.12	5.22%
Total Revenue per Connection	\$91.10	\$92.36	\$1.26	1.38%
Units Billed per Connection	38.38	36.98	-1	-3.64%



# Palmdale Water District

## Revenue Analysis

For the Eight Months Ending 8/31/2013  
2013

2012 to 2013 Comparison

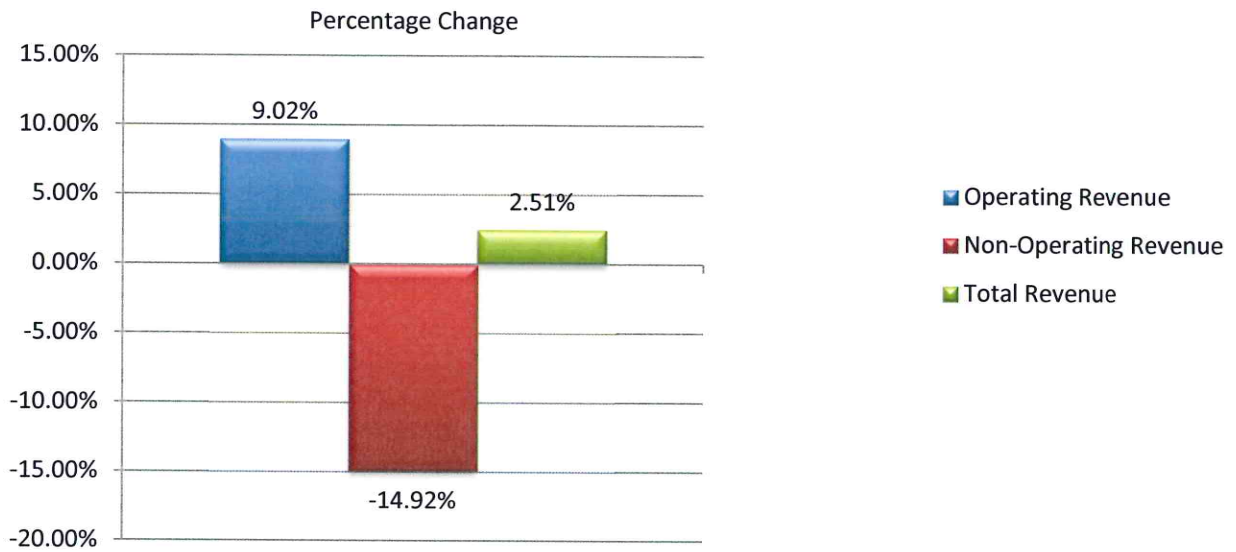
	Thru July	August	Year-to-Date	Adjusted Budget	% of Budget	Thru July	August	Year-to-Date	% Change
<b>Operating Revenue:</b>									
Wholesale Water	\$ 60,746	\$ 28,325	\$ 89,071	\$ 175,000	50.90%	\$ 60,746	28,325	89,071	
Water Sales	4,467,591	1,077,294	5,544,885	8,198,000	67.64%	541,500	(74,918)	466,583	9.19%
Meter Fees	6,442,145	920,383	7,362,528	11,232,000	65.55%	408,233	58,255	466,488	6.76%
Water Quality Fees	864,602	193,983	1,058,585	1,638,000	64.63%	13,896	(8,067)	5,829	0.55%
Elevation Fees	283,841	67,381	351,222	550,000	63.86%	(4,186)	(4,856)	(9,041)	-2.51%
Other	1,048,152	143,962	1,192,114	1,250,000	95.37%	242,004	30,004	272,008	29.56%
<b>Total Water Sales</b>	<b>\$ 13,167,078</b>	<b>\$ 2,431,328</b>	<b>\$15,598,405</b>	<b>\$23,043,000</b>	<b>67.69%</b>	<b>\$ 1,262,194</b>	<b>\$ 28,744</b>	<b>\$ 1,290,938</b>	<b>9.02%</b>
<b>Non-Operating Revenues:</b>									
Assessments (Debt Service)	\$ 2,536,556	\$ 510,620	\$ 3,047,176	\$ 4,300,000	70.86%	\$ 282,766	\$ 139,048	\$ 421,814	16.07%
Assessments (1%)	1,062,172	213,820	1,275,992	2,775,992	45.97%	283,170	85,390	368,560	40.62%
DWR Fixed Charge Recovery	94,799	-	94,799	100,000	94.80%	(341,119)	-	(341,119)	
Interest	(21,444)	(6,584)	(28,028)	25,000	-112.11%	(41,034)	(10,493)	(51,527)	-219.27%
Capital Improvement Fees	(24,034)	22,053	(1,981)	150,000	-1.32%	(1,257,373)	22,053	(1,235,320)	-100.16%
State Grants	-	-	-	485,000	0.00%	-	-	-	
Other	158,011	3,489	161,500	150,000	107.67%	42,582	(2,777)	39,806	32.71%
<b>Total Non-Operating Revenues</b>	<b>\$ 3,806,060</b>	<b>\$ 743,398</b>	<b>\$ 4,549,459</b>	<b>\$ 7,985,992</b>	<b>56.97%</b>	<b>\$ (1,031,007)</b>	<b>\$ 233,221</b>	<b>\$ (797,786)</b>	<b>-14.92%</b>
<b>Total Revenue</b>	<b>\$ 16,973,138</b>	<b>\$ 3,174,726</b>	<b>\$20,147,864</b>	<b>\$31,028,992</b>	<b>64.93%</b>	<b>\$ 231,187</b>	<b>\$ 261,965</b>	<b>\$ 493,152</b>	<b>2.51%</b>

2012

	Thru July	August	Year-to-Date	Adjusted Budget	% of Budget
<b>Operating Revenue:</b>					
Wholesale Water	\$ -	\$ -	\$ -	\$ 175,000	0.00%
Water Sales	3,926,090	1,152,212	5,078,302	8,145,000	62.35%
Meter Fees	6,033,913	862,128	6,896,040	10,400,000	66.31%
Water Quality Fees	850,706	202,050	1,052,756	1,550,000	67.92%
Elevation Fees	288,027	72,236	360,263	525,000	68.62%
Other	806,148	113,958	920,106	1,250,000	73.61%
<b>Total Water Sales</b>	<b>\$ 11,904,884</b>	<b>\$ 2,402,584</b>	<b>\$14,307,467</b>	<b>\$21,870,000</b>	<b>65.42%</b>
<b>Non-Operating Revenues:</b>					
Assessments (Debt Service)	\$ 2,253,791	\$ 371,572	\$ 2,625,362	\$ 4,000,000	65.63%
Assessments (1%)	779,001	128,430	907,432	1,500,000	60.50%
DWR Fixed Charge Recovery	435,918	-	435,918	-	
Interest	19,590	3,909	23,499	60,000	39.17%
Capital Improvement Fees	1,233,339	-	1,233,339	1,286,848	95.84%
State Grants	-	-	-	250,000	0.00%
Other	115,429	6,266	121,695	100,000	121.69%
<b>Total Non-Operating Revenues</b>	<b>\$ 4,837,067</b>	<b>\$ 510,177</b>	<b>\$ 5,347,245</b>	<b>\$ 7,196,848</b>	<b>74.30%</b>
<b>Total Revenue</b>	<b>\$ 16,741,951</b>	<b>\$ 2,912,761</b>	<b>\$19,654,712</b>	<b>\$29,066,848</b>	<b>67.62%</b>

# REVENUE COMPARISON YEAR-TO-DATE

August '12-To-August '13



Palmdale Water District

Operating Expense Analysis

For the Eight Months Ending 8/31/2013

2013

2012 to 2013 Comparison

	Thru July	August	Year-to-Date	Adjusted Budget	% of Budget	Thru July	August	Year-to-Date	% Change
<b>Cash Operating Expenses:</b>									
Directors	\$ 58,970	\$ 7,147	\$ 66,117	\$ 117,500	56.27%	\$ (6,056)	\$ (1,899)	\$ (7,956)	-10.74%
Administration	1,399,750	109,342	1,509,092	2,602,000	58.00%	(291,112)	(42,585)	(333,697)	-18.11%
Engineering	743,453	101,463	844,916	1,215,750	69.50%	104,361	(28,376)	75,984	9.88%
Facilities	1,721,431	239,671	1,961,102	3,298,500	59.45%	(108,430)	(115,590)	(224,020)	-10.25%
Operations	2,865,693	549,488	3,415,180	4,944,250	69.07%	267,971	29,268	297,239	9.53%
Finance	1,551,354	272,518	1,823,871	2,789,000	65.40%	(33,931)	(41,444)	(75,375)	-3.97%
Water Conservation	132,811	19,409	152,220	239,750	63.49%	9,569	(4,386)	5,182	3.52%
Human Resources	94,595	14,569	109,164	209,600	52.08%	(51,446)	(18,788)	(70,234)	-39.15%
Information Technology	378,420	42,648	421,068	728,000	57.84%	2,773	3,063	5,837	1.41%
Water Purchases	1,564,532	358,232	1,922,764	2,600,000	73.95%	(449,338)	302,356	(146,982)	-7.10%
Water Purchases-Prior Year OAP	436,485	-	436,485	-	-	436,485	-	436,485	-
Water Recovery	(468,471)	(66,826)	(535,297)	(100,000)	535.30%	(355,231)	(66,826)	(422,057)	372.71%
Capitalized Expenditures	531,028	84,171	615,199	836,500	73.54%	47,268	81,257	128,524	26.41%
GAC Filter Media Replacement	653,896	-	653,896	1,638,000	39.92%	3,568	-	3,568	0.55%
<b>Total Cash Operating Expenses</b>	<b>\$ 11,663,946</b>	<b>\$ 1,731,830</b>	<b>\$ 13,395,776</b>	<b>\$ 21,118,850</b>	<b>63.43%</b>	<b>\$ (423,549)</b>	<b>\$ 96,049</b>	<b>\$ (327,501)</b>	<b>-2.44%</b>
<b>Non-Cash Operating Expenses:</b>									
Depreciation	\$ 4,656,777	\$ 580,701	\$ 5,237,478	\$ 7,250,000	72.24%	\$ 579,793	\$ 15,115	\$ 594,907	12.81%
OPEB Accrual Expense	1,156,559	165,223	1,321,781	3,321,781	39.79%	(38,077)	17,545	(20,532)	-1.53%
Bad Debts	5,426	-	5,426	105,426	5.15%	1,751	67	1,818	50.39%
Service Costs Construction	58,551	31,589	90,140	215,140	41.90%	291	25,811	26,103	40.76%
Capitalized Construction	(548,118)	(189,580)	(737,698)	(1,737,698)	42.45%	(93,303)	18,767	(74,536)	11.24%
<b>Total Non-Cash Operating Expenses</b>	<b>\$ 5,329,194</b>	<b>\$ 587,932</b>	<b>\$ 5,917,126</b>	<b>\$ 9,154,648</b>	<b>64.64%</b>	<b>\$ 450,455</b>	<b>\$ 77,305</b>	<b>\$ 527,760</b>	<b>8.92%</b>
<b>Non-Operating Expenses:</b>									
Interest on Long-Term Debt	\$ 1,048,887	\$ 201,329	\$ 1,250,216	\$ 2,111,000	59.22%	\$ (410,997)	\$ (7,226)	\$ (418,223)	-25.07%
Amortization of SWP	1,010,599	144,745	1,155,344	1,679,000	68.81%	107,984	15,800	123,784	12.00%
Water Conservation Programs	75,784	9,820	85,604	150,000	57.07%	43,454	4,396	47,850	1.75%
<b>Total Non-Operating Expenses</b>	<b>\$ 2,135,270</b>	<b>\$ 355,894</b>	<b>\$ 2,491,164</b>	<b>\$ 3,940,000</b>	<b>63.23%</b>	<b>\$ (259,559)</b>	<b>\$ 12,970</b>	<b>\$ (246,589)</b>	<b>-9.01%</b>
<b>Total Expenses</b>	<b>\$ 19,128,410</b>	<b>\$ 2,675,657</b>	<b>\$ 21,804,066</b>	<b>\$ 34,213,498</b>	<b>63.73%</b>	<b>\$ (232,653)</b>	<b>\$ 186,323</b>	<b>\$ (46,330)</b>	<b>-0.21%</b>



**Palmdale Water District**

**Operating Expense Analysis**

**For the Eight Months Ending 8/31/2013**

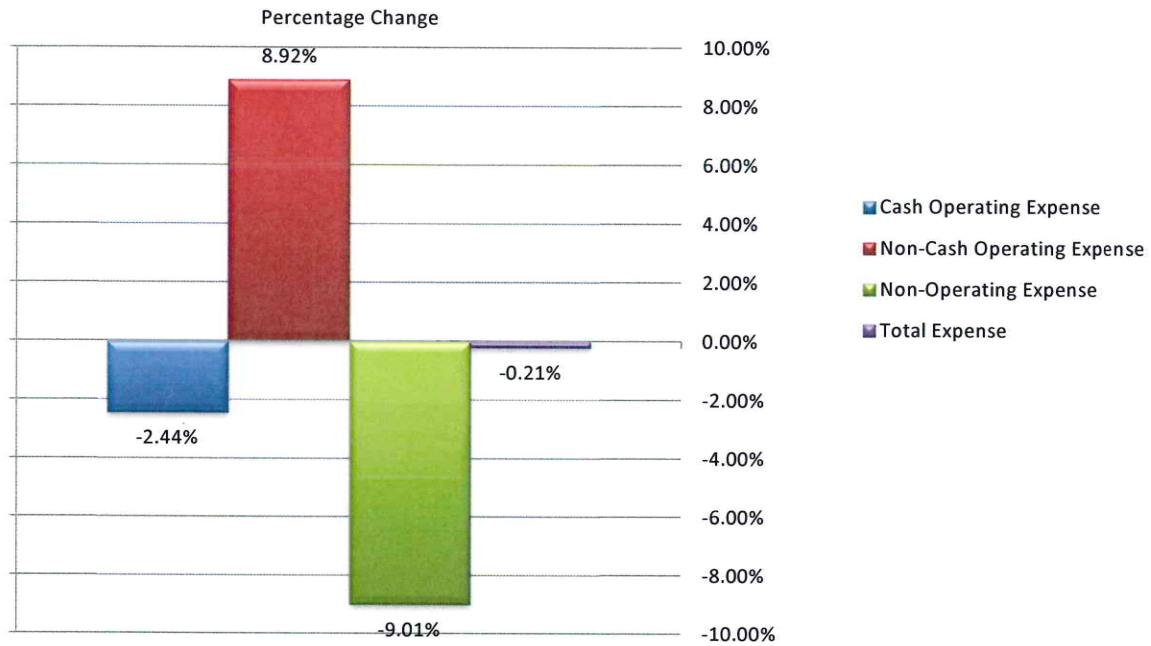
**2012 to 2013 Comparison**

**2012**

	Thru July	August	Year-to-Date	Adjusted Budget	% of Budget
<b>Cash Operating Expenses:</b>					
Directors	\$ 65,026	\$ 9,046	\$ 74,073	\$ 154,000	48.10%
Administration	1,690,862	151,927	1,842,789	3,547,000	51.95%
Engineering	639,092	129,839	768,931	1,169,000	65.78%
Facilities	1,829,861	355,261	2,185,122	3,490,500	62.60%
Operations	2,597,721	520,220	3,117,941	5,113,750	60.97%
Finance	1,585,285	313,962	1,899,247	2,788,750	68.10%
Water Conservation	123,242	23,795	147,038	223,500	65.79%
Human Resources	146,040	33,357	179,397	267,850	66.98%
Information Technology	375,647	39,584	415,231	736,750	56.36%
Water Purchases	2,013,870	55,876	2,069,746	2,800,000	73.92%
Water Purchases-Prior Year OAP	-	-	-	-	-
Water Recovery	(113,240)	-	(113,240)	(200,000)	56.62%
Capitalized Expenditures	483,760	2,914	486,675	412,500	117.98%
GAC Filter Media Replacement	650,328	-	650,328	1,550,000	41.96%
<b>Total Cash Operating Expenses</b>	<b>\$ 12,087,495</b>	<b>\$ 1,635,782</b>	<b>\$ 13,723,277</b>	<b>\$ 22,053,600</b>	<b>62.23%</b>
<b>Non-Cash Operating Expenses:</b>					
Depreciation	\$ 4,076,984	\$ 565,586	\$ 4,642,570	\$ 7,800,000	59.52%
OPEB Accrual Expense	1,194,635	147,678	1,342,313	2,000,000	67.12%
Bad Debts	3,675	(67)	3,608	100,000	3.61%
Service Costs Construction	58,260	5,777	64,037	125,000	51.23%
Capitalized Construction	(454,815)	(208,347)	(663,162)	(1,000,000)	66.32%
<b>Total Non-Cash Operating Expenses</b>	<b>\$ 4,878,739</b>	<b>\$ 510,627</b>	<b>\$ 5,389,366</b>	<b>\$ 9,025,000</b>	<b>59.72%</b>
<b>Non-Operating Expenses:</b>					
Interest on Long-Term Debt	\$ 1,459,884	\$ 208,555	\$ 1,668,439	\$ 2,490,000	67.01%
Amortization of SWP	902,615	128,945	1,031,560	1,680,000	61.40%
Capital Lease	-	-	-	212,000	-
Water Conservation Programs	32,330	5,424	37,754	150,000	25.17%
<b>Total Non-Operating Expenses</b>	<b>\$ 2,394,829</b>	<b>\$ 342,924</b>	<b>\$ 2,737,753</b>	<b>\$ 4,532,000</b>	<b>60.41%</b>
<b>Total Expenses</b>	<b>\$ 19,361,063</b>	<b>\$ 2,489,333</b>	<b>\$ 21,850,396</b>	<b>\$ 35,610,600</b>	<b>61.36%</b>

## EXPENSE COMPARISON YEAR-TO-DATE

August '12-To-August '13



**Palmdale Water District**  
**2013 Directors Budget**  
For the Eight Months Ending Saturday, August 31, 2013

	YTD ACTUAL 2013	ORIGINAL BUDGET 2013	ADJUSTMENTS 2013	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-01-4000-000 Directors Pay	\$ 31,050	\$ 45,000	\$ -	\$ 13,950	69.00%
Employee Benefits					
1-01-4005-000 Payroll Taxes	2,375	5,500		3,125	43.19%
1-01-4010-000 Health Insurance	30,974	57,000		26,026	54.34%
Subtotal (Benefits)	33,350	62,500	-	26,026	53.36%
Total Personnel Expenses	<u>\$ 64,400</u>	<u>\$ 107,500</u>	<u>\$ -</u>	<u>\$ 39,976</u>	<u>59.91%</u>
OPERATING EXPENSES:					
1-01-4050-000 Directors Travel, Seminars & Meetings	1,717	10,000		8,283	17.17%
Subtotal Operating Expenses	1,717	10,000	-	8,283	17.17%
Total O & M Expenses	<u>\$ 66,117</u>	<u>\$ 117,500</u>	<u>\$ -</u>	<u>\$ 48,258</u>	<u>56.27%</u>



**Palmdale Water District**  
**2013 Administration Budget**  
For the Eight Months Ending Saturday, August 31, 2013

	YTD ACTUAL 2013	ORIGINAL BUDGET 2013	ADJUSTMENTS 2013	ADJUSTED BUDGET REMAINING	PERCENT USED
<b>Personnel Budget:</b>					
1-02-4000-000 Salaries	\$ 330,593	\$ 471,500		\$ 140,907	70.12%
1-02-4000-100 Overtime	5,238	5,000		(238)	104.76%
1-02-4000-200 On-Call	38,302	60,000		21,698	63.84%
Subtotal (Salaries)	\$ 374,133	\$ 536,500		\$ 162,367	69.74%
<b>Employee Benefits</b>					
1-02-4005-000 Payroll Taxes	25,197	41,000		15,803	61.46%
1-02-4010-000 Health Insurance	53,707	80,750		27,043	66.51%
1-02-4015-000 PERS	59,734	90,750		31,016	65.82%
1-02-4020-000 Worker's Compensation	53,832	160,000		106,168	33.65%
1-02-4025-000 Vacation Benefit Expense	24,597	35,000		10,403	70.28%
1-02-4030-000 Life Insurance	5,177	7,500		2,323	69.03%
Subtotal (Benefits)	\$ 222,245	\$ 415,000	\$ -	\$ 192,755	53.55%
Total Personnel Expenses	\$ 596,378	\$ 951,500	\$ -	\$ 355,123	62.68%
<b>OPERATING EXPENSES:</b>					
1-02-4050-000 Staff Travel	\$ 5,515	\$ 8,000		\$ 2,485	68.94%
1-02-4050-100 General Manager Travel	3,405	5,000		1,595	68.10%
1-02-4060-000 Staff Conferences & Seminars	1,150	3,000		1,850	38.33%
1-02-4060-100 General Manager Conferences & Seminars	2,575	4,500		1,925	57.22%
1-02-4070-000 Employee Expense	17,541	40,000		22,459	43.85%
1-02-4080-000 Other Operating	12,713	20,000		7,287	63.56%
1-02-4110-000 Consultants	33,747	134,000		100,253	25.18%
1-02-4125-000 Insurance	168,125	325,000		156,875	51.73%
1-02-4130-000 Bank Charges	76,707	130,000		53,293	59.01%
1-02-4135-000 Groundwater Adjudication	189,139	400,000		210,861	47.28%
1-02-4140-000 Legal Services	96,103	250,000		153,897	38.44%
1-02-4150-000 Accounting Services	20,048	20,000		(48)	100.24%
1-02-4155-000 Contracted Services	20,108	40,000		19,892	50.27%
1-02-4165-000 Memberships/Subscriptions	172,556	110,000		(62,556)	156.87%
1-02-4175-000 Permits	7,483	20,000		12,517	37.42%
1-02-4180-000 Postage	12,068	30,000		17,932	40.23%
1-02-4190-100 Public Relations - Publications	29,042	30,000		958	96.81%
1-02-4190-900 Public Relations - Other	706	1,000		294	70.60%
1-02-4200-000 Advertising	1,174	5,000		3,826	23.48%
1-02-4205-000 Office Supplies	9,410	20,000		10,590	47.05%
1-02-4215-200 Natural Gas - Office Building	1,910	5,000		3,090	38.19%
1-02-4220-200 Electricity - Office Building	31,490	50,000		18,510	62.98%
Subtotal Operating Expenses	\$ 912,714	\$ 1,650,500	\$ -	\$ 737,786	55.30%
Total Departmental Expenses	\$ 1,509,092	\$ 2,602,000	\$ -	\$ 1,092,908	58.00%

**Palmdale Water District**  
**2013 Engineering Budget**  
For the Eight Months Ending Saturday, August 31, 2013

	YTD ACTUAL 2013	ORIGINAL BUDGET 2013	ADJUSTMENTS 2013	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-03-4000-000 Salaries	\$ 519,451	\$ 749,000		\$ 229,549	69.35%
1-03-4000-100 Overtime	3,634	6,000		2,366	60.57%
Subtotal (Salaries)	\$ 523,086	\$ 755,000		\$ 231,914	69.28%
Employee Benefits					
1-03-4005-000 Payroll Taxes	42,364	58,000		15,636	73.04%
1-03-4010-000 Health Insurance	110,202	165,500		55,298	66.59%
1-03-4015-000 PERS	94,514	143,250		48,736	65.98%
Subtotal (Benefits)	\$ 247,080	\$ 366,750	\$ -	\$ 119,670	67.37%
Total Personnel Expenses	\$ 770,166	\$ 1,121,750	\$ -	\$ 351,584	68.66%
OPERATING EXPENSES:					
1-03-4050-000 Staff Travel	\$ 3,742	\$ 3,000		\$ (742)	124.73%
1-03-4060-000 Staff Conferences & Seminars	1,460	2,500		1,040	58.40%
1-03-4155-000 Contracted Services	6,280	12,000		5,720	52.33%
1-03-4165-000 Memberships/Subscriptions	916	2,000		1,084	45.80%
1-03-4250-000 General Materials & Supplies	981	2,500		1,519	39.22%
1-03-8100-100 Computer Software - Maint. & Support	61,371	72,000		10,629	85.24%
Subtotal Operating Expenses	\$ 74,750	\$ 94,000	\$ -	\$ 19,250	79.52%
Total Departmental Expenses	\$ 844,916	\$ 1,215,750	\$ -	\$ 370,834	69.50%

**Palmdale Water District**  
**2013 Facilities Budget**  
For the Eight Months Ending Saturday, August 31, 2013

YTD ACTUAL 2013	ORIGINAL BUDGET 2013	ADJUSTMENTS 2013	ADJUSTED BUDGET REMAINING	PERCENT USED
-----------------------	----------------------------	---------------------	---------------------------------	-----------------

Personnel Budget:

1-04-4000-000 Salaries	\$ 841,545	\$ 1,339,000	\$ 497,455	62.85%
1-04-4000-100 Overtime	34,896	40,000	5,104	87.24%
Subtotal (Salaries)	\$ 876,441	\$ 1,379,000	\$ 502,559	63.56%

Employee Benefits

1-04-4005-000 Payroll Taxes	72,975	105,000	32,025	69.50%
1-04-4010-000 Health Insurance	266,895	384,000	117,105	69.50%
1-04-4015-000 PERS	152,254	254,500	102,246	59.82%
Subtotal (Benefits)	\$ 492,124	\$ 743,500	\$ -	66.19%

Total Personnel Expenses

\$ 1,368,565	\$ 2,122,500	\$ -	\$ 748,831	64.48%
--------------	--------------	------	------------	--------

OPERATING EXPENSES:

1-04-4050-000 Staff Travel	\$ 516	\$ 2,500	1,984	20.63%
1-04-4060-000 Staff Conferences & Seminars	2,225	3,000	775	74.17%
1-04-4155-000 Contracted Services	49,241	28,500	(20,741)	172.77%
1-04-4175-000 Permits-Dams	38,842	-	(38,842)	
1-04-4215-200 Natural Gas - Buildings	1,376	4,500	3,124	30.58%
1-04-4220-200 Electricity - Buildings	13,355	30,000	16,645	44.52%
1-04-4225-000 Maint. & Repair - Vehicles	16,284	45,000	28,716	36.19%
1-04-4230-100 Maint. & Rep. Office Building	3,431	18,000	14,569	19.06%
1-04-4235-110 Maint. & Rep. Equipment	6,432	7,500	1,068	85.76%
1-04-4235-400 Maint. & Rep. Operations - Wells	29,084	150,000	120,916	19.39%
1-04-4235-405 Maint. & Rep. Operations - Boosters	43,946	50,000	6,054	87.89%
1-04-4235-410 Maint. & Rep. Operations - Shop Bldgs	8,025	10,000	1,975	80.25%
1-04-4235-415 Maint. & Rep. Operations - Facilities	10,996	15,000	4,004	73.31%
1-04-4235-420 Maint. & Rep. Operations - Water Lines	149,058	350,000	200,942	42.59%
1-04-4235-425 Maint. & Rep. Operations - Littlerock Dam	-	20,000	20,000	0.00%
1-04-4235-430 Maint. & Rep. Operations - Palmdale Dam	-	26,500	26,500	0.00%
1-04-4235-435 Maint. & Rep. Operations - Palmdale Canal	151	3,000	2,849	5.05%
1-04-4235-455 Maint. & Rep. Operations - Heavy Equipment	19,066	35,000	15,934	54.48%
1-04-4235-460 Maint. & Rep. Operations - Storage Reservoirs	-	5,000	5,000	0.00%
1-04-6000-000 Waste Disposal	17,401	40,000	22,599	43.50%
1-04-6100-100 Fuel and Lube - Vehicle	86,829	130,000	43,171	66.79%
1-04-6100-200 Fuel and Lube - Machinery	17,728	43,000	25,272	41.23%
1-04-6200-000 Uniforms	14,636	20,000	5,364	73.18%
1-04-6300-100 Supplies - Misc.	25,528	47,500	21,972	53.74%
1-04-6300-800 Supplies - Construction Materials	22,317	65,000	42,683	34.33%
1-04-6400-000 Tools	7,916	12,000	4,084	65.97%
1-04-7000-100 Leases -Equipment	8,154	15,000	6,846	54.36%
Subtotal Operating Expenses	\$ 592,537	\$ 1,176,000	\$ -	50.39%

Total Departmental Expenses

\$ 1,961,102	\$ 3,298,500	\$ -	\$ 1,332,294	59.45%
--------------	--------------	------	--------------	--------



**Palmdale Water District**  
**2013 Operation Budget**  
For the Eight Months Ending Saturday, August 31, 2013

YTD ACTUAL 2013	ORIGINAL BUDGET 2013	ADJUSTMENTS 2013	ADJUSTED BUDGET REMAINING	PERCENT USED
-----------------------	----------------------------	---------------------	---------------------------------	-----------------

Personnel Budget:

1-05-4000-000 Salaries	\$ 1,018,577	\$ 1,608,500	\$ 589,923	63.32%
1-05-4000-100 Overtime	56,469	61,500	5,031	91.82%
Subtotal (Salaries)	\$ 1,075,046	\$ 1,670,000	\$ 594,954	64.37%

Employee Benefits

1-05-4005-000 Payroll Taxes	87,237	128,000	40,763	68.15%
1-05-4010-000 Health Insurance	236,135	378,500	142,365	62.39%
1-05-4015-000 PERS	181,755	307,000	125,245	59.20%
Subtotal (Benefits)	\$ 505,127	\$ 813,500	\$ 308,373	62.09%

Total Personnel Expenses

\$ 1,580,173	\$ 2,483,500	\$ -	\$ 898,296	63.63%
--------------	--------------	------	------------	--------

OPERATING EXPENSES:

1-05-4050-000 Staff Travel	\$ 684	\$ 8,000	\$ 7,316	8.55%
1-05-4060-000 Staff Conferences & Seminars	2,197	9,500	7,303	23.13%
1-05-4120-100 Training - Lab Equipment	-	4,500	4,500	0.00%
1-05-4120-200 Training - SCADA Network	-	9,000		
1-05-4155-000 Contracted Services	92,849	59,000	(33,849)	157.37%
1-05-4175-000 Permits	6,630	45,000	38,370	14.73%
1-05-4215-100 Natural Gas - Wells & Boosters	96,686	160,000	63,314	60.43%
1-05-4215-200 Natural Gas - WTP	2,089	3,000	911	69.65%
1-05-4220-100 Electricity - Wells & Boosters	992,633	1,285,000	292,367	77.25%
1-05-4220-200 Electricity - WTP	57,793	125,000	67,207	46.23%
1-05-4230-110 Maint. & Rep. - Office Equipment	147	500	353	29.49%
1-05-4235-110 Maint. & Rep. Operations - Equipment	9,125	15,000	5,875	60.83%
1-05-4235-410 Maint. & Rep. Operations - Shop Bldgs	13,656	6,000	(7,656)	227.60%
1-05-4235-415 Maint. & Rep. Operations - Facilities	37,907	38,000	93	99.75%
1-05-4235-445 Maint. & Rep. Operations - Telemetry	3,809	2,250	(1,559)	169.27%
1-05-4235-450 Maint. & Rep. Operations - Hypo Generator	21,715	10,000	(11,715)	217.15%
1-05-4236-000 Palmdale Lake Management	5,339	15,000	9,661	35.59%
1-05-4270-300 Telecommunication - Other	1,835	2,750	915	66.74%
1-05-4300-300 Testing - Edison	5,385	9,000	3,615	59.83%
1-05-6000-000 Waste Disposal	2,331	22,000	19,669	10.60%
1-05-6200-000 Uniforms	7,880	10,000	2,120	78.80%
1-05-6300-100 Supplies - Misc.	6,872	15,000	8,128	45.81%
1-05-6300-200 Supplies - Hypo Generator	3,241	6,750	3,509	48.01%
1-05-6300-300 Supplies - Electrical	629	3,500	2,871	17.97%
1-05-6300-400 Supplies - Telemetry	1,300	7,500	6,200	17.33%
1-05-6300-600 Supplies - Lab	27,576	35,000	7,424	78.79%
1-05-6300-700 Outside Lab Work	90,298	60,000	(30,298)	150.50%
1-05-6400-000 Tools	2,685	6,500	3,815	41.31%
1-05-6500-000 Chemicals	341,506	485,000	143,494	70.41%
1-05-7000-100 Leases -Equipment	209	3,000	2,791	6.98%
Subtotal Operating Expenses	\$ 1,835,007	\$ 2,460,750	\$ 616,743	74.57%

Total Departmental Expenses

\$ 3,415,180	\$ 4,944,250	\$ -	\$ 1,515,039	69.07%
--------------	--------------	------	--------------	--------

**Palmdale Water District**  
**2013 Finance Budget**  
For the Eight Months Ending Saturday, August 31, 2013

	YTD ACTUAL 2013	ORIGINAL BUDGET 2013	ADJUSTMENTS 2013	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-06-4000-000 Salaries*	\$ 986,511	\$ 1,482,000	\$ (24,300)	\$ 495,489	66.57%
1-06-4000-100 Overtime	20,169	20,000		(169)	100.84%
Subtotal (Salaries)	\$ 1,006,680	\$ 1,502,000	\$ (24,300)	\$ 495,320	67.02%
Employee Benefits					
1-06-4005-000 Payroll Taxes	83,395	115,000.00		300,355	21.73%
1-06-4010-000 Health Insurance	228,355	383,750		54,145	80.83%
1-06-4015-000 PERS	183,238	282,500		598,012	23.45%
Subtotal (Benefits)	\$ 494,988	\$ 781,250	\$ -	\$ 952,512	63.36%
Total Personnel Expenses	\$ 1,501,667	\$ 2,283,250	\$ (24,300)	\$ 1,447,833	65.77%

**OPERATING EXPENSES:**

1-06-4050-000 Staff Travel	\$ 212	\$ 250		38	84.71%
1-06-4060-000 Staff Conferences & Seminars	575	1,000		425	57.48%
1-06-4155-300 Contracted Services	4,444	24,500		20,056	18.14%
1-06-4155-100 Contracted Services - Infosend	122,956	205,000		82,044	59.98%
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	5,703	10,000		4,297	57.03%
1-06-4235-470 Maint. & Rep. Operations - Meter Exchanges	152,464	175,000		22,536	87.12%
1-06-4250-000 General Material & Supplies	4,638	4,000		(638)	115.96%
1-06-4260-000 Business Forms	7,427	10,000		2,573	74.27%
1-06-4270-100 Telecommunication - Office	6,853	30,000		23,147	22.84%
1-06-4270-200 Telecommunication - Cellular Stipend	9,480	17,000		7,520	55.76%
1-06-4270-300 Telecommunication - Cellular	213	3,000		2,787	7.11%
1-06-4300-200 Testing - Large Meter Testing	5,335	21,500		16,165	24.81%
1-06-7000-100 Leases - Equipment	1,903	3,000		1,097	63.43%
Subtotal Operating Expenses	\$ 322,204	\$ 505,750	\$ -	\$ 183,546	63.71%
Total Departmental Expenses	\$ 1,823,871	\$ 2,789,000	\$ (24,300)	\$ 1,631,379	65.97%

\* Budget adjustments by General Manager per Appendix A

**Palmdale Water District**  
**2013 Water Conservation Budget**  
For the Eight Months Ending Saturday, August 31, 2013

YTD ACTUAL 2013	ORIGINAL BUDGET 2013	ADJUSTMENTS 2013	ADJUSTED BUDGET REMAINING	PERCENT USED
-----------------------	----------------------------	---------------------	---------------------------------	-----------------

Personnel Budget:

1-07-4000-000 Salaries	\$ 102,286	\$ 153,000	\$ 50,714	66.85%
1-07-4000-100 Overtime	822	1,000	178	82.22%
Subtotal (Salaries)	\$ 103,108	\$ 154,000	\$ 50,892	66.95%

Employee Benefits

1-07-4005-000 Payroll Taxes	8,338	11,750	3,412	70.96%
1-07-4010-000 Health Insurance	15,728	22,750	7,022	69.13%
1-07-4015-000 PERS	19,349	29,250	9,901	66.15%
Subtotal (Benefits)	\$ 43,415	\$ 63,750	\$ -	68.10%

Total Personnel Expenses

\$ 146,522	\$ 217,750	\$ -	\$ 71,050	67.29%
------------	------------	------	-----------	--------

OPERATING EXPENSES:

1-07-4050-000 Staff Travel	\$ -	\$ 1,000	\$ 1,000	0.00%
1-07-4060-000 Staff Conferences & Seminars	638	1,000	362	63.80%
1-07-4190-300 Public Relations - Landscape Workshop/Training	243	1,000	757	24.29%
1-07-4190-400 Public Relations - Contests	709	1,000	291	70.86%
1-07-4190-500 Public Relations - Education Programs	906	5,000	4,094	18.13%
1-07-4190-700 Public Relations -General Media	1,535	3,000	1,465	51.17%
1-07-4190-900 Public Relations - Other	180	5,000	4,820	3.60%
1-07-6300-100 Supplies - Misc.	1,487	5,000	3,513	29.73%
Subtotal Operating Expenses	\$ 5,697	\$ 22,000	\$ -	25.90%

Total Departmental Expenses

\$ 152,220	\$ 239,750	\$ -	\$ 87,352	63.49%
------------	------------	------	-----------	--------



**Palmdale Water District**  
**2013 Human Resources Budget**  
For the Eight Months Ending Saturday, August 31, 2013

YTD ACTUAL 2013	ORIGINAL BUDGET 2013	ADJUSTMENTS 2013	ADJUSTED BUDGET REMAINING	PERCENT USED
-----------------------	----------------------------	---------------------	---------------------------------	-----------------

Personnel Budget:

1-08-4000-000 Salaries	\$ 56,001	\$ 84,000	\$ 27,999	66.67%
Employee Benefits				
1-08-4005-000 Payroll Taxes	4,284	6,500	2,216	65.91%
1-08-4010-000 Health Insurance	-	18,000	18,000	0.00%
1-08-4015-000 PERS	-	16,000	16,000	0.00%
Subtotal (Benefits)	\$ 4,284	\$ 40,500	\$ -	10.58%
Total Personnel Expenses	\$ 60,285	\$ 124,500	\$ -	48.42%

OPERATING EXPENSES:

1-08-4050-000 Staff Travel	\$ -	\$ 500	\$ 500	0.00%
1-08-4060-000 Staff Conferences & Seminars	-	500	500	0.00%
1-08-4090-000 Temporary Staffing*	36,146	-	(11,846)	
1-08-4095-000 Employee Recruitment	2,225	3,000	775	74.17%
1-08-4100-000 Employee Retention	1,305	1,500	195	87.02%
1-08-4105-000 Employee Relations	3,276	3,500	224	93.61%
1-08-4110-000 Consultants	-	1,000	1,000	0.00%
1-08-4120-100 Training-Safety Consultants	2,638	38,000	35,362	6.94%
1-08-4121-000 Safety Program	-	1,000	1,000	0.00%
1-08-4165-000 Membership/Subscriptions	449	1,600	1,151	28.06%
1-08-4165-100 HR/Safety Publications	-	1,000	1,000	0.00%
1-08-6300-500 Supplies - Safety	2,840	33,500	30,660	8.48%
Subtotal Operating Expenses	\$ 48,879	\$ 85,100	\$ 24,300	44.68%
Total Departmental Expenses	\$ 109,164	\$ 209,600	\$ 124,736	46.67%

\* Budget adjustments by General Manager per Appendix A

**Palmdale Water District**  
**2013 Information Technology Budget**  
For the Eight Months Ending Saturday, August 31, 2013

YTD ACTUAL	ORIGINAL BUDGET	ADJUSTMENTS	ADJUSTED BUDGET	PERCENT
2013	2013	2013	REMAINING	USED

Personnel Budget:

1-09-4000-000 Salaries	\$ 140,249	\$ 204,000		\$ 63,751	68.75%
1-09-4000-100 Overtime	1,660	2,500		840	66.41%
Subtotal (Salaries)	\$ 141,909	\$ 206,500		\$ 64,591	68.72%

Employee Benefits

1-09-4005-000 Payroll Taxes	11,535	16,000		4,465	72.10%
1-09-4010-000 Health Insurance	27,749	41,250		13,501	67.27%
1-09-4015-000 PERS	25,805	39,250		13,445	65.74%
Subtotal (Benefits)	\$ 65,089	\$ 96,500	\$ -	\$ 31,411	67.45%

Total Personnel Expenses

\$ 206,998	\$ 303,000	\$ -	\$ 95,162	68.32%
------------	------------	------	-----------	--------

OPERATING EXPENSES:

1-09-4050-000 Staff Travel	\$ 514	\$ 3,000		2,486	17.13%
1-09-4060-000 Staff Conferences & Seminars	11,402	15,000		3,598	76.01%
1-09-4155-300 Contracted Services - Computer Vendors	38,601	108,000	(55,500)	13,899	73.53%
1-09-4165-000 Memberships/Subscriptions	-	500		500	0.00%
1-09-4270-000 Telecommunications	35,380	-	55,500	20,120	63.75%
1-09-8000-100 Computer Equipment - Computers	4,719	45,000		40,281	10.49%
1-09-8000-200 Computer Equipment - Laptops	-	10,000		10,000	0.00%
1-09-8000-300 Computer Equipment - Monitors	493	2,000		1,507	24.67%
1-09-8000-400 Computer Equipment - Printers	12	2,500		2,488	0.48%
1-09-8000-500 Computer Equipment - Toner Cartridges	1,056	3,000		1,944	35.21%
1-09-8000-600 Computer Equipment - Other	6,955	35,000		28,045	19.87%
1-09-8100-100 Computer Software - Maint. and Support	19,463	70,000		50,538	27.80%
1-09-8100-140 Computer Software - Starnik	63,250	86,000		22,750	73.55%
1-09-8100-150 Computer Software - Cogsdale Maint and Support	27,489	30,000		2,511	91.63%
1-09-8100-200 Computer Software - Software and Upgrades	4,735	15,000		10,265	31.57%
Subtotal Operating Expenses	\$ 214,070	\$ 425,000	\$ -	\$ 210,930	50.37%

Total Departmental Expenses

\$ 421,068	\$ 728,000	\$ -	\$ 306,092	57.84%
------------	------------	------	------------	--------

# ENGINEERING DEPARTMENT COMMITTED CONTRACTS AND PAYOUT SCHEDULE - OCTOBER, 2013

## Project Commitment and Payout Summary

Work Order No.	Description	Contractor/Consultant/ Supplier	Contractual Commitment	Payout to Date
401-13	Water Supply Fee Analysis	Carollo Engineers	\$ 23,851	\$ 14,953
600-12	3600' Hydro-Pneumatic Tank Replacement	Superior Tank Solutions	\$ 79,900	\$ 79,900
RCP04	Annual Tank Maintenance Program	Superior Tank Solutions	\$ 319,100	\$ 0
600-09	16th, 17th, 18th St. E. Water Main Replacement Project - Material Cost Only	HD Supply	\$ 113,352	\$ 113,352
401-12	Water Meter Exchange Program	Tejon Constructors	\$ 50,000	\$ 48,890

## Project Payout Detail (Actual/Projected)

Work Order No.	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
401-13								\$ 14,953		\$ 8,898		
600-12								\$ 79,900				
RCP04										\$ 319,100		
600-09							\$ 113,352					
401-12	\$ 21,895	\$ 11,438					\$ 15,557					
Totals:	\$ 21,895	\$ 11,438	\$ 0	\$ 0	\$ 0	\$ 0	\$ 128,909	\$ 94,853	\$ 0	\$ 327,998	\$ 0	\$ 0

# WATER QUALITY FUND COMMITTED CONTRACTS AND PAYOUT SCHEDULE - OCTOBER, 2013

## Water Quality Fund - Commitment and Payout Summary

Project ID	Description	Contractor/Consultant/ Supplier	Contractual Commitment	Payout to Date
WQF-1	GAC Replacement @ WTP - CX Reactivated	Siemens	\$ 216,776 \$	0
WQF-2	GAC Replacement @ WTP	Calgon Carbon	\$ 868,432 \$	650,432
WQF-3	Localized GAC @ Underground Booster Station - Vessel	Prominent	\$ 88,812 \$	0
WQF-4	Localized GAC @ Underground Booster Station - Site Improvements	BV Construction	\$ 77,952 \$	46,542
WQF-5	Localized GAC @ Underground Booster Station - Structural Design	JT/AESI	\$ 7,000 \$	6,075
WQF-6	Localized GAC @ Underground Booster Station - Initial GAC Supply	Siemens	\$ 38,405 \$	0

## Water Quality Fund - Payout Detail (Actual/Projected)

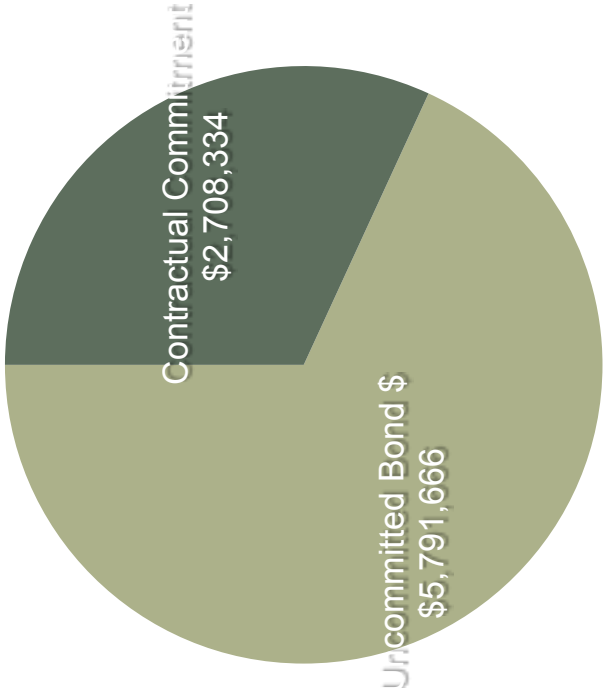
Project ID	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
WQF-1										\$ 216,776		
WQF-2					\$ 216,776		\$ 216,828	\$ 216,828		\$ 218,000		
WQF-3										\$ 88,812		
WQF-4						\$ 46,542				\$ 31,410		
WQF-5						\$ 6,075						
WQF-6											\$ 38,405	
Totals:	\$ 0 \$	0 \$	0 \$	0 \$	0 \$ 216,776	\$ 52,617	\$ 216,828	\$ 216,828	\$ 0	\$ 554,998	\$ 38,405	\$ 0



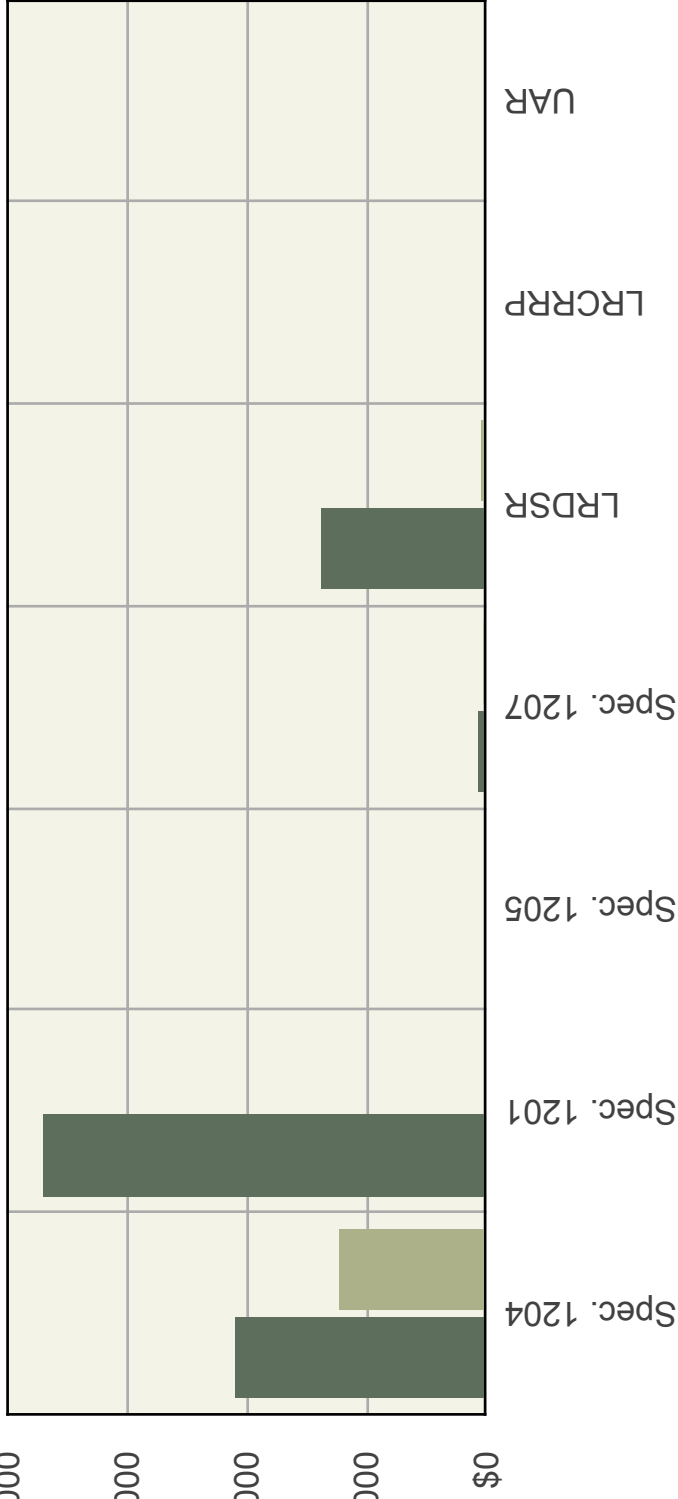
# PWD WATER REVENUE BONDS - SERIES 2013A

Contractual Commitment    Uncommitted Bond \$    Contractual Commitment    Payout to Date

Allocated Bond \$ vs. Commitment



Allocated Bond \$



## Project Commitment and Payout Summary

Project	Work Order No.	Description	CEQA	Allocated Bond \$	Contractual Commitment	Payout to Date	Uncommitted Bond \$
Spec. 1204	603-12	Ave. Q - Q-3, Division and Sumac	4/28/13	\$725,000	\$781,857	\$458,380	(\$56,857)
Spec. 1201	606-11	20th, Puerta, Sweetbriar, and 22nd St. E.	5/8/13	\$1,450,000	\$1,387,042	\$0	\$62,958
Spec. 1205	605-12	Frontier, 31st St. E., etc. between Ave. Q and Q-4	5/8/13	\$1,200,000	\$0	\$0	\$1,200,000
Spec. 1207	607-12	10th St. E. between Ave. P and Palmdale Blvd.	6/16/13	\$1,400,000	\$23,510	\$9,108	\$1,376,490
LRDSR	501-04	Littlerock Sediment Removal (EIR/EIS/Permits)	TBD	\$975,000	\$515,925	\$18,500	\$459,075
LRCRRP	400-12	Littlerock Recharge and Recovery (Feasibility)	TBD	\$1,500,000	\$0	\$0	\$1,500,000
UAR	TBD	Upper Amargosa Recharge (Project Capacity)	11/20/12	\$1,250,000	\$0	\$0	\$1,250,000
Totals:				\$8,500,000	\$2,708,334	\$485,988	\$5,791,666



Current proposed 2014 budget is \$2,071,750 Revenue over Expense in Operations and an Investment back in the District of \$1,504,370.

FINANCE COMMITTEE  
PALMDALE WATER DISTRICT  
VIA: Mr. Dennis D. LaMoreaux, General Manager

October 2, 2013

Upcoming events include: a meeting with Engineering, Facilities, and Operations to discuss Capital Asset/Capital Expense request on October 16, 2013; Finalize salary and benefit costs; Finalize department accomplishments and goals for 2014.

**Strategic Plan Element:**

This work is part of Strategic Element 6.0 Financial Management.

**Budget:**

N/A

**Supporting Documents:**

- Summary 2014 budget



# DRAFT

## PALMDALE WATER DISTRICT 2014 BUDGET REVENUES AND EXPENDITURES COMPARISON

Activity	Proposed 2014		Change from 2013 Projected
	Revenues	Expenditures	
Net Water Sales	\$ 8,714,000		\$ (605,000)
Meter Fees	11,200,000		200,000
Elevation Fees	550,000		(44,000)
Other Operating Revenue	1,700,000		(50,000)
Water Quality Fees (Restricted Use)	1,638,000		(101,000)
Directors		\$ 117,500	21,600
Administration		2,698,800	401,800
Engineering		1,268,000	41,000
Facilities		3,372,000	484,000
Operations		5,000,250	106,750
Finance		2,815,750	147,500
Water Conservation		261,750	30,750
Human Resources		221,800	73,550
Information Technology		749,900	74,650
Water Purchases		2,750,000	313,515
Capitalized Expenditures		836,500	166,500
Water Quality Expense (GAC)		1,638,000	293,000
<b>SUBTOTAL OPERATING</b>	<b>\$ 23,802,000</b>	<b>\$ 21,730,250</b>	
<b>Operating Revenue Over/(Under) Expense</b>	<b>\$ 2,071,750</b>		<b>\$ (2,754,615)</b>
Assessments received	\$ 5,850,000		\$ (463,338)
Capital Improvement Fees	150,000		152,000
Water Supply Connection Fees	-		-
State Grants	-		(485,000)
Interest on Investments	25,000		28,500
Other Income	185,000		16,000
Payments for State Water Project		\$ 2,336,380	(484,649)
Principal Paid on Long Term Debt		2,000,000	-
Interest Paid on Long Term Debt		2,048,000	-
Capital Leasing		250,000	10,443
Water Conservation		143,000	288,000
Investment Back in District Capital		1,504,370	(1,986,558)
	<u>\$ 30,012,000</u>	<u>\$ 30,012,000</u>	
<b>Increase/(Decrease) in Cash Balance</b>	<b>\$ -</b>		<b>\$ (1,333,689)</b>

**DRAFT**

**PALMDALE WATER DISTRICT  
FINANCE COMMITTEE - 2014 BUDGET (Departmental Overview)**

**Administration**

**Budget 2013: 2,602,000**  
**Projected Actual 2013: 2,297,000**  
**Requested 2014: 2,698,800**

**DEPARTMENT PERSONNEL BUDGET:**

	BUDGET 2014	PROJECTED 2013	BUDGET 2013	ACTUAL 2012	ACTUAL 2011	ACTUAL 2010
1-02-4000-000 Salaries	496,000	468,000	471,500	499,688	551,638	719,742
1-02-4000-100 Salaries - Departmental Overtime	7,500	7,500	5,000	8,678	6,217	7,677
Subtotal (Salaries - Departmental)	503,500	475,500	476,500	508,366	557,854	727,419
Employee Benefits (Departmental)						
1-02-4005-000 Payroll Taxes	40,000	33,000	41,000	30,681	35,497	34,540
1-02-4010-000 Health Insurance	76,800	80,625	80,750	82,661	104,849	124,138
1-02-4015-000 Pers	100,500	90,000	90,750	91,869	88,045	105,019
Subtotal (Benefits - Departmental)	217,300	203,625	212,500	205,211	228,391	263,697

**Employee Salaries & Benefits (District Wide)**

1-02-4000-200 Salaries - District-wide Oncall/Standby	60,000	57,000	60,000	54,620	58,299	56,329
1-02-4020-000 Worker's Comp	125,000	104,000	160,000	126,579	157,099	176,082
1-02-4025-000 Vacation Benefit Expense	35,000	40,000	35,000	(91,399)	31,402	8,597
1-02-4030-000 Life Insurance/EAP Program	7,500	7,625	7,500	7,115	7,876	4,994
Subtotal (Salaries/Benefits - District Wide)	227,500	208,625	262,500	96,914	254,676	246,002
Personnel Expenses	948,300	887,750	951,500	810,492	1,040,921	1,237,118

**OPERATING EXPENSES:**

Total Operating Expense	1,750,500	1,409,250	1,650,500	1,688,829	2,561,033	2,794,759
Total Departmental Expenses	2,698,800	2,297,000	2,602,000	2,499,320	3,601,954	4,031,877

DRAFT

PALMDALE WATER DISTRICT  
FINANCE COMMITTEE - 2014 BUDGET (Departmental Overview)

Engineering

**Budget 2013:** 1,215,750  
**Projected Actual 2013:** 1,227,000  
**Requested 2014:** 1,268,000

DEPARTMENT PERSONNEL BUDGET:

	BUDGET 2014	PROJECTED 2013	BUDGET 2013	ACTUAL 2012	ACTUAL 2011	ACTUAL 2010
1-02-4000-000 Salaries	794,750	755,000	749,000	761,583	777,873	769,680
1-02-4000-100 Salaries - Departmental Overtime	6,750	6,000	6,000	1,173	10,758	5,381
Subtotal (Salaries - Departmental)	801,500	761,000	755,000	762,756	788,631	775,061
Employee Benefits (Departmental)						
1-02-4005-000 Payroll Taxes	58,000	60,750	58,000	57,388	57,608	56,784
1-02-4010-000 Health Insurance	154,000	165,250	165,500	157,833	151,270	126,171
1-02-4015-000 Pers	160,500	147,000	143,250	143,557	134,619	120,295
Subtotal (Benefits - Departmental)	372,500	373,000	366,750	358,778	343,496	303,250
Personnel Expenses	1,174,000	1,134,000	1,121,750	1,121,535	1,132,127	1,078,311

OPERATING EXPENSES:

Total Operating Expense	94,000	93,000	94,000	34,264	38,322	27,619
Total Departmental Expenses	1,268,000	1,227,000	1,215,750	1,155,799	1,170,449	1,105,929

DRAFT

PALMDALE WATER DISTRICT  
FINANCE COMMITTEE - 2014 BUDGET (Departmental Overview)

Facilities

Budget 2013: 3,298,500  
Projected Actual 2013: 2,888,000  
Requested 2014: 3,372,000

DEPARTMENT PERSONNEL BUDGET:

	BUDGET 2014	PROJECTED 2013	BUDGET 2013	ACTUAL 2012	ACTUAL 2011	ACTUAL 2010
1-02-4000-000 Salaries	1,360,000	1,225,000	1,339,000	1,423,089	1,370,889	1,345,077
1-02-4000-100 Salaries - Departmental Overtime	38,000	52,000	40,000	29,565	47,171	46,025
Subtotal (Salaries - Departmental)	1,398,000	1,277,000	1,379,000	1,452,654	1,418,060	1,391,102
Employee Benefits (Departmental)						
1-02-4005-000 Payroll Taxes	105,000	104,000	105,000	113,849	113,701	99,084
1-02-4010-000 Health Insurance	374,500	405,000	384,000	393,665	341,285	276,349
1-02-4015-000 Pers	267,000	223,000	254,500	269,180	243,376	207,987
Subtotal (Benefits - Departmental)	746,500	732,000	743,500	776,694	698,361	583,419
Personnel Expenses	2,144,500	2,009,000	2,122,500	2,229,348	2,116,421	1,974,521

OPERATING EXPENSES:

Total Operating Expense	1,227,500	879,000	1,176,000	1,076,246	1,099,348	1,327,440
Total Departmental Expenses	3,372,000	2,888,000	3,298,500	3,305,594	3,215,769	3,301,961



DRAFT

PALMDALE WATER DISTRICT

FINANCE COMMITTEE - 2014 BUDGET (Departmental Overview)

Operations

**Budget 2013: 4,944,250**  
**Projected Actual 2013: 4,893,500**  
**Requested 2014: 5,000,250**

DEPARTMENT PERSONNEL BUDGET:		BUDGET	PROJECTED	BUDGET	ACTUAL	ACTUAL	ACTUAL
		2014	2013	2013	2012	2011	2010
1-02-4000-000	Salaries	1,664,500	1,550,000	1,608,500	1,643,361	1,571,485	1,527,312
1-02-4000-100	Salaries - Departmental Overtime	84,000	82,000	61,500	88,128	113,848	67,947
Subtotal (Salaries - Departmental)		1,748,500	1,632,000	1,670,000	1,731,489	1,685,334	1,595,259
Employee Benefits (Departmental)							
1-02-4005-000	Payroll Taxes	128,000	125,000	128,000	132,513	124,733	120,429
1-02-4010-000	Health Insurance	343,000	370,000	378,500	359,376	345,691	290,849
1-02-4015-000	Pers	320,000	286,750	307,000	308,076	273,221	234,153
Subtotal (Benefits - Departmental)		791,000	781,750	813,500	799,965	743,644	645,430
Personnel Expenses		2,539,500	2,413,750	2,483,500	2,531,453	2,428,978	2,240,689

OPERATING EXPENSES:

Total Operating Expense	2,460,750	2,479,750	2,460,750	2,206,755	2,252,623	2,311,304
Total Departmental Expenses	5,000,250	4,893,500	4,944,250	4,738,208	4,681,601	4,551,993

**DRAFT**

**PALMDALE WATER DISTRICT**

**FINANCE COMMITTEE - 2014 BUDGET (Departmental Overview)**

**Finance**

**Budget 2013: 2,774,500**  
**Projected Actual 2013: 2,668,250**  
**Requested 2014: 2,815,750**

DEPARTMENT PERSONNEL BUDGET:		BUDGET 2014	PROJECTED 2013	BUDGET 2013	ACTUAL 2012	ACTUAL 2011	ACTUAL 2010
1-02-4000-000	Salaries	1,574,250	1,480,000	1,482,000	1,533,269	1,508,723	1,679,094
1-02-4000-100	Salaries - Departmental Overtime	18,750	26,000	20,000	18,656	30,945	12,214
	Subtotal (Salaries - Departmental)	1,593,000	1,506,000	1,502,000	1,551,925	1,539,668	1,691,308
Employee Benefits (Departmental)							
1-02-4005-000	Payroll Taxes	115,000	119,000	115,000	117,568	119,983	122,180
1-02-4010-000	Health Insurance	317,000	342,000	383,750	369,836	366,021	337,125
1-02-4015-000	Pers	317,500	282,750	282,500	289,841	264,424	259,728
	Subtotal (Benefits - Departmental)	749,500	743,750	781,250	777,245	750,428	719,033
	Personnel Expenses	2,342,500	2,249,750	2,283,250	2,329,170	2,290,096	2,410,341

**OPERATING EXPENSES:**

Total Operating Expense	473,250	418,500	491,250	511,180	500,613	373,651
Total Departmental Expenses	2,815,750	2,668,250	2,774,500	2,840,351	2,790,709	2,783,992

**DRAFT**

**PALMDALE WATER DISTRICT**

**FINANCE COMMITTEE - 2014 BUDGET (Departmental Overview)**

**Water Conservation**

**Budget 2013: 239,750**

**Projected Actual 2013: 231,000**

**Requested 2014: 261,750**

	BUDGET 2014	PROJECTED 2013	BUDGET 2013	ACTUAL 2012	ACTUAL 2011	ACTUAL 2010
DEPARTMENT PERSONNEL BUDGET:						
1-02-4000-000 Salaries	162,500	151,000	153,000	152,210	149,794	153,005
1-02-4000-100 Salaries - Departmental Overtime	1,000	1,000	1,000	1,000	939	946
Subtotal (Salaries - Departmental)	163,500	152,000	154,000	153,210	150,733	153,951
Employee Benefits (Departmental)						
1-02-4005-000 Payroll Taxes	11,750	11,500	11,750	11,710	11,498	11,355
1-02-4010-000 Health Insurance	31,500	28,000	22,750	20,340	15,310	12,635
1-02-4015-000 Pers	33,000	29,000	29,250	29,602	26,469	23,670
Subtotal (Benefits - Departmental)	76,250	68,500	63,750	61,652	53,277	47,661
Personnel Expenses	239,750	220,500	217,750	214,862	204,010	201,612

**OPERATING EXPENSES:**

Total Operating Expense	22,000	10,500	22,000	8,942	3,552	4,437
Total Departmental Expenses	261,750	231,000	239,750	223,804	207,563	206,048

DRAFT

PALMDALE WATER DISTRICT

FINANCE COMMITTEE - 2014 BUDGET (Departmental Overview)

Water Conservation

**Budget 2013:** 209,600  
**Projected Actual 2013:** 148,250  
**Requested 2014:** 221,800

	BUDGET		PROJECTED	BUDGET		ACTUAL	ACTUAL	
	2014	2013		2013	2012		2011	2010
DEPARTMENT PERSONNEL BUDGET:								
1-02-4000-000 Salaries	98,000	75,000		84,000	105,474		125,029	111,469
1-02-4000-100 Salaries - Departmental Overtime	-	-		-	-		-	-
Subtotal (Salaries - Departmental)	98,000	75,000		84,000	105,474		125,029	111,469
Employee Benefits (Departmental)								
1-02-4005-000 Payroll Taxes	6,500	6,000		6,500	8,432		7,693	8,178
1-02-4010-000 Health Insurance	19,200	2,000		18,000	14,396		20,343	13,658
1-02-4015-000 Pers	13,000	2,000		16,000	18,557		22,914	17,296
Subtotal (Benefits - Departmental)	38,700	10,000		40,500	41,384		50,950	39,132
Personnel Expenses	136,700	85,000		124,500	146,858		175,979	150,601
OPERATING EXPENSES:								
Total Operating Expense	85,100	63,250		85,100	45,348		59,818	65,495
Total Departmental Expenses	221,800	148,250		209,600	192,206		235,797	216,096



# DRAFT

## PALMDALE WATER DISTRICT

### FINANCE COMMITTEE - 2014 BUDGET (Departmental Overview)

#### Information Technology

**Budget 2013:** 728,000

**Projected Actual 2013:** 675,250

**Requested 2014:** 749,900

	BUDGET	PROJECTED	BUDGET	ACTUAL	ACTUAL	ACTUAL
	2014	2013	2013	2012	2011	2010
DEPARTMENT PERSONNEL BUDGET:						
1-02-4000-000 Salaries	216,500	204,250	204,000	218,357	196,681	-
1-02-4000-100 Salaries - Departmental Overtime	2,500	2,250	2,500	1,956	1,773	-
Subtotal (Salaries - Departmental)	219,000	206,500	206,500	220,313	198,453	-
Employee Benefits (Departmental)						
1-02-4005-000 Payroll Taxes	16,000	17,500	16,000	15,942	14,034	-
1-02-4010-000 Health Insurance	38,400	41,750	41,250	39,804	38,554	-
1-02-4015-000 Pers	44,000	40,000	39,250	39,467	33,431	-
Subtotal (Benefits - Departmental)	98,400	99,250	96,500	95,212	86,019	-
Personnel Expenses	317,400	305,750	303,000	315,525	284,472	-

#### OPERATING EXPENSES:

Total Operating Expense	432,500	369,500	425,000	405,648	277,702	405,872
Total Departmental Expenses	749,900	675,250	728,000	721,173	562,174	405,872

- Proposed Reserve Policy
- Current Reserve Policy (Resolution No. 09-03)

## RESOLUTION NO. 13-\_\_

### PALMDALE WATER DISTRICT'S RESERVE POLICY

WHEREAS, the Board of Directors recognizes the need to ensure that the District will have sufficient funding available to meet its operating, emergency capital, and debt service obligations.

WHEREAS, the Board of Directors recognizes the need for sound financial policies as stewards of our customers' funds.

WHEREAS, the Board of Directors recognizes the need for some reserve for unanticipated and unforeseeable expenses.

WHEREAS, the Board of Directors recognizes the need to avoid significant water rate fluctuations.

WHEREAS, the Board of Directors recognizes a need for long term strategic financial policies.

WHEREAS, this action rescinds Resolution No. 09-03 and establishes the Palmdale Water District Reserve Policy as follows:

#### *Legally Restricted Funds:*

The Capital Improvement Fees and Water Supply Connection Fees are subject to the requirements of the Mitigation Fee Act (AB 1600). The funds may not be used to support ongoing operations of the District. The District is legally required to account for these funds separately. An annual report is required to show balance forward, fees collected, income earned, expenditures, and future commitments. All funds collected must be committed or expended within five years of being collected or they must be refunded.

#### *1. Capital Improvement Fund:*

PWD will maintain a capital improvement fund with fees collected from developers to pay for the new facilities necessary to deliver water service to newly developed property. These fees are for offsite improvements such as the development's fair share cost of wells, reservoirs, transmission mains, treatment plant capacity, and other necessary facilities. The fees are collected at rates established by the Board of Directors based upon specific engineering studies. The rates charged are based on a project's equivalent capacity unit (ECU) basis. These funds are restricted to the design and construction of capital facilities for water delivery.

*2. Water Supply Connection Fund:*

PWD will maintain a water supply connection fund with fees collected from developers to pay for developing additional sources of water needed to support the water demands of new development. The District will use the funds to pursue a variety of supply sources including projects that produce additional imported water, water transfers, recycled water, conservation, groundwater rights, water banking, or any other project that increases water supply.

*3. Bond Proceeds Fund(s):*

Bond proceeds fund(s) are monies derived from the proceeds of a bond issue. Typically they consist of construction fund monies and a debt service reserve fund. The use of these proceeds is restricted by conditions set forth in the respective legal bond documents. These funds are usually held by the Trustee in favor of the bond holders.

*4. Debt Service Reserve Funds:*

This fund is governed by legal bond covenants for the District's revenue bonds. Bond covenants require that this fund be maintained at a level sufficient to fund maximum annual debt service payments. These funds are held by the bond trustee during the term of the bonds and are to be used in the event that the District is unable to meet its required semi-annual debt service obligation. Annual interest earnings on bond reserve funds shall be applied to each year's debt service payments.

A Reserve Fund for the 2013A Bonds is established pursuant to the Indenture in an amount equal to the Reserve Requirement. Assured Guaranty Municipal Corp. ("AGM") has committed to issue, simultaneously with the execution and delivery of the 2013A Bonds, a municipal bond debt service reserve insurance policy in an amount equal to the initial Reserve Requirement for deposit in the Reserve Fund.

*5. Rate Stabilization Fund:*

This fund is governed by legal bond covenants for the District's revenue bonds. The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water Revenue Fund for application in accordance with an Installment Purchase Agreement.

***Board Designated Funds:***

Board designated funds are set to accomplish systematic and strategic goals or provide for prudent management of operations. The Board of Directors has complete discretion in the management and designation of self adopted funds. Such funds can be modified, transferred, or altered by Board action.



1. *Dam Self Insurance:*

The District shall make available \$5 million for self-insurance of the Littlerock Dam as seed money for reconstruction under the terms of the agreement between Palmdale Water District, Littlerock Creek Irrigation District and Palmdale Water District Public Facilities Corporation. The money will be used to begin the reconstruction following the event as applications for FEMA reimbursement are in process.

2. *O&M Operating Reserve:*

The O&M Operating Reserve will vary over time with a goal of maintaining three (3) months average cash operating expenses of \$5.6 million. This reserve is considered a working cash requirement. It bridges the gap between the time expenses are paid and the time revenues from the same service are collected from customers.

3. *O&M Emergency Reserve:*

The O&M Emergency Reserve will vary over time with a goal of maintaining three (3) months average cash operating expenses of \$5.6 million. This reserve is considered a working cash requirement for use in an emergency situation.

4. *Unrestricted Reserves:*

Unrestricted reserves represent a remainder balance of cash that is not yet designated for some use by the Board of Directors.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Palmdale Water District as follows:

Each fiscal year, budget will report on the status of the reserve over the previous year and budget for proposed sources and uses for each reserve.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District at a regular meeting held on \_\_\_\_\_ by the following vote:

Ayes:  
Noes:  
Absent:  
Abstain:

\_\_\_\_\_  
President, Board of Directors

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors

## RESOLUTION NO. 09-03

### PALMDALE WATER DISTRICT'S RESERVE POLICY

WHEREAS, the Board of Directors wants to ensure that the District will at all times have sufficient funding available to meet its operating, capital and debt service cost obligations.

WHEREAS, the Board of Directors recognizes the need to establish the finances necessary to secure additional water supply for the benefit of existing and future customers.

WHEREAS, the Board of Directors is establishing sound financial policies to promote favorable bond ratings in capital markets so that municipal bonds can be used for the future financing of projects.

WHEREAS, the Board of Directors need to include requirements imposed by law for the handling of developer related fees.

WHEREAS, the Board of Directors wants financial planning to address the planned needs for capital projects and equipment purchases.

WHEREAS, the Board of Directors wants to charge existing customers a fair share of the cost for the future replacement of facilities that are used to provide them service.

WHEREAS, the Board of Directors wants some reserve for unanticipated and unforeseeable expenses.

WHEREAS, the Board of Directors wants to avoid significant rate fluctuations in the future.

WHEREAS, the Board of Directors recognizes a need for long term strategic financial policies.

WHEREAS, this action rescinds Resolution No.'s 05-9 and 08-31 and establishes the Palmdale Water District Reserve Policy as follows:

#### *Legally Restricted Reserves:*

The Water Facilities Connection Fees and Water Supply Connection Fees are subject to the requirements of the Mitigation Fee Act (AB 1600). The funds may not be used to support ongoing operations of the District. The District is legally required to account for these funds separately. An annual report is required to show balance forward, fees collected, income earned, expenditures, and future commitments. All funds collected must be committed or expended within five years of being collected or they must be refunded.

### *1. Water Facilities Connection Fees:*

PWD will maintain a connection fee account with funds collected from developers to pay for the new facilities necessary to deliver water service to newly developed property. These fees are for offsite improvements such as the development's fair share cost of wells, reservoirs, transmission mains, treatment plant capacity, and other necessary facilities. The fees are collected at rates established by the Board of Directors based upon specific engineering studies. The rates charged are based on a project's equivalent capacity unit (ECU) basis. These funds are restricted to the design and construction of capital facilities for water delivery.

### *2. Water Supply Connection Fees:*

PWD will maintain a connection fee account with funds collected from developers to pay for developing additional sources of water needed to support the water demands of new development. The District will use the funds to pursue a variety of supply sources including projects that produce additional imported water, water transfers, recycled water, conservation, groundwater rights, water banking, or any other project that increases water supply.

### *3. Debt Service Reserve Funds:*

This fund is governed by legal bond covenants for the District's revenue bonds. Bond covenants require that this fund be maintained at a level sufficient to fund maximum annual debt service payments. These funds are held by the bond trustee during the term of the bonds and are to be used in the event that the District is unable to meet its required semi-annual debt service obligation. Reserve funds for each revenue bond issue will be used to make the last two semi-annual debt service payments for that issue. Annual interest earnings on bond reserve funds shall be applied to each year's debt service payments. Reserve funds related to state revolving fund loans shall be treated identically to revenue bond reserve funds as these loans are contractually defined as parity debt to the District's senior lien bonds.

As part of the 1998 bond documents, the District purchased insurance to secure an improved interest rate for the bonds. The insurance company was required to maintain a financial reserve to meet the lender's requirements. The municipal bond market was affected by the subprime mortgage crisis. During the crisis, our monoline insurer (FGIC) incurred heavy losses and consequently the credit rating of the insurer was downgraded. As a result, the District is required to maintain a reserve in lieu of insurance equivalent to the annual principal and interest of the bonds.

### *4. Dam Self Insurance:*

The District has set aside \$5 million for self-insurance of the Littlerock Dam as part of the 1998 Bond Documents. If the 1998 COP issue is refinanced, this reserve will be eliminated and the moneys will be available to the Board as an unrestricted reserve.

***Board Restricted Funds:***

Board designated funds are set to accomplish systematic and strategic goals or provide for prudent management of operations. The Board of Directors has complete discretion in the management and designation of self adopted funds. Such funds can be modified, transferred, or altered by Board action.

***5. Rate Stabilization Fund:***

This fund is governed by legal bond covenants for the District's revenue bonds. The purpose of the fund is to assist in smoothing rates to pay PWD debt service and to assure that minimum debt service coverage ratios required by the District's bond covenants would be met in the future. Funds deposited into this reserve are treated as operating revenues in the year of deposit and will be treated as such in years of use for the purposes of computing the District's debt service coverage ratio.

This fund is applied in the five-year financial plan and annual rate model along with other reserve funds to smooth future rate increases. This fund provides a buffer should revenue estimates in any year not meet projections. The Rate Stabilization Fund will be drawn down to smooth rate increases. Specifically, they will be applied in any year where other revenues are not sufficient to meet the required debt service coverage ratio. They will also be applied if meeting only minimum coverage levels could result in the District's bond ratings being downgraded.

***6. O&M Operating Reserve:***

The O&M Operating Reserve will vary over time with a goal of maintaining three months average operating expenses excluding depreciation. This reserve is considered a working cash requirement. It bridges the gap between the time expenses are paid and the time revenues from the same service are collected from customers.

***7. Supplemental Water Supply Fund:***

To ensure water supply reliability, an additional water supply of at least 8,000 acre-feet is to be obtained for existing customers. This increase is necessary due to the decreased reliability of the State Water Project (63% reliability) and to offset supply losses related to restrictions on groundwater pumping in the Antelope Valley. Water rates will be set at a sufficient level to pay for the added water supply assuming a cost of \$3,500 per acre-foot plus financing costs to be paid through bond financing. Annual payments are estimated at \$2.25 million for \$28 million in principal repaid at 5% over 20 years. The funds can be used on any project that develops new supply, conserves existing supplies, or reuses water.

***8. Asset Replacement Fund:***

This fund pays for the replacement of existing facilities and equipment as it reaches the end of its useful life or for major repairs that extend the useful life of facilities.

The 2009 budget shows depreciation of \$5.1 million for the year. The policy is to "fund depreciation" at 100% beginning in 2009.

**9. Conservation Program Fund:**

This fund is set aside for conservation programs or programs that develop new water supply. The fund may pay for rebates, design, construction, equipment, or program related operating costs. It will be funded from "penalty tiers" by the incremental variable amounts charged customers for water use above their base allocation.

**10. Water Quality Service Fee:**

This fee pays for water quality improvements including ongoing operating costs of granular activated carbon (GAC) and water quality efforts including operating expenses, studies, design, and construction.

**11. Unrestricted Reserves:**

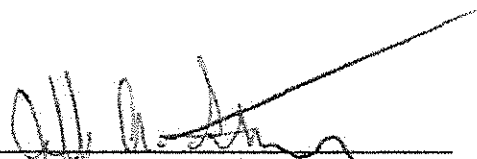
Unrestricted reserves represent a remainder balance of cash that is not yet designated for some use by the Board of Directors.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Palmdale Water District as follows:

The Palmdale Water District Reserve Policy is hereby approved retroactive to December 2008, and the General Manager is directed to follow this Reserve Policy in managing available funds and investments of the District. Each fiscal year budget will report on the status of the reserve over the previous year and budget for proposed sources and uses for each reserve.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District at a regular meeting held on this 11<sup>th</sup> day of March, 2009 by the following vote:

Ayes: Jeff Storm, David Gomez, Linda Godin, Richard Wells, Raul Figueroa  
Noes: None  
Absent: None  
Abstain: None

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:

  
\_\_\_\_\_  
Secretary, Board of Directors



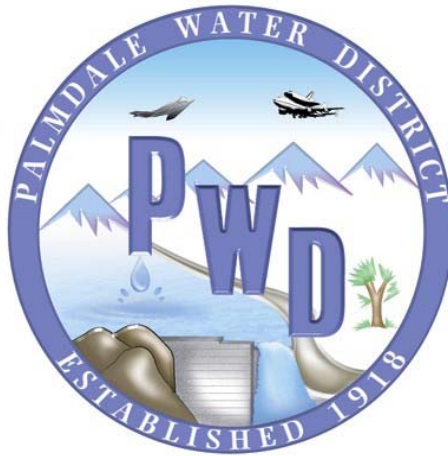
Requests for Proposals for auditing services were solicited from Brown Armstrong Accountancy Corporation, Fritz Russell, CPAs, Burkey Cox Evans & Bradford Accountancy Corporation, and Charles Z. Fedak & Company, CPAs. These proposals, as well as a cost summary, are attached and will be reviewed at the Finance Committee meeting.

- Summary of Proposals
- Proposal from Brown Armstrong Accountancy Corporation
- Proposal from Fritz Russell, CPAs
- Proposal from Burkey Cox Evans & Bradford Accountancy Corporation
- Proposal from Charles Z. Fedak & Company, CPAs

Palmdale Water District

<u>Summary of proposals</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Brown Armstrong	18,880	18,880	18,880
Burkey Cox	23,000	23,500	24,000
Chas Fedak	18,250	18,250	18,250
Fritz Russell	20,000	20,000	20,000

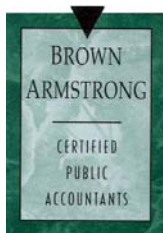
# PROPOSAL TO



## FOR PROFESSIONAL AUDITING SERVICES

FOR FISCAL YEAR ENDING  
DECEMBER 31, 2013

*September 13, 2013*



**Brown Armstrong  
Accountancy Corporation**  
4200 Truxtun Avenue, Suite 300  
Bakersfield, California 93309  
Tel (661) 324-4971  
Fax (661) 324-4997

**Contact:** Eric H. Xin, CPA, MBA, Principal  
exin@bacpas.com

## TABLE OF CONTENTS

	<u>Page</u>
Transmittal Letter .....	1
DETAILED PROPOSAL	
General Requirements.....	3
1. Statement of Independence .....	3
2. License to Practice in California.....	3
3. Firm Qualifications and Experience .....	3
4. Partner, Supervisory and Staff Qualifications and Experience.....	5
5. Similar Engagements with Other Government Entities.....	6
6. Specific Audit Approach .....	7
7. Identification of Anticipated Potential Audit Problems .....	14
8. Price Proposal .....	14
EXHIBITS	
Exhibit I - External Quality Control Review Report .....	16
Exhibit II - Summary of Recent Governmental Audit Experience.....	17
Exhibit III - Resumes of Audit Team Members .....	18



**BROWN  
ARMSTRONG**

CERTIFIED  
PUBLIC  
ACCOUNTANTS

**BROWN ARMSTRONG**

*Certified Public Accountants*

***Transmittal Letter***

September 13, 2013

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

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

Dear Mr. Egan:

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

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

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

Our firm partners, managers, and seniors are actively involved in trade associations: Government Finance Officers Association (GFOA) and the California Society of Municipal Finance Officers. Partners Armstrong, Paulden, Starbuck, and Xin are pro bono recognized reviewers for the GFOA Certificate of Achievement Award Committee. We enthusiastically contribute our time to this Award process because as we review CAFR's from all across the United States, we maintain current, up-to-date knowledge of accounting principles.

We are a member of PKF North America, an association of legally independent accounting firms. This accounting firm association is one of the first of its kind, celebrating 40 years in business and providing its members with highly specialized technical resources, thought leadership and professional development opportunities that will empower us to better serve our clients. To learn more about the benefits of our PKF membership, please visit [www.pkfna.com/Client\\_Benefits.aspx](http://www.pkfna.com/Client_Benefits.aspx).

**MAIN OFFICE**

**4200 TRUXTUN AVENUE**

SUITE 300  
BAKERSFIELD, CA 93309

TEL 661.324.4971

FAX 661.324.4997

EMAIL [info@bacpas.com](mailto:info@bacpas.com)

**560 CENTRAL AVENUE**

SHAFTER, CALIFORNIA 93263

TEL 661.746.2145

FAX 661.746.1218

**8050 N. PALM AVENUE**

SUITE 300

FRESNO, CALIFORNIA 93711

TEL 559.476.3592

FAX 559.476.3593

**790 E. COLORADO BLVD.**

SUITE 908B

PASADENA, CALIFORNIA 91101

TEL 626.240.0920

FAX 626.240.0922

**5250 CLAREMENT AVENUE**

SUITE 237

STOCKTON, CA 95207

TEL 209.451.4833

Member of

**PKF**

North America  
An association of legally  
independent firms

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



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

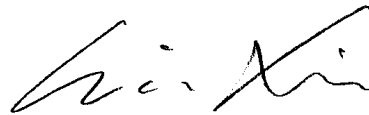
Our approach, people, commitment to timelines, and dedication to financial reporting excellence makes Brown Armstrong the best-qualified firm to meet your needs.

I will be the engagement partner and primary liaison responsible for all services to Palmdale Water District (the District), and I am authorized to contractually bind the Firm. I can be contacted at: 4200 Truxtun Avenue, Suite 300, Bakersfield, California 93309, Tel (661) 324-4971, Fax (661) 324-4997 or e-mail: [exin@bacpas.com](mailto:exin@bacpas.com).

I confirm that the information provided in this proposal is accurate and that the terms and conditions of this proposal are a firm and irrevocable offer for a minimum of 90 days after submission. Please call me if I can clarify or expand on any item contained in this proposal. We appreciate the opportunity to provide you with the outstanding service you expect.

Sincerely,

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "Eric H. Xin", written in a cursive style.

By: Eric H. Xin, CPA, MBA  
Firm Principal

## **DETAILED PROPOSAL**

### **GENERAL REQUIREMENTS**

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

#### **1. STATEMENT OF INDEPEDENCE**

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

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

#### **2. LICENSE TO PRACTICE IN CALIFORNIA**

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

#### **3. FIRM QUALIFICATIONS AND EXPERIENCE**

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

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



**Size and Location of the Firm** - The majority of the services provided to your District will be from our office located in Bakersfield, California. The Firm now employs 95 people as follows:

<u>Personnel</u>	<u>Total</u>	<u>Government *</u>
Shareholders (Partners)	15	10
Managers	15	9
Seniors	13	8
Staff Accountants	25	25
Technicians and Other Support	<u>27</u>	<u>0</u>
Total	<u>95</u>	<u>52</u>

\* Indicates employees involved in providing services to local governments.

We propose the following engagement team for your audit:

Eric H. Xin, CPA, MBA	Engagement Partner
Thomas M. Young, CPA	Technical Review Partner
Jesse Tiwana, CPA	Engagement Senior
Tanya Venzke	Engagement Staff
Mark Stainer	Engagement Staff

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

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

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

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



#### **4. PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE**

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

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

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

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

**Engagement Partner/Manager:** Mr. Eric Xin, CPA, has over seventeen years of governmental auditing and accounting experience. Mr. Xin will be the engagement partner and will manage the audit services provided to you as specified in the request for proposal. He has been the partner on the audits of the County of Ventura Treasurer-Tax Collector, San Joaquin Valley Air Pollution Control District, San Joaquin Valleywide Air Pollution Study Agency, Los Osos Community Services District, and San Joaquin Area Flood Control Agency, along with numerous other governmental entities.

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

**Technical Review Partner:** Mr. Thomas Young, CPA, will be the technical review partner. He has over sixteen years of experience with our firm and has experience with cities, retirement systems, counties and special districts throughout California.

**Engagement Senior:** Mr. Jesse Tiwana will be the engagement senior. She has over two years of governmental auditing and accounting experience. She has assisted with the audit engagements for the Los Osos Community Services District, Delano Mosquito Abatement District, San Bernardino International Airport, and numerous other governmental agencies.

**Engagement Staff:** Ms. Tanya Venzke and Mr. Mark Stainer will be the engagement staff. They each have experience auditing numerous governmental entities. Please view their resumes for more details.



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

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

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

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

## **5. SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES**

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

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

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





Belridge Water Storage Agency Greg Hammett P.O. Box 250 Lost Hills, CA 93249 (661) 762-7316	Financial & Compliance Audits	2000 to Present	200
Kern Tulare Water District Skye Grass 5001 California Avenue, Suite 202 Bakersfield, CA 93309 (661) 327-3132	Financial & Compliance Audits	2006 to Present	250
Santa Clara Valley Water District Anita Ong 5750 Almaden Expressway San Jose, CA 95118 (408) 265-2607	Financial & Compliance Audits	2010 to 2012	600

## **6. SPECIFIC AUDIT APPROACH**

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

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

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

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

We will begin with an entrance conference with District Management during the month of January 2013. During this time we will begin the following procedures:



### **Planning**

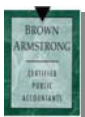
During this phase of the audit, we will:

- < Confer with management to coordinate our efforts with the District's efforts in terms of confirmations, schedules to be prepared, and critical dates to be met to ensure a smooth flow of the audit process;
- < Prepare a preliminary assessment of the District's internal control structure including controls over federal and state financial assistance programs;
- < Perform review of the Electronic Data Processing (EDP) controls relating to the District's computer system, (a more detailed explanation of the computer software used in the engagement is explained on page 14);
- < Perform planning analytical procedures consisting of: (1) Comparative analytics (current balances versus budget and prior year); and (2) Predictive analysis (revenues and expenditures/expenses susceptible to such testing based on our expectations);
- < Confer with management regarding the results of our planning;
- < Submit questionnaires and requests for information to management regarding internal control. Our approach will emphasize transaction processing; investments, cash receipts, cash disbursements, payroll, capital assets, and external reporting;
- < Obtain an understanding of general ledger and related reports available for audit; and
- < Obtain basic information from management relating to risk assessment, including fraud risks.

### **Internal Control Evaluation and Audit Risk Assessment**

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

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



- < Summarizing potential significant deficiencies and opportunities for efficiencies and improvements for discussion with management.

### **Test of Controls and Compliance**

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

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

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

### **Establishment of Final Audit Plan**

Our audit plan will be based on the following:

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

### **Final Field Work**

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

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

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



**Completion of the Audit**

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

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

**Proposed Project Schedule – Palmdale Water District**

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



Detailed Audit Schedule for the Palmdale Water District	
Time Period	Audit Tasks
January	<p><b>Internal Control Structure</b></p> <ul style="list-style-type: none"> <li>• Obtain and document our understanding of the following key internal control systems through walkthroughs, interviews of staff, and reviews of supporting documentation: <ul style="list-style-type: none"> <li>◊ Budgeting</li> <li>◊ Revenue, billing, accounts receivable and cash collections</li> <li>◊ Purchasing, expenditures, accounts payable and cash disbursements</li> <li>◊ Capital assets and journal entry procedures</li> <li>◊ Debt issuance</li> <li>◊ Payroll</li> <li>◊ Other significant internal control systems as necessary.</li> </ul> </li> <li>• Perform testing of the internal control system and evaluate the effectiveness of the District's systems. Select large dollar and random samples of transactions in key operating systems. (Sample size designed to meet assessed / required level of risk, but generally higher than in previous years.) Review supporting documentation of selected transactions, evaluate transactions, evaluate adequacy of support and approvals and conclude on degree of adherence to accuracy and compliance with the District's policies.</li> <li>• Prepare to the District's Management a memo concerning management letter points and identify issues, if any.</li> </ul>
January	<p><b>Other Interim Audit Tasks</b></p> <ul style="list-style-type: none"> <li>• Review minutes of District Board meetings and other key committees.</li> <li>• Coordinate and assist District staff in the preparation of all appropriate confirmation requests including: <ul style="list-style-type: none"> <li>◊ Bank accounts</li> <li>◊ Investment accounts</li> <li>◊ Federal grants</li> <li>◊ Revenue from governmental agencies</li> <li>◊ Bond and other debts</li> <li>◊ Attorney letters</li> <li>◊ Others, as required</li> </ul> </li> <li>• Hold progress conference with Management.</li> </ul>



<b>Detailed Audit Schedule for the Palmdale Water District</b>	
<b>Time Period</b>	<b>Audit Tasks</b>
<b>February</b>	<b>Year End Audit Procedures</b> <ul style="list-style-type: none"> <li>• Entrance conference with Management.</li> <li>• Follow-up on all outstanding confirmations.</li> <li>• Verify and validate account balances by including invoices, vouchers, resolutions, minutes, and other documentation, as required.</li> <li>• Perform analytical review of revenues and expenditures. Determine reasons for material differences between budget and actual.</li> <li>• Perform payroll testing from journals to W-2 amounts (cross fiscal year). Tie W-2's to other available information.</li> <li>• Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing staff.</li> <li>• Perform review of subsequent events by discussions with Management and review of all minutes of the District's Board and key committees.</li> <li>• Validate all analytical procedures, assumptions and perform additional testing as necessary. Discuss any proposed adjustments.</li> <li>• Hold exit conference with management.</li> </ul>
<b>February/ March</b>	<b>Financial Reporting</b> <ul style="list-style-type: none"> <li>• Assist draft and review the District's financial statements.</li> <li>• Finalize reports and present to Management.</li> <li>• Finalize Audit Reports and Financial Statements Delivered</li> <li>• Available to present all reports to the District's Board and Committees.</li> </ul>

### *Computer Software in the Engagement*

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

All key personnel assigned to your audit have computer application skills and experience in auditing computerized accounting systems. At least two members of our proposed audit team are considered "power users" with skills above normal users. In addition, Brown Armstrong contracts with an outside IT consulting firm to perform testing on audit client's EDP and computer logistics on an as-needed basis.





In 2007, Brown Armstrong switched to paperless audits utilizing CCH Pfx Engagement software. Our staff is equipped with portable computer equipment that enables them to work effectively from the field. Our laptops have both hard drive encryption technology and tracking software to help us locate them in the case they are lost or stolen, and client data is regularly cleared off the local drives after jobs are finished. The data on each laptop in our main auditing software (CCH Pfx Engagement) is synched both with the central file room in our office and between each laptop in the field so there are multiple copies of the data available in case a laptop fails. Also, we use ACL software in performing computer assisted audit procedures. Several of the procedures we have performed using ACL were:

- Selection of warrants for test of control procedures
- Test for duplicate payments
- Test for potential employee fraud
- Transfer of trial balance data to our financial statement preparation software
- Test of inventory pricing

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

Additionally, Brian Letlow, our IT Director, provides a wide range of computer support to the Firm and its clients. Mr. Letlow is a Certified Network Engineer (CNE) and Certified Network Administrator (CNA).

#### Information Technology within the Financial Statement Audit

Brown Armstrong utilizes the Risk-based audit approach that recognizes the pervasiveness of Information Technology within business processes and financial transaction cycles. The first step is determining the level of IT sophistication, ranking entities by high, medium and low sophistication. High and Medium sophistication requires the assistance of a subject matter expert to evaluate and test the Information Technology and related controls. Once we have identified the relevant information systems we will test the IT General Controls surrounding the system to determine that the system can be relied upon. We will then test relevant Application controls and integrate that control assessment with our manual control testing and risk assessment process. We also may utilize various Computer Assisted Audit Tools to improve both the efficiency and effectiveness of our substantive procedures. In addition to the procedures noted above, we will provide recommendations to management on how to improve or streamline internal controls as they relate to your deployed Information Technology.



## **7. IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS**

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

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

## **8. PRICE PROPOSAL**

### **SCHEDULE OF FEES AND EXPENSES**

	Hours	Rate	2013 Amount	2014 Amount	2015 Amount
Partners	16	\$ 200	\$ 3,200	\$ 3,200	\$ 3,200
Senior	40	130	5,200	5,200	5,200
Staff	100	90	9,000	9,000	9,000
Clerical	8	60	480	480	480
	<u>164</u>		17,880	17,880	17,880
Out of Pocket			1,000	1,000	1,000
Total Estimated Audit Fee			<u>\$ 18,880</u>	<u>\$ 18,880</u>	<u>\$ 18,880</u>



## **EXHIBITS**

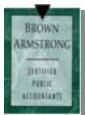


EXHIBIT I  
EXTERNAL QUALITY CONTROL REVIEW REPORT



System Review Report

To the Shareholders of  
Brown Armstrong Accountancy Corporation  
and the National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of Brown Armstrong Accountancy Corporation (the firm) applicable to non SEC issuers in effect for the year ended October 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based upon our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

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

In our opinion, the system of quality control for the accounting and auditing practice of Brown Armstrong Accountancy Corporation applicable to non SEC issuers in effect for the year ended October 31, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Brown Armstrong Accountancy Corporation has received a peer review rating of *pass*.

  
WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
February 8, 2013

AN INDEPENDENT  
MEMBER OF BAKER TILLY  
INTERNATIONAL

WEAVER AND TIDWELL LLP  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
[WWW.WEAVERLLP.COM](http://WWW.WEAVERLLP.COM)

DALLAS  
12221 MERIT DRIVE, SUITE 1400, DALLAS, TX 75251  
P: (972) 490 1970 F: (972) 702 8321



BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

Providing Auditing & Accounting  
Services for 39 Years

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

<b>CITIES</b>	<b>GOVERNMENTAL RETIREMENT PLANS</b>	<b>SPECIAL DISTRICTS</b>
City of Bakersfield City of Burlingame City of Delano City of Fresno City of Lindsay City of Madera City of Modesto City of Pasadena City of Santa Barbara City of Seaside City of Tehachapi City of Tulare City of Visalia	Contra Costa County Employees' Retirement Association Fresno City Employees' Retirement System Fresno County Employees' Retirement Association Imperial County Employees' Retirement System Kern County Employees' Retirement Association Los Angeles Fire and Police Pension System Los Angeles City Employees' Retirement System Los Angeles County Employees' Retirement Association Marin County Employees' Retirement Association Merced County Employees' Retirement Association Orange County Employees' Retirement System San Diego City Employees' Retirement System San Diego County Employees' Retirement Association San Joaquin County Employees' Retirement Association San Mateo County Employees' Retirement Association Sonoma County Employees' Retirement Association Tulare County Employees' Retirement Association Ventura County Employees' Retirement Association San Francisco Bay Area Rapid Transit District Money Purchase Plan and Deferred Compensation Plan North Bakersfield Rec. & Park Dist. Pension Plan San Luis Obispo County Employees' Pension Trust Pasadena Fire & Police Retirement System Santa Barbara County Employees' Retirement System Los Angeles Fire and Police Pension System	Port Hueneme Water Agency North Bakersfield Recreation And Park District Shafter Recreation & Park District Bear Mountain Recreation & Park District San Joaquin Valley Air Pollution Control District Westside Cemetery District Westside Mosquito and Control Vector District Minter Field Airport District Fresno Metropolitan Flood Control District Belridge Water Storage District Mojave Public Utility District Bear Valley Springs Homeowners' Association Rose Bowl Operating Company Pasadena Center Operating Company Pine Mountain Homeowners' Association Kern Tulare Water District Fresno Irrigation District Pixley Public Utility District
<b>TRANSIT</b>	<b>RECREATION &amp; PARK DISTRICTS</b>	<b>COUNTIES</b>
Antelope Valley Transit Authority Central Contra Costa Transit Authority Fresno Council of Government Kern Council of Government Fresno County Transportation Authority Golden Empire Transit District North County Transit District Riverside Transit Agency Santa Cruz Metropolitan Transit District San Joaquin Regional Transit District Napa County Transportation and Planning Agency	North Bakersfield Recreation & Park District Shafter Recreation & Park District Bear Mountain Recreation & Park District  <b>COLLEGE DISTRICTS</b> College of the Sequoias Community College District Kern Community College District San Luis Obispo Community College District Victor Valley Community College District	County of Fresno County of Kern County of Kings County of Merced County of Monterey County of Riverside County of Santa Barbara County of San Joaquin County of Stanislaus County of Tulare
<b>NON-PROFITS</b>	<b>HEALTH CARE</b>	
Goodwill of California Boy Scouts of America Kern County Library Foundation Kern County Bar Association Center for the Blind & Visually Impaired Tranquil Waters Guidance Center Ebony Counseling Center Economic Development Corporation – Fresno County Women at Work Pasadena Chamber of Commerce Pasadena Community Access Corporation Granada Court Homeowner's Association	Kern Health Systems Kern Medical Center Heritage Provider Network Community Health Plan Heritage California Medical Group Heritage New York Medical Group Family Hospice Care Riverside County Regional Medical Center San Joaquin County General Hospital Stanislaus County Health Services Agency - Clinic and Ancillary Tehachapi Public Healthcare District	



**EXHIBIT III  
RESUMES OF AUDIT TEAM MEMBERS**

**Eric H. Xin, CPA, MBA**  
*Engagement Partner*

**Thomas M. Young, CPA**  
*Technical Review Partner*

**Jesse Tiwana, CPA**  
*Engagement Senior*

**Tanya Venzke**  
*Engagement Staff*

**Mark Stainer**  
*Engagement Staff*







## Resume of Eric H. Xin, CPA, MBA

### Partner Brown Armstrong Accountancy Corporation

*Academic Background:*

**California State University, Bakersfield, June 1996**  
Masters of Business Degree Business Administration

**Nankai University, China, July 1989**  
Bachelors of Science Degree Business

*Summary of Experience:*

**Counties:**

County of Kern  
County of Santa Barbara  
County of Merced  
County of Stanislaus  
County of Tulare  
County of Kings  
County of Monterey  
County of Riverside  
County of San Joaquin  
County of Fresno

**Cities:**

City of Bakersfield  
City of Visalia  
City of Tulare  
City of Modesto  
City of Delano  
City of Fresno  
City of Santa Barbara  
City of Tehachapi  
City of Coalinga  
City of Ridgecrest

**Healthcare Organizations:**

Heritage California Medical Group  
Heritage New York Medical Group  
Heritage Provider Network  
Kern Medical Center  
Kern Health Systems  
Tehachapi Hospital District  
Community Health Plan  
Stanislaus County Health Services Agency  
Riverside County Regional Medical Center  
San Joaquin General Hospital  
Monterey County Hospital  
Family Hospice Care, Inc.  
Westside Health Care District

**Transit:**

North San Diego Co. Transit District  
Golden Empire Transit  
Kern Council of Governments  
Omnitrans  
Riverside Transit Authority  
Antelope Valley Transit Authority  
Central Contra Costa Transit Authority

**Financial Institutions:**

Mojave Desert Bank  
San Joaquin Bank  
Sierra National Bank

**School Districts:**

Bakersfield City School District  
El Tejon Unified School District  
Kern High School District  
Mojave Unified School District  
Norris Unified School District  
Richland Union School District  
Standard School District  
Taft Union High School District  
Tehachapi Union School District  
Visalia Unified School District  
Yosemite Unified School District

**Retirement Systems:**

Fresno City Employees' Retirement Systems  
Kern County Deferred Compensation Plan

**Special Districts:**

County of Ventura Treasurer - Tax Collector  
Fresno Council of Governments  
Los Osos Community Services District  
Kern Council of Governments  
San Joaquin Valley Air Pollution - Control District  
San Joaquin Valleywide Air Pollution - Study Agency  
San Joaquin Area Flood Control Agency

**Oil and Gas Entities:**

Macpherson Energy Corporation  
Makoil, Inc.  
Petrominerals Corporation  
Royale Energy, Inc.  
San Joaquin Refining Company, Inc.

**Publicly Traded & PCAOB Supervised Audits:**

Foothill Resources, Inc.  
San Joaquin Bank  
Tri-Valley Oil & Gas Corporation

**Non-profit:**

Bakersfield D.A.R.E., Inc.  
Cal State University Bakersfield Foundation  
Economic Development Corporation - Fresno  
Ebony Counseling Center  
Kern County Probation Officer's Association  
The N.E.E.D.S. Center, Inc.

**First 5 Commissions**

First 5 Kern  
First 5 Kings  
First 5 Santa Barbara  
Merced County First 5  
First 5 Stanislaus  
San Joaquin First 5

*Professional Associations:*

American Institute of Certified Public Accountants  
California Society of Certified Public Accountants  
Member of Governmental Finance Officers Association (GFOA) Special Review Committee

*Continuing Education:*

Accounting and Auditing Update, 2008-2013  
Governmental Accounting and Auditing Update, 2006 - 2013  
SEC and Financial Reporting Institute Conference, 2005-2012  
School District Conference, 2005 - 2013  
Internal Control and Fraud Prevention and Detection, 2005-2013  
Single Audit Update, 1996-2013



**BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION**

*Providing Auditing & Accounting  
Services for 39 Years*



## Resume of Thomas M. Young, CPA

### Partner Brown Armstrong Accountancy Corporation

*Academic Background:*

**University of California, Davis, 1994**  
Bachelor of Arts Degree in Economics

*Summary of Experience:*

**Retirement Systems:**

Contra Costa County Employees' Retirement Association  
Kern County Employees' Retirement Association  
Los Angeles County Employees' Retirement Association  
San Bernardino County Employees' Retirement Association  
San Diego County Employees' Retirement Association  
San Joaquin County Employees' Retirement Association  
Tulare County Employees' Retirement Association  
Ventura County Employees' Retirement Association

**Pension Plans:**

San Luis Obispo Pension Trust  
North Bakersfield Recreation & Park District Pension Plan

**Cities:**

City of Bakersfield  
City of Fresno  
City of Hanford  
City of Madera  
City of Modesto  
City of Santa Barbara  
City of Lindsay  
City of Tehachapi  
City of Tulare

**Counties:**

County of Kern  
County of Monterey  
County of Riverside  
County of Stanislaus  
County of Tulare  
County of Fresno  
County of Santa Barbara  
County of Ventura

**School Districts:**

Arvin Union School District  
Bakersfield City School District  
Greenfield Union School District  
Kern County Superintendent of Schools  
Kern High School District  
Madera Unified School District  
Richgrove School District  
Yosemite High School District

**Special Districts:**

Bear Valley Springs Association  
Kern County Bar Association  
Mojave Public Utility District  
North Bakersfield Recreation & Park District  
Self-Insured Schools  
Tule River Tribal Council  
Westside Mosquito and Vector District

*Professional Affiliations:*

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

*Continuing Education:*

Governmental Accounting and Auditing Update, 1998-2013  
Accounting and Auditing Update, 1998-2013  
GASB Update Statement No. 58 through Statement No. 66

**University & Community College**

**Foundation & Auxiliary Organizations:**

College of the Sequoias Community College District  
Kern Community College District  
San Luis Obispo Community College District  
Victor Valley Community College District  
West Kern Community College District

**Water Districts:**

Belridge Water Storage District  
Kern County Water Agency  
Port Hueneme Water Agency  
Santa Clara Valley Water District

**Transit Districts:**

Antelope Valley Transit Authority  
Contra Costa County Transit District  
Council of Fresno County Governments  
Golden Empire Transit District  
Kern Council of Governments  
Omnitrans Transit District  
Riverside Transit Agency  
San Joaquin Council of Governments  
Santa Cruz Metropolitan Transit District

**Extractive Industries:**

Aladdin Oil, Inc.  
Core Energy, LLC  
Los Alamos Energy  
Makool, Inc.  
N-W Oil & Gas  
Petrominerals Corporation  
Royale Energy Corporation  
San Joaquin Refining, Inc.  
Titan Energy, Inc.  
Tri-Valley Oil & Gas, Inc.  
Western Drilling, Inc.

**Financial Institutions:**

Finance & Thrift Bank  
Mission Bank  
Mojave Desert Bank  
San Joaquin Bank  
Sierra National Bank

**Agriculture:**

A&P Growers, Inc.  
Farmers Cooperative Almond Huller, Inc.  
Rio Bravo Tomatoe Company

**Non-Profit:**

Bakersfield ARC, Inc.





## Resume of Jesse Tiwana, CPA

### Senior Accountant Brown Armstrong Accountancy Corporation

**Academic Background:**

University of California, Los Angeles, 2006  
Bachelor of Science Degree in Math Applied Science, Accounting Plan

**Summary of Experience:**

**Counties:**

County of Merced  
County of Riverside  
County of Stanislaus  
County of San Joaquin  
County of Ventura  
County of Kern  
County of Santa Barbara  
County of Ventura

**Pensions:**

Kern Schools Federal Credit Union Pension Plan  
County of Kern Deferred Compensation Plan

**Cities:**

City of Bakersfield  
City of Modesto

**School Districts:**

Castaic Union School District  
Saugus Union School District  
Kern County Superintendent of Schools

**Healthcare:**

Kern Health Systems  
Heritage Provider Network  
Heritage California Medical Group  
Heritage New York Medical Group  
Family Hospice Care  
Wetside Healthcare District  
American Medical Recovery

**Financial Institutions:**

Mojave Desert Bank

**Non-Profit:**

NEEDS Center Inc.

**Special District:**

Los Osos Community Service District  
Delano Mosquito Abatement District  
San Bernardino International Airport

**Redevelopment Agencies:**

County of Merced - RDA AUP  
County of Ventura - RDA AUP

**Professional Associations:**

Associate Member California Society of Certified Public Accountants  
American Institute of Certified Public Accountants

**Continuing Education:**

School District Conference, 2012  
Annual Update for Accountants and Auditors, 2012-2013  
GASB Update, 2012



BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Providing Auditing & Accounting  
Services for 39 Years*



## Resume of Tanya M. Venzke

### **Staff Accountant Brown Armstrong Accountancy Corporation**

**Academic Background:**

California State University, Fresno, 2008  
Bachelor of Science Degree in Accounting

**Summary of Experience:**

**Retirement Systems:**

San Joaquin County Employees' Retirement Association  
San Luis Obispo County Pension Trust

**Counties:**

County of Kern  
County of Merced  
County of Santa Barbara  
County of Tulare  
County of Riverside  
County of Stanislaus

**Cities:**

City of Bakersfield  
City of Tulare

**School Districts:**

Fruitvale School District  
Kern County Superintendent of Schools  
Delano Union School District  
Tehachapi Unified School District

**Financial Institutions:**

Mojave Desert Bank

**Special Districts:**

Los Osos Community Services District  
Bear Mountain Recreation & Parks District  
Santa Clara Valley Water District  
Port Hueneme Water Agency  
Riverside County Habitat Conservation Agency  
Fresno Irrigation District

**Professional Associations**

Beta Gamma Sigma - International Honor Society

**Continuing Education:**

Accounting & Auditing Update, 2009-2012  
Fraud and Ethics, 2011  
Audit Watch, 2009 - 2011  
Spidell Tax Update, 2009-2011  
Pfx Portal Training, 2009  
GASB Update, 2012  
Dawn of a New Day, 2012

**Healthcare:**

Heritage Provider Network, Inc.  
Heritage California Medical Group  
Heritage New York Medical Group  
Liberty Health Advantage, Inc.  
Kern Health Systems  
Riverside County Regional Medical Center

**Non Profits:**

Center for the Blind and Visually Impaired  
Christian Foundation of the West  
N.E.E.D.S. Center  
Missionary Church Western District





## Resume of Mark Stainer

### **Staff Accountant Brown Armstrong Accountancy Corporation**

**Academic Background:**

**University of California Santa Barbara, 2011**  
**Bachelor of Art Degree in Business Economics with an Emphasis in Accounting**

**Summary of Experience:**

**Counties:**

County of Riverside  
County of Santa Barbara  
County of Stanislaus  
County of Merced  
County Kern

**School District:**

Kern County Superintendent of Schools  
Taft Union High School District  
Tehachapi Unified School District

**Retirement Sysems:**

City of Fresno Retirement System

**Pension:**

San Luis Obispo County Pension Trust

**Health Care:**

Kern Health Systems  
Riverside County Regional Medical Center  
Kern Medical Center

**Non-Profit:**

Bakersfield ARC

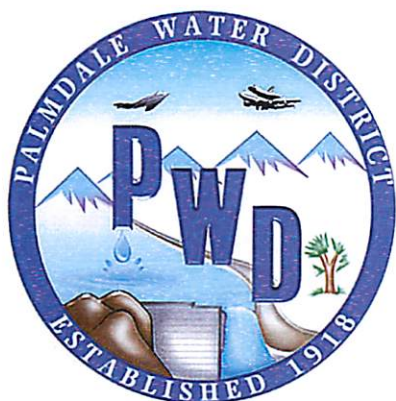
**Other:**

Mojave Desert Bank

**Continuing Education:**

GASB Update, 2013  
Annual Update for Accounting and Auditing, 2012-2013  
Audit Update, 2013





**PROPOSAL TO PROVIDE AUDIT SERVICES**

**PALMDALE WATER DISTRICT**

**SEPTEMBER 5, 2013**

**CONTACT: JASON RUSSELL, CPA**

**FRITZ RUSSELL, CPAS  
5530 BIRDCAGE STREET  
SUITE 105  
CITRUS HEIGHTS, CALIFORNIA 95610  
TELEPHONE: (916) 966-9366  
FAX: (916) 966-8743  
EMAIL: JASON@FRITZRUSSELLCPAS.COM**

**FRITZ RUSSELL, CPAS  
CERTIFIED PUBLIC ACCOUNTANTS**



## **CONTENTS**

---

### **PAGE**

#### **Technical Proposal**

<b>I.</b>	<b>INTRODUCTION .....</b>	<b>1 – 2</b>
<b>II.</b>	<b>WORK TASKS AND PRODUCTS .....</b>	<b>3 – 5</b>
<b>III.</b>	<b>DESCRIPTION OF FIRM’S EXPERIENCE.....</b>	<b>6 – 7</b>
<b>IV.</b>	<b>PROJECT TEAM .....</b>	<b>8 – 16</b>
<b>V.</b>	<b>REFERENCES .....</b>	<b>17</b>

#### **COST PROPOSAL**

<b>I.</b>	<b>SCHEDULE OF HOURLY RATES .....</b>	<b>18</b>
-----------	---------------------------------------	-----------

#### **APPENDICES:**

	<b>PEER REVIEW .....</b>	<b>19</b>
--	--------------------------	-----------

## **Technical Proposal**

CPAs with *Personality*



**fritz russell, cpas**

Certified Public Accountants  
A Professional Accountancy Corporation

September 5, 2013

Mr. Robert M. Egan, CPA  
Financial Advisor  
Palmdale Water District  
20910 Martinez St.  
Woodland Hills, CA 91364

Dear Mr. Egan:

Thank you for asking Fritz Russell, CPAs to submit our proposal to provide services as the independent auditors for Palmdale Water District (the District). We are pleased to have this opportunity to serve your organization, and to be your value-added service provider.

The attached proposal illustrates our ability to provide you with the following services:

- Audit of the financial statements for the Palmdale Water District in accordance with generally accepted auditing standards as set forth by the AICPA, GAO, and OMB Circular A-133 (when applicable).
- Prepare an Auditor's report that includes financial statements, footnotes on Summary of Significant Accounting Policies, Auditor's opinion on financial statements and a report on the Internal Control Structure.
- Prepare Annual Audit Report of Financial Transactions of Special District and submit to the State Controller's Office.
- We will prepare a report describing any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure that could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.
- Prior to preparation of the final audit report we will meet with the staff and Board of Director's Finance Committee to discuss the results of the audit and to review significant findings.
- Attend publicly-noticed Board of Directors meeting and present results of the audit.

We believe that Fritz Russell, CPAs is the right fit for the District. By "right fit," we mean that a team of professional auditors with extensive government experience will serve you. Our approach to specialization is to focus our people on specific industries, bringing a higher level of sophistication and a thorough understanding of our clients' entities.

We believe we can demonstrate to your satisfaction how Fritz Russell, CPAs is best suited to meet your assurance needs based upon our industry experience and qualifications. This letter summarizes the key benefits our firm offers and answers the question: Why Fritz Russell, CPAs?

1. Seasoned professionals with a combined audit experience of 50 years will serve you. Therefore, your staff will not be burdened with inexperienced auditors asking unnecessary questions working from standard one-size-fits-all programs. Instead, we focus the audit process on high – risk areas and fraud risk factors. Communication is also streamlined, as you will be working directly with the decision makers.
2. Recognized by our peers as highly qualified. We are routinely selected to assist national audit firms to meet SEED and small business contract requirements.
3. We have been in business in your wholesale water service area since 1982. We understand the dynamics and challenge your District faces.
4. We have served as auditors for over 10 years for the Regional Water Authority, and assisted in the formation of the Sacramento Groundwater Authority.
5. We served as SEED auditors for SMUD's four co-generation plants (each organized as a JPA). Our fieldwork on the first year's audits of December 31, 2006, financial statements were successfully completed December 31, 2010—with high client satisfaction.
6. Our firm is a member of the American Institute of Certified Public Accountants. Jason Russell is a Certified Public Accountant licensed in good standing with the California State Board of Accountancy. We are independent of the Palmdale Water District as defined by generally accepted auditing standards.

Sincerely,

A handwritten signature in blue ink that reads "Fritz Russell, CPAs". The signature is written in a cursive, flowing style.

Fritz Russell CPAs



## II. WORK TASKS AND PRODUCTS

### TRANSITIONING

Professional standards require that certain communications be made with predecessor auditors before an accountant may formally accept any new audit engagement. Therefore, our formal acceptance of the engagement would be preceded by the communications prescribed by Statement on Auditing Standards (SAS) No. 84.

Following is a summary of the audit work plan we envision for Palmdale Water District:

- As required by auditing standards, we will contact the predecessor accountants (after you have contacted them) to ascertain there are no unresolved difference of opinions with the District, no management integrity issues, and no other reasons we should not accept this engagement.
- We will meet with the former accountants to review their work papers after you send a letter requesting they make them available to us. We are normally able to review their files and obtain copies of selected work papers, including some permanent file data.
- After completing the review of the prior audit work papers, we will assess whether procedures were adequate to permit our reliance on opening balances. We will then meet with the District's management and Audit Committee to discuss our audit and obtain their input and perspective.
- Schedule time to meet with select Palmdale Water District staff to:
  - Obtain system descriptions, beyond those obtained from the predecessor accountant.
  - Obtain an understanding of your concerns.
  - Establish the remainder of our permanent file.
- Design audit programs, finalize the remaining audit plan, and conduct preliminary testing of your accounting systems.

### DETAIL APPROACH

- Our approach to the audit takes into consideration our utility experience tempered by the characteristics unique to you. We understand the unique elements of billing. We understand how inventory plays a very different role for a water company. That is why we rarely observe the counting unless requested by the client. We approach the process by assessing the high-risk areas and focusing the audit time and effort there. For the District, these areas might include accounts receivable, debt, travel and entertainment expenses and wholesale water contracts. This risk-based audit approach focuses our efforts on what is important to you and enables us to present you with meaningful suggestions.

- We use a series of questions to identify “what can go wrong” with major transactions that materially impact the financial statements. We will review organizational charts, procedure manuals, and management information systems to determine detection controls are in place.

Networked computerized environments are a key element in understanding the control environment. The framework of this tool incorporates the requirements of auditing standards on internal control and fraud detection, including those related to EDP.

All personnel utilize networked laptop computers at client locations and employ sophisticated trial balance and other software to examine large quantities of data efficiently.

- Based on preliminary analytic review of the District’s financial statements and budget, the assessment of internal control, and discussions with the management of the District, we will make preliminary judgments about materiality, both for the financial statements and compliance audits.
- We anticipate applying analytical procedures in all sections of the audit, which may include budget-to-actual comparisons, trend analyses, and comparisons to non-financial data.
- We anticipate placing substantial reliance on controls over compliance with laws and regulations. Substantive tests of balances will include the following to targeted risk areas:
  - Examination of the entire transaction or account
  - Stratification of the population and examination of all of a certain strata
  - Sampling
  - Direct Confirmation
- Our procedures will include testing of subsequent events, related party transactions, and disclosures related to risks and uncertainties. We will review minutes of meetings of the Board of Directors and their committees, and we will consider procedures in place to identify illegal acts.
- Upon completion of our audit, we will prepare our reports and management letter and will discuss them with management prior to their issuance. We will schedule a meeting with the Finance Committee of the Board of Directors to present the audit results.



**Audit Timeline**

The anticipated schedule for the audit of the fiscal year ended December 31, 2013 District's financial statements is as follows:

ACTIVITY	TIMING	STAFF LEVEL
Meet with management and the Finance Committee for pre-audit planning and to obtain an understanding of systems, internal controls, and current year issues.	December 2013, at a mutually agreed-upon date	Owner/Senior
Provide management with a detailed listing of items needed to perform the audit, including the timing of when items are needed.	December 2013	Owner/Senior
Perform tests of internal controls.	December 2013	Owner/Senior
Send confirmations of cash, investment, debt and other accounts as deemed necessary, and review minutes of meetings of the Board.	January 2014	Senior
Receive final adjusted trial balance on disk and hard copy from the District.	February 2014	Senior
Perform substantive audit fieldwork.	February/March 2014	Senior
Review draft of financial statements prepared by District staff.	March 2014	Owner/Senior
Prepare management letter, audit report, report on internal controls and presentation for management and Audit Committee.	March 2014	Owner/Senior
Deliver final copies of audit report to the District.	April 2014	Owner/Senior
Present financial statements and audit report to management and the Board of Directors of the District.	When Requested	Owner/Senior

### III. DESCRIPTION OF FIRM'S EXPERIENCE

#### OUR COMMITMENT TO WATER COMPANIES

Fritz Russell, CPAs offers our water industry clients a number of value-added business practices we believe are unique.

**OUR WATER GROUP** – You will receive services from professionals who focus a majority of their time on water companies. Our firm has formed this group so our time, experiences, and training are concentrated on water clients and the unique accounting and regulatory challenges inherent in the industry. Our focus of resources and talent ensures you work with professionals knowledgeable about the issues and conditions you face. You receive high-level industry specific advice and consultation. We are genuinely excited about the water industry and have a long-term commitment to the area.

**OUR GOVERNMENTAL EXPERTISE** – A team of seasoned and specialized professionals whose experience in auditing governmental organizations represents an important segment of the firm and anchors this practice group. We have completed a variety of audit engagements addressing complex multi-jurisdictional areas involving extensive interaction with federal, state, local and private sector agencies, which includes many counties, cities and special districts that provide sewer and water services to their residents. Our extensive experience has thoroughly familiarized us with all aspects of governmental audits.

**OUR FIRM RESOURCES** – Our firm is a member of American Institute of Certified Public Accountants. Our membership provides us the ability to consult on technical issues similar to resources found at a national or regional firm.

**Our Relationship** – We believe a primary value to our clients is the relationship we form with them. We provide a stable and responsive service provider that delivers high quality advice that is accurate, reliable, timely and thoughtful. In addition, you will have ready accessibility from senior contacts when you have questions; knowledgeable industry resources and quality products delivered at a fair price; consistent and qualified staffing of your job to mitigate your time spent training others; financial statements delivered on time as promised. You will find these qualities at Fritz Russell, CPAs, along with a strong local presence and a culture that values solid client relationships. This proposal is valid for 90 days and is signed by an individual to bind the firm to this proposal.

## PROFILE OF FRITZ RUSSELL, CPAS

### ■ FIRM BACKGROUND

Fritz Russell, CPAs, (formally Marcia Fritz & Company) has provided accounting, auditing and consulting services to a variety of nonprofit and governmental clients for twenty years. We consist of three professionals (two governmental) and three paraprofessionals. We have strategic alliances with national and regional CPA firms that increase our capacity to respond rapidly when unique issues arise. The firm also provides tax, business valuations, litigation support and accounting and consulting services to small businesses and high net worth individuals.

The firm has been located in Citrus Heights since 1985. We understand the fiscal restraints the District faces. We know that changes need to happen to ensure the District's future survival. We will respond to those changes with passion and objectivity that can only come with intense familiarity.



#### **IV. PROJECT TEAM**

The following individuals selected to oversee our engagement with the District are all seasoned, industry professionals with a depth of experience serving similar organizations.

The individuals identified as your service team are the same professionals with whom you will work in the field and on a regular basis.

##### **JASON RUSSELL, OWNER**

*Jason will be the overall leader in charge of the audit engagements for the District.*

##### **DIANE BERZINAS, SENIOR**

*Diane will serve as senior auditor on the audit engagements for the District.*

##### **MARCIA FRITZ, SENIOR**

*Marcia will serve as technical consultant on the audit engagement for the District.*

##### **WATER COMPANY EXPERTISE**

Our professionals are experienced in auditing special districts (water and public service districts) and currently serve as auditors for four water districts/JPAs and a large electrical utility district.

##### **Santa Clara Valley Water District**

Marcia Fritz served as co-chairman with Red Oak Consulting performing a comprehensive performance audit of the Santa Clara Valley Water District. The audit includes an operations review of best practices, benchmarking, staff organization, performance measures, and its reporting system. The audit was conducted using the Baldrige National Quality Program Criteria and was completed December, 2006

**JASON RUSSELL, CPA  
PRINCIPAL**

**FIRM POSITION**

Mr. Russell has been a Certified Public Accountant since 2004. He has been in private practice since 2005. He specializes in providing tax, audit, management consulting, and bookkeeping services to individuals and small businesses. His firm currently specializes in providing auditing and financial consulting services to non-profits and local governments, and tax services to medium to high net-worth individuals.

**PROFESSIONAL EXPERIENCE**

Jason has experience with both large and small clients. Having started his career working for a governmental entity, Jason understands the needs of governmental and non-profit clients. From there he jumped into the corporate world just as corporate America began implementing Sarbanes Oxley. Having worked for the past several years in a mid-size CPA firm, Jason has gained a well-rounded set of tools to help your entity. These include the design and implementation of internal controls, creation and review of audit reports as well efficiently lead audit engagements.

- FRITZ RUSSELL, CPAS
  - Principal

Auditor-in-charge for small to midsize audit clients, including planning, report preparation, testing and review. Review and preparation of corporate, personal and exempt organization tax returns. General accounting for a variety of clients, including use of QuickBooks. Tax consulting for S-corporations, C-corporations and high wealth individuals.

- AMERIQUEST MORTGAGE COMPANY
  - Senior Accountant

Oversaw implementation of PeopleSoft Treasury module covering all borrowing lines and five banks including risk forecasts related to interest rate flux. Generated cash flow forecasts for the following days investment and funding pools. Extensive SOX experience establishing system and converting peripheral systems into PeopleSoft. Implemented government compliance in matters of unclaimed properties for all 52 US districts. Established internal controls and working procedures to ensure proper due diligence with all reporting bodies. Extensive work with audit team covering policies and procedures, government compliance and general internal controls establishment.

- COUNTY OF ORANGE, DEPARTMENT OF TREASURY
  - Staff Accountant

Streamlined accounting methods for county property tax collections in excess of \$200 million dollars via EFT and credit card payments. Executed development of electronic tax payments via web-based platform. Implemented system of internal controls over electronic collections, achieving greater efficiency in general ledger maintenance. Provided audit reports for each taxing entity for the internal audit team.

**EDUCATION**

B.S. Business Accounting  
Biola University, La Mirada, California

## SKILLS

Extensive knowledge of: Internet resources, Microsoft Office (Word, Excel, Access, Power Point, Outlook), Windows 7, OnBase Clients, Novell Network Systems, HTML, PeopleSoft Financials, PeopleSoft HR, Lotus Notes, Caseware, Groupwise, Imagine Time, Lacerte, Lacerte Tax Planning. Idea Express, QuickBooks and ProFx.

## PROFESSIONAL AFFILIATIONS

Certified Public Accountant, License number 99177  
Member – California Society of Certified Public Accountants. Since 2006  
Treasurer – Sacramento Rainbow Chamber of Commerce. Since 2005  
Treasurer – FastBreakTech Inc. Since 2007  
Treasurer – Capital City AIDs Fund Since 2008

## PUBLICATIONS

“California Special District” Volume 2, Issue 4, July – August 2007  
“California Special District – eNews” June 25, July 16, July 30, August 13, 2007

## REPRESENTATIVE CLIENTS (PARTIAL LIST)

- Governmental
  - Rio Linda / Elverta Community Water District
  - Princeton-Cordora-Glen Irrigation District
  - South Feather Water & Power Authority
  - Provident Irrigation District
  - Housing Authority of the County of Yolo
  - Town of Moraga
  - City of Auburn
  - City of Patterson
- Non-Profits
  - Natomas Central Mutual Water Company
  - Sierra Seniors Services
  - Boys and Girls Club of South Lake Tahoe
  - Sacramento Cottage Housing
  - Francis House
  - Resident Owned Parks
  - California Tax Education Council (CTEC)
  - Terkensha Mental Health Facility



**MARCIA FRITZ, CPA  
TECHNICAL CONSULTANT**

**FIRM POSITION**

Ms. Fritz has been a Certified Public Accountant since 1974. She has been in private practice since 1983. She specializes in providing tax, audit, management consulting, and bookkeeping services to individuals and small businesses and was formerly senior manager with Ernst & Young, an international "Big Four" accounting firm in its San Jose, Orange County, and Sacramento offices. She has provided auditing and management consulting services to publicly-traded companies that range from large international corporations to local single-location corporations in a variety of industries. She currently provides a wide array of consulting in the area of defined benefit pension plans.

**EDUCATION**

- B.S, Business Administration, emphasis in accounting. Graduated Cum Laude from the University of Southern California.
- Completed courses in Masters of Taxation program, Golden Gate University, Sacramento campus.

**RELEVANT EXPERIENCE**

- Appointed to Governmental Accounting Standards Board (GASB) Task Force on Pension Accounting Research on December 21, 2006. The technical agenda of the task force was to assess the effectiveness of current accounting and financial reporting requirements for pension plans in providing transparent financial reporting and decision-useful information to financial report users.
- Provided litigation support in connection with business valuations and income determinations for marriage dissolutions, including expert testimony.
- Member, California State Society of Certified Public Accountants and the American Institute of Certified Public Accountants. In that regard, she participate in the AICPA's quality control review program to ensure her accounting and auditing practice complies with all professional standards issued by the AICPA. Most recent peer review report was accepted by the California Peer Review Committee.
- Subcontractor to NewPoint Group to serve the CalPERS Actuarial and Employer Services Division. Project included the design of a Future State Actuarial Service Business Model and Improvement Initiatives, working draft issued January 24, 2000. As subcontractors her firm assisted in designing methods to prioritize workflow to enable timely preparation of annual actuarial valuation reports for over 1,900 local agencies statewide.
- Assisted the State Department of Education in designing a standardized accounting and reporting system for all school districts within California. Activities included a review of accounting and reporting systems used by a wide-range of small, medium-sized, and large-sized districts statewide. It also included a review of a variety of accounting software packages used by school districts; a general determination of common software characteristics that would facilitate the transition to a standardized accounting chart of accounts; and an identification of the unique challenges faced by certain districts that would hinder their transition.



- Assisted the State Chancellor of Community Colleges in designing a standardized accounting and reporting system for community colleges statewide. Included in this design was a detailed review of methods used by colleges to fund, designate, allocate, and expend fund reserves which resulted in recommendations presented to the Board of Governors that would create consistent policies state-wide and would conform to standards adopted by the Governmental Accounting Standards Board.
- Conducted a performance audit of California Prison Industry Authority including comparisons of various measurements (product costs, taxpayer subsidies, management functions and goals, data processing systems, prisoner productivity, training, etc.) to four other states and the federal government's prison industries. Her findings resulted in legislative effort to initiate reforms similar to Florida's PRIDE program.
- Assisted the California Department of Social Services in consolidating child support garnishments and administration among personnel employed by three rural counties. This effort resulted in a best-practice model for state-wide consolidation.
- Performed an audit of an energy supplier to the State of California for purposes of perfecting the State's claim in connection with the supplier's bankruptcy proceedings. The audit involved correlation of state warrant payments and lockbox deposit records to the supplier's cash receipt records, and determining daily cash balances for the year prior to bankruptcy petition filing.
- Reviewed the implementation, administration, and plans for termination of the California Residential Earthquake Recovery Program.
- Selected by the Department of Education to serve on the task force to review the Audit Guide used by independent C.P.A.s for school district audits. The task force made recommendations to the Department of Finance for modifications and clarifications of audit requirements.
- Assisted SureWest in its rate increase applications with the FCC. Services included compiling cost reports and meeting with regulators. Assisted the company in designing accounting systems to enable separate financial reports for regulated vs. nonregulated operations.
- Community service activities include President of the Citrus Heights Chamber of Commerce. Member; member of the Citrus Heights Law Enforcement Community Advisory Committee;
- Past President, Citrus Heights Chamber of Commerce. Founder and Past President, Hearts for Parks, a nonprofit organization supporting the Sunrise Recreation and Park District. Serves on the audit committee, Sacramento Valley Open Space Conservancy; conducts workshops for County officials, planners, builders, bankers, and real estate brokers/appraisers on transfer development credit programs designed to efficiently preserve open space using landowner cooperation and minimal government resources. Member, South Sutter County advisory committee overseeing the County's general plan. Co-chairman, South Sutter County Property Owners' Association. Co-author, Transfer Development Credit Program designed to preserve open space. Former President, Sacramento Alumni Panhellenic Association. Financial Advisor, Alpha Delta Pi Sorority, CSUS. Rusch Park historical committee, Sunrise Park and Recreation Association (park and residence donated to County by family); historical speaker to local organizations. Board member and Treasurer of South Sutter County PAC, Andrew Carnegie Middle School PTA, and Alpha Delta Pi Sorority Alumni Association. Auditor-elect Bella Vista High School PTA. Guest speaker for numerous conventions, meetings, conferences, and seminars involving school administrators, C.P.A.'s and state employees involved with schools and colleges. Taught classes on fraud detection and ethics in the workplace for the California Special District Association. Board member and president, California Foundation for Fiscal Responsibility.

### **SANTA CLARA VALLEY WATER DISTRICT**

Marcia Fritz was co-chairman with Red Oak Consulting performing a comprehensive performance audit of the Santa Clara Valley Water District. The audit included an operations review of best practices, benchmarking, staff organization, performance measures, and its reporting system. The audit was conducted using the Baldrige National Quality Program Criteria. A reform bill, signed by President Bush allows governmental organizations to compete for the coveted Baldrige Award. The Baldrige criteria are the nation's highest standards for performance excellence.

### **CALIFORNIA PUBLIC UTILITIES COMMISSION**

Marcia Fritz recently assisted the CPUC in designing a comprehensive document request list to facilitate their audit of low-income assistance (CARE) programs for four California utilities (PG&E, Sempra, So Cal Edison, Southern California Gas). This engagement included reviews of each utility's customer service call center, outreach efforts, and application processing procedures.



**REPRESENTATIVE CLIENTS (PARTIAL LIST)**

- ❑ Metropolitan Water District
- ❑ Surewest Communications
- ❑ Regional Water Authority (a JPA)
- ❑ Sacramento Groundwater Authority (a JPA)
- ❑ State Department of Finance
- ❑ State Department of Education
- ❑ State Chancellor of Community Colleges
- ❑ Sylvan Cemetery District
- ❑ Counties of Sacramento and Contra Costa
- ❑ Laguna Community Facilities District
- ❑ Laguna Creek Ranch/Elliott Ranch Community Facilities District
- ❑ Sacramento Area Regional Sanitation District
- ❑ Sacramento Area Flood Control Association (SAFCA)
- ❑ Sacramento County Airport
- ❑ OMB Circular A-133 audit of County of Sacramento and SAFCA's compliance with federal regulations
- ❑ County of Glenn, Consolidated Courts
- ❑ Assisted NewPoint, Inc. with performing special procedures and providing recommendations for the Glenn County Consolidated Courts employee-related expense accounts.
- ❑ Foresthill Fire Protection District
- ❑ California Bureau of State Audits, Department of Motor Vehicles (subcontractor to Ernst & Young)
- ❑ Sacramento Area Regional Transit Authority
- ❑ Chancellor Broadcasting Company
- ❑ Shamrock Broadcasting Company
- ❑ CalPERS (subcontractor to NewPoint Group, 1999)
- ❑ Alameda County Courts (subcontractor to NewPoint Group, 1997)
- ❑ California Prison Industry Authority (subcontractor to NewPoint Group, 1996)
- ❑ California Justice Department (subcontractor to NewPoint Group, 1996)
- ❑ California Department of Insurance (subcontractor to Ernst & Young, 1994)
- ❑ California Bureau of State Audits, California Residential Earthquake Recovery Program (subcontractor to Ernst & Young, 1994)
- ❑ California Department of Health Services (subcontractor to Ernst & Young, 1993)
- ❑ California State Military Museum
- ❑ Acres of Hope
- ❑ Francis House
- ❑ Resident Owned Parks
- ❑ Human Rights Fair Housing

**DIANE BERZINAS**

**PROFESSIONAL EXPERIENCE**

- FRITZ RUSSELL, CPAS
  - Audit Manager

Provide full spectrum of audit services for number of clients consisting primarily of small businesses and not-for-profit organizations. Plan audit engagement, perform field-testing and analysis, documentation and test of internal controls, compose audit report, footnotes and supplementary reports. Work closely with client representatives, directors and board members to facilitate an efficient and effective audit.

- INDOOR SUN SYSTEMS, INC., D.B.A. TANAMERICA
  - Corporate Controller

Managed accounting department and administrative staff, produced monthly financial statements and analysis for business owners, Cash management including foreign currency contract management, cost models and cost projections, property tax, sales and use tax, payroll, reconciliations, various analysis and special reports, budget, sales department reports, production department reports, labor cost analysis reports, managed employee benefits including health, dental and vision plan, employee 401(k) and profit sharing, provided bank with reports in compliance with loan covenants.

- SIDES ACCOUNTANCY CORPORATION
  - Staff Accountant

Provided comprehensive accounting services to various clients including Indoor Sun Systems, Inc., d.b.a. TanAmerica.

Compilations

Reviews

Federal and state income tax returns, corporate and personal

Federal and state tax planning, corporate and personal

Sales and use tax returns

Payroll tax returns

Property tax returns

- DELOITTE AND TOUCHE, LLP
  - Senior Auditor

Recruited as an "experienced hire", bringing "real world" experience to public accounting.

Planned, prepared and assisted in management of comprehensive audits of various companies including publicly held corporations, not for profits, local and state government entities and R.E.I.T.s.

- INTEGRATED SURGICAL SYSTEMS, INC.
  - Controller

Produced consolidated financial statements incorporating two wholly owned foreign subsidiaries for Board of Directors and other investors, including IBM's T.J. Watson Research Center in New York. Worked closely with independent CPA firm (Ernst & Young) during the annual audit, IPO and subsequent 10(k) and 10(q) reviews cash management - Domestic banking and foreign currency banking in Germany and the Dutch Netherlands, facilitated conversion from MAS90 accounting software to MINX manufacturing/accounting software (UNIX based). Performed all reconciliations, prepared annual budget, managed accounting staff, worked closely with engineering, sales and marketing, and production departments to provide timely and relevant information for critical decision-making. Produced monthly financial statements for review by the Controller and CFO, performed all balance sheet account reconciliations, including bank reconciliations accounts payable and accounts receivable.

### EDUCATION

BS Criminal Justice, minor Political Science  
C.S.U., Sacramento

Certificate Program, Accounting  
Golden Gate University (Sacramento)

### SKILLS

Motivated, Innovative, Efficient, Organized, Team Player, Fluent in Microsoft Excel, Word, PowerPoint, Best MAS90/200, ProSystem fx Engagement, Experienced in Microsoft Access and GoldMine (CRM), Business Works, and Platinum for Windows

### OTHER LEADERSHIP EXPERIENCE

Wood Badge - Advanced Leadership Training Award, Boy Scouts of America - 2004  
Assistant Scoutmaster, Boy Scouts of America, Troop 217, Fair Oaks - 5 years  
Cub Scout Den Leader, Boy Scouts of America, Pack 217, Fair Oaks - 4 years  
Girl Scout Troop Leader, Girl Scouts of the U.S.A., Troop 559, Fair Oaks - 7 years  
Girl Scout Service Unit Manager, overseeing leadership of 54 Girl Scout troops - 2 years  
Girl Scout Service Unit Organizer, recruiting leadership and girl members for geographical area encompassing Carmichael, Fair Oaks and Citrus Heights - 3 years  
Assistant Chairperson - Rail Fair Fundraiser - International Order of Rainbow for Girls - Roseville DeReimer #263 - 2 years



**CLIENT REFERENCES**

We provide services to a group of utilities similar to yours. We encourage you to contact any one of the individual references for feedback about the quality and level of service provided.

<b>CLIENT</b>	<b>ENTITY</b>	<b>CONTACT</b>	<b>PHONE/ EMAIL</b>	<b>PROJECT</b>
South San Joaquin Irrigation District 11011 E Highway 120 Manteca, CA 95336	Governmental	Robin Giuntoli, Finance Supervisor	(209) 249-4610 rgiuntoli@ssjid.com	Annual Audit
Community Action Agency of Butte County, Inc 2255 Del Oro Ave Oroville, CA 95965	Non-Profit	Dana Campbell, CPA, Fiscal Officer	(530) 538-7559 dcampbell@buttecaa.com	Annual audit, A- 133 audit/Tax Return
San Juan Water District 9935 Auburn-Folsom Rd Granite Bay, CA 95746	Governmental	Mary Morris, Finance & Administrative Services Manager	(916) 791-0115 mmorris@sjwd.org	Annual audit
Terkensha Associates 811-D Grand St Sacramento, CA 95838	Non-Profit	Will Benda Executive Director	(916) 922-9868 bendaw@terkensha.org	Annual audit, A- 133 audit
SMUD PO Box 15830 Sacramento, CA 95852	Governmental	Jennifer Restivo Assistant Controller	(916) 732-5199 JRestiv@smud.org	Subcontractor Annual JPA Audits
Newcastle, Rocklin, Goldhill Cemetery District 850 Taylor Rd. Newcastle, CA 95658	Governmental	Missy Boisdeau	(916) 663-4660	Annual Audit



## **Cost Proposal**

## II. SCHEDULE OF HOURLY RATES

Our professional fees will not exceed \$19,500 the first year. Out-of-pocket expenses will be billed at actual costs estimated to be \$500. Maximum fees will not exceed \$20,000, including out-of-pocket expenses. Subsequent years' fees, including expenses, will not exceed:

2013	\$20,000
2014	\$20,000
2015	\$20,000

*These fees are all-inclusive and can be considered firm unless there is a change in the scope of the entity or in the accounting or auditing standards or the timing of the work that pertain to the District. Attendance at Board meetings is billed at our standard billing rate and is based on estimated hours.*

Since open communication is important in quality relationships, we do not charge every time audit clients have questions, concerns, or want to run an idea past us. If the advice we offer requires a substantial time commitment, we will first discuss the scope and fees with you.

We are available to discuss our assumptions in the preparation of this budget. Fees for other services not listed above would generally be at our standard, prevailing rates, subject to having discussed estimates of the amounts involved prior to commencing the work. Rates are dependent upon experience and vary by type and complexity of service, from \$150 to \$200 per hour.

**EXHIBIT I**

**PEER REVIEW LETTER**

## System Review Report

To the Owner  
Fritz Russell, CPAs  
and the Peer Review Committee of the California Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Fritz Russell, CPAs (the firm) in effect for the year ended December 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, in applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, the engagements selected for review included among others, audits of engagements performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Fritz Russell, CPAs in effect for the year ended December 31, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Fritz Russell, CPAs has received a peer review rating of *pass*.



CHAVEZ, KIRSTIEN & CO.  
Certified Public Accountants

May 22, 2013

601 University Avenue  
Suite 288  
Sacramento, CA 95825

TEL 916.273.4808  
FAX 916.273.4918

[www.chavez-cpa.com](http://www.chavez-cpa.com)

**PALMDALE WATER DISTRICT  
AUDIT SERVICES PROPOSAL**

**SEPTEMBER 5, 2013**

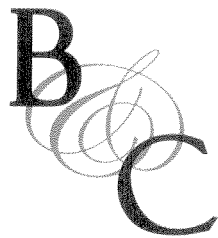
**CONTACT – JANETTE HENRIQUEZ, CPA  
ALTERNATE – HAROLD W. MANNING, CPA**



# **PLAMDALE WATER DISTRICT AUDIT SERVICES PROPOSAL**

## **TABLE OF CONTENTS**

	<b><u>PAGE NUMBER</u></b>
Transmittal Letter	1
References	2
Proposed Costs	2
Additional Services	3
Statement of Certification	3
Scope and Audit Approach	4
Indemnification and Insurance	5
Profile of the Firm and Technical Qualifications	5
Summary of the Firm's Audit Staff and Qualifications	6



# BURKEY COX EVANS & BRADFORD

ACCOUNTANCY CORPORATION

1058 WEST AVENUE M-14, SUITE B  
PALMDALE, CALIFORNIA 93551

TEL: (661) 267-2005  
FAX: (661) 267-2471

425 WEST DRUMMOND AVENUE, SUITE A  
RIDGECREST, CALIFORNIA 93555-3120

TEL: (760) 375-1508  
FAX: (760) 375-8865

SCOTT EVANS, CPA, CFP, CVA  
LAURA A. BRADFORD, CPA  
HAROLD W. MANNING, CPA

JANETTE HENRIQUEZ, CPA  
KYLE LINDAMAN, CPA  
JAMES MANNIE, CPA  
AUSTIN M. RICE, CPA  
JENNIFER VICKERY, CPA

September 5, 2013

Bob Egan, Financial Advisor  
Palmdale Water District  
2029 East Avenue Q,  
Palmdale, CA 93550

Dear Mr. Egan:

This proposal is in response to your request for proposal for auditing services for Palmdale Water District (the District) for the years ending December 31, 2013, 2014, and 2015.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards. The audit also will be conducted and the audit report will be submitted in accordance with the guidelines contained in the Governmental Accounting Standards Board (GASB). The audit will consist of a financial and compliance examination of all funds and account groups of the District. For the annual audit report, financial reporting will be in accordance with accounting principles generally accepted in the United States of America.

Our firm will be available to begin the audit as soon as the year-end records are completed. A draft copy of the financial statements and supplementary reports will be given to the District for review within three weeks of the completion of fieldwork. We will send the required copies of the final audit reports to the California State Controller's Office and to the District by the March 15<sup>th</sup> deadline.

We are an equal opportunity employer

If you have questions or require any additional information, please call one of the following persons:

Janette Henriquez, CPA (Manager)  
Harold W. Manning, CPA (Associate)  
1058 West Avenue M-14, Suite B  
Palmdale, California 93551  
(661) 267-2005 Phone  
(661) 267-2471 Fax

Very truly yours,

Harold W. Manning, CPA  
BURKEY COX EVANS & BRADFORD  
Accountancy Corporation

Enclosures

### **REFERENCES**

<b>Name of Agency</b>	<b>Contact Name</b>	<b>Phone Number</b>	<b>Type &amp; Date of Services Provided</b>
Antelope Valley-East Kern Water Agency 6500 West Avenue N Palmdale, CA 93551	Teresa Yates, Finance Manager	(661) 943-3201	Financial statement audit - FY12
Indian Wells Valley Water District 500 W. Ridgecrest Boulevard P.O. Box 1329 Ridgecrest, CA 93556	Jennifer Keep, Chief Financial Officer	(760) 384-5515	Financial statement audit - FY12
North Edwards Water District 13001 Claymine Road Edwards, CA 93523	Dollie Kostopoulos, Office Manager	(760) 769-4520	Financial statement audit - FY13
Rand Community Water District 501 Comstock Avenue Johannesburg, CA 93528	Kathleen Hall-Abrams, Office Manager	(760) 374-2124	Financial statement audit - FY13
West Valley County Water District 25315 Ideal Avenue Lancaster, CA 93536	Mark Crosby, General Manager	(661) 724-1860	Financial statement audit - FY13

### **PROPOSED COSTS**

Our fees are based on regular per hour rates that vary based on the experience level of the individual. These rates include not only the staff personnel involved but also include clerical and typing expense. Our proposed audit fees are as follows:

<b><u>Year Ending</u></b>	<b><u>Audit Fees</u></b>
December 31, 2013	\$23,000
December 31, 2014	\$23,500
December 31, 2015	\$24,000

### **ADDITIONAL SERVICES**

In addition to the services covered by this audit proposal, Burkey Cox Evans & Bradford, Accountancy Corporation (the Firm) stands ready to help Palmdale Water District in any manner possible. The cost of additional requested services will be at our hourly rates as follows:

partner	:	\$150 per hour
Manager/Senior	:	\$125 per hour
Staff Auditor	:	\$100 per hour
Typist/Clerical	:	\$40 per hour

### **STATEMENT OF CERTIFICATION**

- a. The offer made in the proposal is firm and binding for 180 days from the date the proposal is opened and recorded.
- b. All aspects of the proposal, including cost, have been determined independently, without consultation with any other prospective competitor for the purpose of restricting competition.
- c. All declarations in the proposal and attachments are true and that this shall constitute a warrant, the falsity of which will entitle the District to pursue any remedy by law.
- d. The Firm agrees that all aspects of the RFP and the proposal submitted shall be binding if the proposal is selected and a contract is awarded.
- e. The Firm agrees to provide the District with any other information the District determines is necessary for an accurate determination of the Firm's ability to perform the services as proposed.
- f. The Firm, if selected, will comply with all applicable rules, laws and regulations.
- g. The Firm is licensed by the state of California.
- h. The Firm has neither ties nor interest in the District.
- i. The Firm shall not discriminate unlawfully against any employee or applicant for employment because of race, religion, color, national origin, ancestry, physical handicap, mental disability, medical condition, marital status, age (over 40) or sex. Firm shall ensure that the evaluation and treatment of employees and applicants for employment are free of such discrimination.

## SCOPE AND AUDIT APPROACH

- A. Our audit will be conducted in accordance with generally accepted audit standards as adopted by the American Institute of Certified Public Accountants (AICPA) and Generally Accepted Auditing Standards also adopted by the AICPA. All scope and opinions will be in accordance with current AICPA Audit Guidelines. In addition, our audit will follow other standards, whenever applicable, as follows:
- a. *"Standards for Audits of Governmental Organizations, Programs, Activities and Functions"* – U.S. General Accounting Office
  - b. California Government Code Sections 53600 et seq. and the required audit services will comply with the guidelines specified in Section 26909 of the Government Code for California Special Districts.
- B. Our approach to the audit of Palmdale Water District utilizes an "audit team" concept. The audit team normally consists of two CPA's/Partners within the Firm, one CPA/Manager, and up to four audit staff. Audit programs of standard governmental type are generally used; however they are normally supplemented with addendums tailor-made for our client's particular situation. Statistical sampling is used to select audit items for internal control, accounts receivable, accounts payable, and expenditure testing. Analytical review procedures are also used to supplement the audit verification procedures. Due to the high level of experience and expertise of our audit staff, we have found that it is more efficient to utilize five to six auditors at one time who specialize in their respective areas. This generally interrupts the District's personnel for only two to four days of actual fieldwork rather than an extended time with one to two auditors.
- C. In the event the disclosures in the audit indicate extraordinary circumstances, which may warrant more intensive and detailed services, these matters will be brought to the attention of the management and the estimated cost for the services will be submitted. See page 3 for our hourly rates for additional services.
- D. Upon completion of the audit we will provide you with a draft copy of your audit and management recommendation letter for your review and approval/response. After approval by Palmdale Water District, final copies of the audit and the management recommendation letter can be expected within two weeks. The audit report will contain all financial statements and auditors' reports as required by accounting principles generally accepted in the United States of America and all relevant audit guides and circulars, including reports on internal controls and compliance with federal and state program requirements.
- E. The Firm shall retain working papers for a period of seven years. Such working papers shall be available for review and audit by the District and other individuals designated by the District. In addition, firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.
- F. The Firm would expect assistance from Palmdale Water District staff only to the point of responding to audit team questions and/or requests for documentation during the audit period and would require adequate work space for up to six auditors for scheduled dates of the audit. Our audit team will provide for all clerical (typing) needs and workpaper preparation. We would anticipate that the District's audit would require the following staffing:

<u>Description of Services</u>	<u>Date</u>
Preliminary/Interim Work	Mid November
Final Work / Exit Conference	February/March
Board Presentation	April



## **INDEMNIFICATION AND INSURANCE**

The Firm agrees to indemnify, defend and hold harmless the District and its authorized officers, employees, agents and volunteers from any and all claims, actions, losses, damages and/or liability arising from the Firm's acts, errors or omissions and for any costs or expenses incurred by the District on account of any claim therefore, except where such indemnification is prohibited by law.

Our Firm maintains the required minimum insurance policies. For further proof, please contact our office.

## **PROFILE OF THE FIRM AND TECHNICAL QUALIFICATIONS**

- A. The Firm is a large local firm located in Palmdale, California.
- B. The following personnel will be assigned to the Palmdale Water District audit and will be involved with all aspects of the fieldwork.

<u>Name</u>	<u>Position</u>	<u>Firm Affiliation</u>
Scott Evans, CPA, CFP, CVA	Partner	30 years
Harold W. Manning, CPA	Associate	30 years
Janette Henriquez, CPA	Manager	3 years
Heather Lapoint	Senior	4 years

Any personnel substitutions will be of equally qualified personnel.

- C. The Firm provides a full range of accounting, audit and tax services to their clients. The Firm provides many of the local businesses with accounting and bookkeeping services on a monthly or quarterly basis. In addition, the Firm provides a broad range of income tax preparation and consultation services to individual, partnership and corporation clients. The Firm specializes in the audits of governmental/municipal agencies.
- D. The Firm participates actively in the AICPA sponsored Quality and Peer Review Program. The Firm's last quality review was performed in July 2012, and the Firm received an unqualified opinion. A copy of this opinion is attached.
- E. The Firm does not presently have, or has ever had in the past any form of disciplinary action against either the company or any of its members.

## **SUMMARY OF THE FIRM'S AUDIT STAFF AND QUALIFICATIONS**

### **Scott Evans, Managing Partner**

Certified Public Accountant

Certified Financial Planner

Certified Valuation Analyst

Education : Pepperdine University (1981) B.S. - Business Administration/Accounting  
College for Financial Planning (1987)

Memberships : American Institute of Certified Public Accountants  
California Society of Certified Public Accountants  
The Institute of Certified Financial Planners  
International Association for Financial Planning  
National Association of Certified Valuation Analysts

Experience : 30 years experience in governmental audits

Audit Time Allocated : 50%

### **Harold W. Manning, Associate**

Certified Public Accountant

Education : University of Washington, Seattle B.S. – Business  
Administration/Accounting

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

Experience : 30+ years experience in governmental audits

Audit Time Allocated : 50%

### **Janette Henriquez, Manager**

Certified Public Accountant

Education : California State University Northridge (2005) B.S. – Business  
Administration/Accounting

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

Experience : 8 years experience in governmental audits

Audit Time Allocated : 100%



**POWELL & SPAFFORD, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Powell, CPA  
Patrick D. Spafford, CPA

Licensed by the California Board of Accountancy  
Member American Institute of Certified Public Accountants

### System Review Report

To the Owners of  
Burkey Cox Evans & Bradford, Accountancy Corporation  
and the Peer Review Committee of the California Society of CPAs

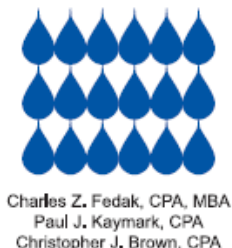
We have reviewed the system of quality control for the accounting and auditing practice of Burkey Cox Evans & Bradford, Accountancy Corporation (the firm) in effect for the year ended March 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of Employee Benefit Plans.

In our opinion, the system of quality control for the accounting and auditing practice of Burkey Cox Evans & Bradford, Accountancy Corporation in effect for the year ended March 31, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency (ies)* or *fail*. Burkey Cox Evans & Bradford, Accountancy Corporation has received a peer review rating of *pass*.

*Powell & Spafford, LLP*

July 31, 2012



# Charles Z. Fedak & Company

Certified Public Accountants  
An Accountancy Corporation

6081 Orange Avenue  
Cypress, California 90630  
(714) 527-1818  
(562) 598-6565  
FAX (714) 527-9154  
EMAIL [czfco@czfcpa.com](mailto:czfco@czfcpa.com)  
WEB [www.czfcpa.com](http://www.czfcpa.com)

September 20, 2013

Mr. Robert Egan  
Palmdale Water District  
2029 E. Avenue "Q"  
Palmdale, CA 93550

**Re: Request for Proposal for Independent Auditor Services**

Dear Mr. Egan

We will continue the audit technical and cost proposal we submitted for the year ended December 31, 2012 with one additional year as follows:

Based on our understanding of the Palmdale Water District's (District) requirements, our fee for audit services at our discounted rates for the fiscal year ending December 31, 2013 is \$17,000. This fee is based on our understanding of the District's audit requirements.

Assuming there is no substantial change in the District's activities and operations, our fee for audit services for the fiscal years ending December 31, 2014 and 2015 would be \$17,000 and \$17,000, respectively.

Our estimate for out-of-pocket expenses is \$1,250 per year and may not be utilized in total to the amount estimated. Again, these fees are based on the estimated hours using our discounted hourly rates. The components of this audit services fee proposal and out-of-pocket costs for the years ending December 31, 2013 through 2015.

Our not-to-exceed fee proposal is contingent upon our understanding of your requirements and the assistance we require as noted in our original audit technical proposal.

Additional services not included in this proposal will be based on our discounted billing rates based on the level of experience required. We would execute a separate contract for these services, if they are requested by the District.

I am authorized to make representations for Charles Z. Fedak & Company CPAs – An Accountancy Corporation and am duly authorized to sign a contract with the District.

---

**Paul J. Kaymark, CPA**  
**Charles Z. Fedak & Company CPAs – An Accountancy Corporation**