

PALMDALE WATER DISTRICT

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www.palmdalewater.org

ALESHIRE & WYNDER LLP
Attorneys



Board of Directors

ROBERT E. ALVARADO
Division 1

JOE ESTES
Division 2

GLORIA DIZMANG
Division 3

KATHY MAC LAREN
Division 4

VINCENT DINO
Division 5

April 3, 2014

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

Monday, April 7, 2014

9:30 a.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 March 3, 2014.
- 4.2) Presentation, consideration, and possible action on acceptance and filing of 2013 Audit and Management Report. (Charles Z. Fedak & Company, CPAs/Financial Advisor Egan/Finance Manager Williams)
- 4.3) Discussion and overview of Cash Flow Statement and Current Cash Balances as of February 28, 2014. (Financial Advisor Egan)
- 4.4) Discussion and overview of Financial Statements, Revenue and Expense and Departmental Budget Reports for February 28, 2014. (Finance Manager Williams)
- 4.5) Discussion and overview of committed contracts issued. (Assistant General Manager Knudson)
- 4.6) Discussion and review of the District's Bid Procurement and Change Order Policy - Rules and Regulations Appendix M. (General Manager LaMoreaux)
- 4.7) Discussion and review of Low Income Assistance Program. (Finance Manager Williams)
- 5) Information items.
 - 5.1) Status on development of financial calendar. (Finance Manager Williams)
 - 5.2) Other.
- 6) Board members' requests for future agenda items.
- 7) Adjournment.


DENNIS D. LaMOREAUX,
General Manager

DDL/dd

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

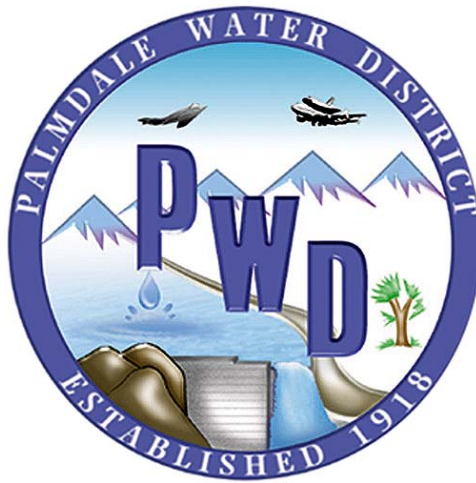
DATE: April 2, 2014 April 7, 2014
TO: BOARD OF DIRECTORS Board Meeting
FROM: Mr. Michael Williams, Finance Manager
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: *AGENDA ITEM NO. 4.2 – PRESENTATION, CONSIDERATION, AND
POSSIBLE ACTION ON ACCEPTANCE AND FILING OF 2013 AUDIT
AND MANAGEMENT REPORT. (CHARLES Z. FEDAK & COMPANY,
CPAS/FINANCIAL ADVISOR EGAN/FINANCE MANAGER
WILLIAMS)*

Attached is the final 2013 Audit and Management Report. Mr. Paul Kaymark, of Charles Z. Fedak & Company, will present the audit at the Board meeting.

Staff recommends the Committee accept and file the 2013 Audit and Management Report.

Supporting Documents:

- Final 2013 Audit and Management Report



Palmdale Water District
Annual Financial Report
December 31, 2013 and 2012



Mission Statement

The Mission of the Palmdale Water District is to provide high quality water to our current and future customers at a reasonable cost.

Vision Statement

The District will strive for excellence in providing high quality, reasonably priced water in a growing Antelope Valley by being a strong advocate for our customers in local water issues, public education, asset management, water conservation, planning and securing additional water supplies, continuing our commitment to operate efficiently with the help of emerging technologies, challenging, motivating and rewarding our employees and offering premium customer service in all that we do.

Palmdale Water District

Board of Directors as of December 31, 2013

<u>Name</u>	<u>Division</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Term Expires</u>
Robert Alvarado	1	Vice President	Elected	12/15
Joe Estes	2	Secretary	Elected	12/17
Gloria Dizmang	3	Treasurer	Elected	12/15
Kathy Mac Laren	4	President	Elected	12/15
Vincent Dino	5	Director	Elected	12/17

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

Palmdale Water District

Annual Financial Report

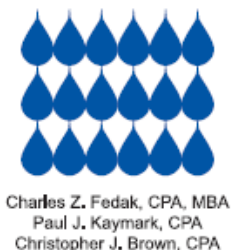
For the Years Ended December 31, 2013 and 2012

**Palmdale Water District
Annual Financial Report
For the Years Ended December 31, 2013 and 2012**

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Financial Section



Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

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Cypress, California 90630
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Independent Auditor's Report

Board of Directors
Palmdale Water District
Palmdale, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Palmdale Water District (District), which comprises the statements of net position as of December 31, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the schedule of funding progress on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 41 and 42.

Charles Z Fedak and Company CPAs - An Accountancy Corporation

Charles Z. Fedak and Company, CPA's – An Accountancy Corporation
Cypress, California
March 31, 2014

Palmdale Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Palmdale Water District (District) provides an introduction to the financial statements of the District for the years ended December 31, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2013, the District's net position decreased 0.69% or \$760,535 from \$109,432,705 to \$108,672,170. In 2012, the District's net position decreased 2.77% or \$3,115,637 from \$112,548,342 to \$109,432,705.
- The District's 2013 operating revenues increased 6.76% or \$1,528,043 due to an increase in water service revenues, while in 2012 the District's operating revenues increased 4.32% or \$936,524 due to an increase in water service revenues.
- The District's 2013 non-operating revenues increased 14.54% or \$1,012,878 due primarily to a \$1,217,741 increase in property tax collections. In 2012, non-operating revenues increased 12.92% or \$797,332 due primarily to a \$797,301 increase in the property tax assessment for the State Water Project and a one-time fixed-charge recovery of \$549,374 from the Dept. of Water Resources.
- The District's 2013 total expenses decreased 2.44% or \$827,050 due primarily to a \$1.55 million decrease in operating expenses and a \$1.183 million increase in non-operating expenses, while in 2012 the District's total expenses increased 8.48% or \$2,654,323 due primarily to a \$1.73 million increase in operating expenses, a \$434,327 decrease in overhead absorption, a \$482,956 increase in depreciation expense, and a \$2,260 increase in non-operating expenses.

Required Financial Statements

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

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

Palmdale Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012

Financial Analysis of the District

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 13 through 39.

Statement of Net Position

Condensed Statements of Net Position					
	2013	2012	Change	2011	Change
Assets:					
Current assets	\$ 28,344,627	16,911,413	11,433,214	16,298,271	613,142
Capital assets, net	154,293,310	156,809,338	(2,516,028)	158,808,157	(1,998,819)
Total assets	<u>182,637,937</u>	<u>173,720,751</u>	<u>8,917,186</u>	<u>175,106,428</u>	<u>(1,385,677)</u>
Deferred outflows of resources	<u>3,076,540</u>	<u>1,582,279</u>	<u>1,494,261</u>	<u>1,427,144</u>	<u>155,135</u>
Total assets and deferred outflows of resources	<u>\$ 185,714,477</u>	<u>175,303,030</u>	<u>10,411,447</u>	<u>176,533,572</u>	<u>(1,230,542)</u>
Liabilities:					
Current liabilities	\$ 11,013,657	10,619,967	393,690	10,066,614	553,353
Non-current liabilities	62,862,380	55,012,002	7,850,378	53,669,301	1,342,701
Total liabilities	<u>73,876,037</u>	<u>65,631,969</u>	<u>8,244,068</u>	<u>63,735,915</u>	<u>1,896,054</u>
Deferred inflows of resources	<u>3,166,270</u>	<u>238,356</u>	<u>2,927,914</u>	<u>249,315</u>	<u>(10,959)</u>
Net position:					
Net investment in capital assets	106,048,979	109,085,439	(3,036,460)	110,700,986	(1,615,547)
Restricted for debt service	-	-	-	1,494,920	(1,494,920)
Unrestricted	2,623,191	347,266	2,275,925	352,436	(5,170)
Total net position	<u>108,672,170</u>	<u>109,432,705</u>	<u>(760,535)</u>	<u>112,548,342</u>	<u>(3,115,637)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 185,714,477</u>	<u>175,303,030</u>	<u>10,411,447</u>	<u>176,533,572</u>	<u>(1,230,542)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$108,672,170 and \$109,085,439 as of December 31, 2013 and 2012, respectively.

Palmdale Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012

A portion of the District's net position, 98% and 99% as of December 31, 2013 and 2012, respectively, reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt or related deferred outflow of resources or deferred inflow of resources used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of year 2013 and 2012, the District showed a positive balance in its unrestricted net position of \$2,623,191 and \$347,266, respectively.

Statement of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position					
	2013	2012	Change	2011	Change
Revenues:					
Operating revenues	\$ 24,125,011	22,596,968	1,528,043	21,660,444	936,524
Non-operating revenues	7,980,183	6,967,305	1,012,878	6,169,973	797,332
Total revenues	<u>32,105,194</u>	<u>29,564,273</u>	<u>2,540,921</u>	<u>27,830,417</u>	<u>1,733,856</u>
Expenses:					
Operating expenses	20,665,315	22,215,659	(1,550,344)	20,480,879	1,734,780
Overhead absorption	(217,332)	(42,639)	(174,693)	(476,966)	434,327
Depreciation expense	7,483,036	7,768,448	(285,412)	7,285,492	482,956
Non-operating expenses	5,179,659	3,996,260	1,183,399	3,994,000	2,260
Total expenses	<u>33,110,678</u>	<u>33,937,728</u>	<u>(827,050)</u>	<u>31,283,405</u>	<u>2,654,323</u>
Net loss before capital contributions	(1,005,484)	(4,373,455)	3,367,971	(3,452,988)	(920,467)
Capital contributions	<u>244,949</u>	<u>1,257,818</u>	<u>(1,012,869)</u>	<u>1,301,719</u>	<u>(43,901)</u>
Change in net position	(760,535)	(3,115,637)	2,355,102	(2,151,269)	(964,368)
Net position, beginning of year	109,432,705	112,548,342	(3,115,637)	115,884,972	(3,336,630)
Prior period adjustment	-	-	-	(1,185,361)	1,185,361
Net position, end of year	<u>\$ 108,672,170</u>	<u>109,432,705</u>	<u>(760,535)</u>	<u>112,548,342</u>	<u>(3,115,637)</u>

The statement of revenues, expenses and changes of net position shows how the District's net position changed during the years. In the case of the District, net position decreased by \$760,535 and \$3,115,637 for the years ended December 31, 2013 and 2012, respectively.

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

The District's 2013 operating revenues increased 6.76% or \$1,528,043 due to an increase in water service revenues, while in 2012 the District's operating revenues increased 4.32% or \$936,524 due to an increase in water service revenues.

The District's 2013 non-operating revenues increased 14.54% or \$1,012,878 due primarily to a \$1,217,741 increase in property tax collections. In 2012, non-operating revenues increased 12.92% or \$797,332 due primarily to a \$797,301 increase in the property tax assessment for the State Water Project and a one-time fixed-charge recovery of \$549,374 from the Dept. of Water Resources.

The District's 2013 total expenses decreased 2.44% or \$827,050 due primarily to a \$1.55 million decrease in operating expenses and a \$1.183 million increase in non-operating expenses, while in 2012 the District's total expenses increased 8.48% or \$2,654,323 due primarily to a \$1.73 million increase in operating expenses, a \$434,327 decrease in overhead absorption, a \$482,956 increase in depreciation expense, and a \$2,260 increase in non-operating expenses.

Palmdale Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012

Capital Asset Administration

At the end of year 2013 and 2012, the District's investment in capital assets amounted to \$154,293,310 and \$156,809,338 (net of accumulated depreciation), respectively. This investment in capital assets includes land, land rights, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles, State Water Project entitlement, and construction-in-process. There were numerous capital asset additions in the years 2013 and 2012 (See Note 5).

Changes in capital asset amounts for 2013 were as follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2013</u>
Capital assets:				
Non-depreciable assets	\$ 5,728,926	2,920,947	(2,420,690)	6,229,183
Depreciable assets	267,119,035	6,204,257	(620,156)	272,703,136
Accumulated depreciation	<u>(116,038,623)</u>	<u>(9,220,542)</u>	<u>620,156</u>	<u>(124,639,009)</u>
Total capital assets, net	<u>\$ 156,809,338</u>	<u>(95,338)</u>	<u>(2,420,690)</u>	<u>154,293,310</u>

Changes in capital asset amounts for 2012 were as follows:

	<u>Balance 2011</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2012</u>
Capital assets:				
Non-depreciable assets	\$ 6,325,459	4,997,254	(5,593,787)	5,728,926
Depreciable assets	262,196,234	7,945,102	(3,022,301)	267,119,035
Accumulated depreciation	<u>(109,713,536)</u>	<u>(9,347,388)</u>	<u>3,022,301</u>	<u>(116,038,623)</u>
Total capital assets, net	<u>\$ 158,808,157</u>	<u>3,594,968</u>	<u>(5,593,787)</u>	<u>156,809,338</u>

Debt Administration

In 2013, long-term debt increased by \$6,791,241, due primarily to a refunding and issuance of new debt during the year. In 2012, long-term debt decreased by \$261,498, due to regular principal payments on the District's outstanding debts (See Notes 8, 9 and 10).

Changes in long-term debt amounts for 2013 were as follows:

	<u>Balance 2012</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2013</u>
Long-term debt:				
2004 – COP's	\$ 35,560,000	(35,560,000)	-	-
2012 – Refunding COP's	12,765,208	-	(1,038,719)	11,726,489
2013 – Bonds payable	-	44,350,000	(740,000)	43,610,000
Capital lease payable	742,614	-	(163,486)	579,128
Pension-related debt	<u>1,141,041</u>	<u>-</u>	<u>(56,554)</u>	<u>1,084,487</u>
Total long-term debt	<u>\$ 50,208,863</u>	<u>8,790,000</u>	<u>(1,998,759)</u>	<u>57,000,104</u>

Changes in long-term debt amounts for 2012 were as follows:

	<u>Balance 2011</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2012</u>
Long-term debt:				
1998 – COP's	\$ 13,345,000	(12,505,000)	(840,000)	-
2004 – COP's	35,940,000	-	(380,000)	35,560,000
2012 – Refunding COP's	-	12,765,208	-	12,765,208
Capital lease payable	-	863,876	(121,262)	742,614
Pension-related debt	<u>1,185,361</u>	<u>-</u>	<u>(44,320)</u>	<u>1,141,041</u>
Total long-term debt	<u>\$ 50,470,361</u>	<u>1,124,084</u>	<u>(1,385,582)</u>	<u>50,208,863</u>

Palmdale Water District
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012

Requests for Information

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

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Basic Financial Statements

**Palmdale Water District
Statements of Net Position
December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and cash equivalents (note 2)	\$ 8,481,773	7,240,103
Restricted – cash and cash equivalents (note 2)	7,761,016	-
Investments (note 2)	3,734,701	2,019,050
Accrued interest receivable	6,750	5,416
Accounts receivable – water sales and services, net (note 3)	1,784,916	2,053,085
Accounts receivable – property taxes and assessments	5,191,580	3,835,818
Accounts receivable – other	13,397	419,161
Note receivable – property taxes from state (note 4)	-	167,267
Materials and supplies inventory	832,364	938,813
Prepaid expenses and other deposits	538,130	232,700
Total current assets	<u>28,344,627</u>	<u>16,911,413</u>
Non-current assets:		
Capital assets – not being depreciated (note 5)	6,229,183	5,728,926
Capital assets – being depreciated, net (note 5)	148,064,127	151,080,412
Total non-current assets	<u>154,293,310</u>	<u>156,809,338</u>
Total assets	<u>182,637,937</u>	<u>173,720,751</u>
Deferred outflows of resources:		
Deferred charges, net (note 6)	-	786,956
Discount on certificates-of-participation, net (note 6)	127,947	-
Deferred loss on debt defeasance, net (note 6)	2,948,593	795,323
Total deferred outflows of resources	<u>3,076,540</u>	<u>1,582,279</u>
Total assets and deferred outflows of resources	<u>\$ 185,714,477</u>	<u>175,303,030</u>

Continued on the following page

Palmdale Water District
Statements of Net Position, continued
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 631,476	2,097,670
Customer deposits for water service	2,597,134	2,339,642
Construction and developer deposits	1,742,137	1,700,426
Unearned property taxes and assessments	3,500,000	2,500,000
Accrued interest payable	563,062	491,010
Long-term liabilities – due in one year:		
Compensated absences (note 7)	271,874	244,437
Bonds payable (note 8)	455,000	-
Capital lease payable (note 9)	170,198	163,487
Certificates of participation (note 8)	1,017,774	1,027,277
Pension-related debt (note 10)	65,002	56,018
Total current liabilities	<u>11,013,657</u>	<u>10,619,967</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 7)	90,625	81,479
Bonds payable (note 8)	43,155,000	-
Capital lease payable (note 9)	408,930	579,127
Certificates of participation (note 8)	10,708,715	47,297,931
Other post employment benefits payable (note 11)	7,479,625	5,968,442
Pension-related debt (note 10)	1,019,485	1,085,023
Total non-current liabilities	<u>62,862,380</u>	<u>55,012,002</u>
Total liabilities	<u>73,876,037</u>	<u>65,631,969</u>
Deferred inflows of resources:		
Premium on certificates-of-participation, net (note 6)	<u>3,166,270</u>	<u>238,356</u>
Total deferred inflows of resources	<u>3,166,270</u>	<u>238,356</u>
Net position:		
Net investment in capital assets (note 12)	106,048,979	109,085,439
Unrestricted (note 13)	<u>2,623,191</u>	<u>347,266</u>
Total net position	<u>108,672,170</u>	<u>109,432,705</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 185,714,477</u>	<u>175,303,030</u>

See accompanying notes to the basic financial statements

Palmdale Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Water sales – commodity charge	\$ 9,217,809	8,782,455
Monthly water service charge	11,059,700	10,318,032
Water quality fees	1,650,551	1,658,418
Elevation fees	553,632	563,499
Other water service charges	<u>1,643,319</u>	<u>1,274,564</u>
Total operating revenues	<u>24,125,011</u>	<u>22,596,968</u>
Operating expenses:		
Source of supply – purchased water	3,205,345	4,770,143
Operations and production	5,685,515	5,181,634
Facilities	3,408,556	3,786,537
Engineering	1,460,236	1,346,680
Water conservation	396,176	322,307
Administration	3,111,692	3,542,508
Finance and customer service	<u>3,397,795</u>	<u>3,265,850</u>
Total operating expenses	<u>20,665,315</u>	<u>22,215,659</u>
Operating income before overhead absorption	3,459,696	381,309
Overhead absorption	<u>217,332</u>	<u>42,639</u>
Operating income before depreciation expense	3,677,028	423,948
Depreciation expense	<u>(7,483,036)</u>	<u>(7,768,448)</u>
Operating loss	<u>(3,806,008)</u>	<u>(7,344,500)</u>
Non-operating revenue(expense):		
Property taxes – ad valorem	1,765,553	1,518,943
Property tax assessment for State Water Project	4,899,758	4,394,572
Successor agency component of property taxes	651,377	185,432
Investment earnings	34,920	24,866
Change-in-market value of investments	(39,707)	-
Rental income	154,972	146,420
Legal and insurance refunds/settlements	197,811	68,811
State Water Project amortization expense	(1,737,506)	(1,578,940)
Interest expense – long-term debt	(1,964,145)	(2,323,207)
Amortization of deferred resources – inflows/(outflows), net (note 6)	(1,478,008)	(94,113)
Dept. of Water Resources fixed-charge recovery	233,833	549,374
Other non-operating revenues/(expenses), net	<u>81,666</u>	<u>78,887</u>
Total non-operating revenues, net	<u>2,800,524</u>	<u>2,971,045</u>
Net loss before capital contributions	<u>(1,005,484)</u>	<u>(4,373,455)</u>
Capital contributions:		
Capital improvement fees	<u>244,949</u>	<u>1,257,818</u>
Total capital contributions	<u>244,949</u>	<u>1,257,818</u>
Change in net position	<u>(760,535)</u>	<u>(3,115,637)</u>
Net position, beginning of year	<u>109,432,705</u>	<u>112,548,342</u>
Net position, end of year	<u><u>\$ 108,672,170</u></u>	<u><u>109,432,705</u></u>

See accompanying notes to the basic financial statements

Palmdale Water District
Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 24,650,672	22,250,266
Cash receipts from others	1,115,757	432,246
Cash paid to vendors and suppliers for materials and services	(14,018,204)	(13,370,958)
Cash paid to employees for salaries and wages	(6,547,188)	(6,614,075)
Net cash provided by operating activities	5,201,037	2,697,479
Cash flows from non-capital financing activities:		
Proceeds from property taxes	6,960,926	6,098,977
Proceeds from note receivable – property taxes from state	167,267	-
Net cash provided by non-capital financing activities	7,128,193	6,098,977
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(6,704,514)	(6,460,470)
Proceeds from capital improvement fees	244,949	1,257,818
Principal paid on long-term debt	(1,998,759)	(1,385,582)
Proceeds from refunding issuance	44,986,800	12,765,208
Cost of refunding security	(35,540,000)	(12,642,208)
Cost of refunding issuance	(629,800)	(123,000)
Interest paid on long-term debt	(1,963,447)	(2,435,745)
Net cash used in capital and related financing activities	(1,604,771)	(9,023,979)
Cash flows from investing activities:		
Proceeds from sales(purchases) of investments, net	(1,755,358)	1,885,691
Interest and investment earnings	33,585	23,425
Net cash provided by(used in) investing activities	(1,721,773)	1,909,116
Net increase in cash and cash equivalents	9,002,686	1,681,593
Cash and cash equivalents, beginning of year	7,240,103	5,558,510
Cash and cash equivalents, end of year	\$ 16,242,789	7,240,103
Reconciliation of cash and cash equivalents to statements of net position:	2013	2012
Cash and cash equivalents	\$ 8,481,773	7,240,103
Restricted – cash and cash equivalents	7,761,016	-
Total cash and cash equivalents	\$ 16,242,789	7,240,103

Continued on the following page

Palmdale Water District
Statements of Cash Flows, continued
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (3,806,008)	(7,344,500)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Deprecation expense	7,483,036	7,768,448
Rental income	154,972	146,420
Legal and insurance refunds/settlements	197,811	68,811
Dept. of Water Resources fixed-charge recovery	233,833	549,374
Other non-operating revenues/(expenses), net	81,666	78,887
Changes in assets and liabilities:		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services, net	268,169	(292,318)
Accounts receivable – other	405,764	(408,865)
Materials and supplies inventory	106,449	(226,069)
Prepaid expenses and other deposits	(305,430)	87,201
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	(1,466,194)	808,586
Customer deposits for water service	257,492	(54,384)
Construction and developer deposits	41,711	(2,381)
Compensated absences	36,583	(91,189)
Other post employment benefits payable	1,511,183	1,609,458
Total adjustments	<u>9,007,045</u>	<u>10,041,979</u>
Net cash provided by operating activities	<u><u>\$ 5,201,037</u></u>	<u><u>2,697,479</u></u>

See accompanying notes to the basic financial statements

Palmdale Water District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

The Palmdale Water District Public Facilities Corporation (Corporation) was organized on August 22, 1991 pursuant to the Nonprofit Public Benefit Corporation Law of the State of California (Title 1, Division 2, Part 2 of the California Corporations Code), solely for the purpose of acquiring and or constructing various public facilities and providing financial assistance to the District.

The criteria used in determining the scope of the reporting entity is based on the provisions of GASB Statement 14, as amended by GASB Statement 39. The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's board or because the component unit will provide a financial benefit or impose a financial burden on the District. The District has accounted for the Corporation as a blended component unit. Despite being legally separate, this entity is so intertwined with the District that it is in substance part of the District's operations. Accordingly, this component unit is included within the financial statements of the District.

B. Basis of Accounting and Measurement Focus

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

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The District's basic financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting, including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

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

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

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

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

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

4. Accounts Receivable and Allowance for Uncollectible Accounts

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

5. Property Taxes and Assessments

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

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

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

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

6. Materials and Supplies

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

7. Prepaid Expenses

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

8. Restricted Assets

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

9. Capital Assets

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

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

10. State Water Project – Participation Rights

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

11. Deferred Charges

The deferred charges are from debt issuance costs that have been expensed as incurred under GASB No. 65.

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

12. Compensated Absences

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

13. Customer Deposits

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

14. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets Component of Net Position**– This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position
- **Restricted Component of Net Position** – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- **Unrestricted Component of Net Position** – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

15. Water Sales

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

16. Capital Improvement Fees

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

17. Budgetary Policies

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

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(2) Cash and Investments

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

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 8,481,773	7,240,103
Restricted – cash and cash equivalents	7,761,016	-
Investments	<u>3,734,701</u>	<u>2,019,050</u>
Total cash and investments	<u><u>\$ 19,977,490</u></u>	<u><u>9,259,153</u></u>

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

	<u>2013</u>	<u>2012</u>
Cash on hand	\$ 3,700	3,700
Deposits with financial institutions	1,378,439	259,404
Deposits in money market funds	14,848,945	6,965,326
Deposits with the Local Agency Investment Fund (LAIF)	11,705	11,673
Investments	<u>3,734,701</u>	<u>2,019,050</u>
Total cash and investments	<u><u>\$ 19,977,490</u></u>	<u><u>9,259,153</u></u>

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

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

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

Investments Authorized by Debt Agreements

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

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

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(2) Cash and Investments, continued

Custodial Credit Risk

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

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, federally insured is unlimited for non-interest bearing accounts through December 31, 2013 and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in State Investment Pool

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

Interest Rate Risk

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

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(2) Cash and Investments, continued

Interest Rate Risk, continued

Investment maturities as of December 31, 2013, were as follows:

Investment Type	Amount	Remaining Maturity (in Months)		
		12 Months Or Less	13 to 24 Months	25-60 Months
Certificates-of-deposit	\$ 1,739,716	479,602	542,937	717,177
Government sponsored agency obligations	1,994,985	-	510,925	1,484,060
Total	\$ 3,734,701	479,602	1,053,862	2,201,237

Investment maturities as of December 31, 2012, were as follows:

Investment Type	Amount	Remaining Maturity (in Months)		
		12 Months Or Less	13 to 24 Months	25-60 Months
Government sponsored agency obligations	\$ 2,019,050	-	517,255	1,501,795
Total	\$ 2,019,050	-	517,255	1,501,795

Credit Risk

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

Credit ratings as of December 31, 2013, were as follows:

Investment Type	Amount	Minimum Legal Rating	Rating as of year-end	
			Moody's Aaa	Not Rated
Certificates-of-deposit	\$ 1,739,716	Aaa	\$ -	1,739,716
Government sponsored agency obligations	1,994,985	Aaa	1,994,985	-
Total	\$ 3,734,701		\$ 1,994,985	1,739,716

Credit ratings as of December 31, 2012, were as follows:

Investment Type	Amount	Minimum Legal Rating	Rating as of year-end	
			Moody's Aaa	Not Rated
Government sponsored agency obligations	\$ 2,019,050	Aaa	\$ 2,019,050	-
Total	\$ 2,019,050		\$ 2,019,050	-

Concentration of Credit Risk

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

Issuer	Investment Type	Invested Amount	
		2013	2012
Certificates-of-deposit	Certificates-of-deposit	\$ 1,739,716	-
Government sponsored agency obligations	Government sponsored agency	1,994,985	2,019,050
Total		\$ 3,734,701	2,019,050

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

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

The balance at December 31, consists of the following:

	<u>2012</u>	<u>2011</u>
Accounts receivable – water sales and services	\$ 2,011,316	2,102,402
Allowance for uncollectible accounts	<u>(226,400)</u>	<u>(49,317)</u>
Accounts receivable – water sales and services, net	<u>\$ 1,784,916</u>	<u>2,053,085</u>

(4) Note Receivable – Property Taxes from State

Under the provisions of the State of California Proposition 1A and as part of the 2010 fiscal year State of California budget package passed by the California State Legislature on July 28, 2009, the State of California borrowed 8.0% of the amount of property tax revenue apportioned to cities, counties and special districts. The State of California is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California State Legislature may consider only one additional borrowing within a ten-year period. The borrowing was paid in full by the State of California on June 14, 2013.

The balance at December 31, consists of the following:

	<u>2013</u>	<u>2012</u>
Property taxes from state	\$ -	161,817
Accrued interest	<u>-</u>	<u>5,450</u>
Note receivable – property taxes from state	<u>\$ -</u>	<u>167,267</u>

(5) Capital Assets

Changes in capital assets for 2013, were as follows:

	<u>Balance 2012</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2013</u>
Non-depreciable assets:				
Land and land rights	\$ 1,784,358	-	-	1,784,358
Construction-in-process	<u>3,944,568</u>	<u>2,920,947</u>	<u>(2,420,690)</u>	<u>4,444,825</u>
Total non-depreciable assets	<u>5,728,926</u>	<u>2,920,947</u>	<u>(2,420,690)</u>	<u>6,229,183</u>
Depreciable assets:				
Buildings, wells and distribution system	201,710,783	2,314,137	(620,156)	203,404,764
SWP – participation rights	55,038,127	3,835,620	-	58,873,747
Machinery and equipment	<u>10,370,125</u>	<u>54,500</u>	<u>-</u>	<u>10,424,625</u>
Total depreciable assets	<u>267,119,035</u>	<u>6,204,257</u>	<u>(620,156)</u>	<u>272,703,136</u>
Accumulated depreciation & amortization:				
Buildings, wells and distribution system	(90,734,769)	(6,296,963)	620,156	(96,411,576)
SWP – participation rights	(18,408,786)	(1,737,506)	-	(20,146,292)
Machinery and equipment	<u>(6,895,068)</u>	<u>(1,186,073)</u>	<u>-</u>	<u>(8,081,141)</u>
Total accumulated depreciation	<u>(116,038,623)</u>	<u>(9,220,542)</u>	<u>620,156</u>	<u>(124,639,009)</u>
Total depreciable assets, net	<u>151,080,412</u>	<u>(3,016,285)</u>	<u>-</u>	<u>148,064,127</u>
Total capital assets, net	<u>\$ 156,809,338</u>	<u>(95,338)</u>	<u>(2,420,690)</u>	<u>154,293,310</u>

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(5) Capital Assets, continued

Changes in capital assets for 2012, were as follows:

	<u>Balance 2011</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2012</u>
Non-depreciable assets:				
Land and land rights	\$ 1,156,263	628,095	-	1,784,358
Construction-in-process	<u>5,169,196</u>	<u>4,369,159</u>	<u>(5,593,787)</u>	<u>3,944,568</u>
Total non-depreciable assets	<u>6,325,459</u>	<u>4,997,254</u>	<u>(5,593,787)</u>	<u>5,728,926</u>
Depreciable assets:				
Buildings, wells and distribution system	198,936,518	3,212,474	(438,209)	201,710,783
SWP – participation rights	51,704,834	3,333,293	-	55,038,127
Machinery and equipment	<u>11,554,882</u>	<u>1,399,335</u>	<u>(2,584,092)</u>	<u>10,370,125</u>
Total depreciable assets	<u>262,196,234</u>	<u>7,945,102</u>	<u>(3,022,301)</u>	<u>267,119,035</u>
Accumulated depreciation & amortization:				
Buildings, wells and distribution system	(85,225,386)	(5,947,592)	438,209	(90,734,769)
SWP – participation rights	(16,829,846)	(1,578,940)	-	(18,408,786)
Machinery and equipment	<u>(7,658,304)</u>	<u>(1,820,856)</u>	<u>2,584,092</u>	<u>(6,895,068)</u>
Total accumulated depreciation	<u>(109,713,536)</u>	<u>(9,347,388)</u>	<u>3,022,301</u>	<u>(116,038,623)</u>
Total depreciable assets, net	<u>152,482,698</u>	<u>(1,402,286)</u>	<u>-</u>	<u>151,080,412</u>
Total capital assets, net	<u>\$ 158,808,157</u>	<u>3,594,968</u>	<u>(5,593,787)</u>	<u>156,809,338</u>

Construction-In-Process

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

The balance at December 31, consists of the following project	<u>2011</u>	<u>2012</u>	<u>2013</u>
10 M.G.D. Treatment plant (New Facility)	913,674	-	-
Sediment removal – Littlerock Dam	707,859	946,305	1,033,185
Well 24A drill and equipment	619,129	-	-
12th Street/Avenue Q4 main replacement	598,923	-	-
Distribution master plan	532,335	532,335	-
Recycled facilities master plan	270,739	291,543	296,111
Well 2 rehabilitation	161,143	-	-
Avenue S10/40th Street waterline replacement	150,011	-	-
Well 36 drill and equipment	149,602	-	-
Well 37 drill and equipment	148,634	-	-
Garden bar study	148,069	162,630	162,630
Division Street/Avenue Q3 waterline replacement	108,756	1,030,925	-
Well 11A rehabilitation project	70	323,627	361,528
3600' Zone tank replacement project	-	100,904	-
20th/22nd/Pld Bl/Ave Q Vicinity waterline replacement	-	69,207	163,998
Avenue Q5/16th St. E. waterline replacement	-	47,824	506,895
Ave Q/Ave Q3/Division/Sumac waterline replacement	-	13,363	863,956
Avenue P14 waterline replacement	-	2,909	191,418
Localized GAC Contractor	-	-	408,617
Various other minor projects >\$100,000	<u>660,252</u>	<u>422,996</u>	<u>456,487</u>
Construction-in-process	<u>\$ 5,169,196</u>	<u>3,944,568</u>	<u>4,444,825</u>

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(5) Capital Assets, continued

State Water Project – Participation Rights

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

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

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

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

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

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

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(6) Deferred Outflows and Deferred Inflows of Resources

Changes in deferred resources outflows and inflows for 2013, were as follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>Amortization</u>	<u>Balance 2013</u>
Deferred outflows of resources:					
Deferred charges, net	\$ 786,956	629,800	-	(1,416,756)	-
Discount on bond payable, net, net	-	130,456	-	(2,509)	127,947
Deferred loss on debt defeasance, net	795,323	2,044,873	233,790	(125,393)	2,948,593
Total deferred outflows of resources	<u>\$ 1,582,279</u>	<u>2,805,129</u>	<u>233,790</u>	<u>(1,544,658)</u>	<u>3,076,540</u>
Deferred inflows of resources:					
Premium on certificates-of-participation, n	\$ 238,356	3,228,354	(233,790)	(66,650)	3,166,270
Total deferred inflows of resources	<u>\$ 238,356</u>	<u>3,228,354</u>	<u>(233,790)</u>	<u>(66,650)</u>	<u>3,166,270</u>
Amortization of deferred resources – inflows/(outflows), net				\$ (1,478,008)	

Changes in deferred resources outflows and inflows for 2012, were as follows:

	<u>Balance 2011</u>	<u>Additions</u>	<u>Transfers</u>	<u>Amortization</u>	<u>Balance 2012</u>
Deferred outflows of resources:					
Deferred charges, net	\$ 704,158	123,000	-	(40,202)	786,956
Discount on certificates-of-participation, net	188,216	-	(174,868)	(13,348)	-
Deferred loss on debt defeasance, net	534,770	137,207	174,868	(51,522)	795,323
Total deferred outflows of resources	<u>\$ 1,427,144</u>	<u>260,207</u>	<u>-</u>	<u>(105,072)</u>	<u>1,582,279</u>
Deferred inflows of resources:					
Premium on certificates-of-participation, n	\$ 249,315	-	-	(10,959)	238,356
Total deferred inflows of resources	<u>\$ 249,315</u>	<u>-</u>	<u>-</u>	<u>(10,959)</u>	<u>238,356</u>
Amortization of deferred resources – inflows/(outflows), net				\$ (94,113)	

(7) Compensated Absences

Changes in compensated absences for 2013, were as follows:

<u>Balance 2012</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2013</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 325,916	476,883	(440,300)	362,499	271,874	90,625

Changes in compensated absences for 2012, were as follows:

<u>Balance 2011</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2012</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 417,105	541,774	(632,963)	325,916	244,437	81,479

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(8) Long-term Debt

Changes in long-term debt amounts for 2013, were as follows:

	<u>Balance 2012</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2013</u>
Long-term debt:				
2004 – Certificates of participation	\$ 35,560,000	(35,560,000)	-	-
2012 – Refunding certificates of participation	12,765,208	-	(1,038,719)	11,726,489
2013 – Bonds payable	-	44,350,000	(740,000)	43,610,000
Capital lease payable	742,614	-	(163,486)	579,128
Pension-related debt	1,141,041	-	(56,554)	1,084,487
Total long-term debt	50,208,863	8,790,000	(1,998,759)	57,000,104
Less: current portion	(1,246,782)			(1,707,974)
Total non-current portion	\$ 48,962,081			55,292,130

Changes in long-term debt amounts for 2012, were as follows:

	<u>Balance 2011</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2012</u>
Long-term debt:				
1998 – Certificates of participation	\$ 13,345,000	(12,505,000)	(840,000)	-
2004 – Certificates of participation	35,940,000	-	(380,000)	35,560,000
2012 – Refunding certificates of participation	-	12,765,208	-	12,765,208
Capital lease payable	-	863,876	(121,262)	742,614
Pension-related debt	1,185,361	-	(44,320)	1,141,041
Total long-term debt	50,470,361	1,124,084	(1,385,582)	50,208,863
Less: current portion	(1,264,320)			(1,246,782)
Total non-current portion	\$ 49,206,041			48,962,081

Certificates of Participation

1998 Certificates of Participation

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

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

In 2012, the District advanced refunded the remaining \$12,505,000 of the 1998 COP's into the 2012 Refunding Certificates of Participation issuance.

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(8) Long-Term Debt, continued

Certificates of Participation, continued

2004 Certificates of Participation

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

In 2013, the District advanced refunded the remaining \$35,560,000 of the 2004 COP's into the 2013 Bonds payable issuance.

2012 Refunding Certificates of Participation

In November 2012, the District issued \$12,765,208 of Refunding Revenue Certificates of Participation, Series 2012 (2012 COP's), with maturities from 2013 through 2023 and an interest rate of 3.100%. The net proceeds of the issuance were used to accomplish an advance refunding (an in-substance defeasance) of \$12,505,000 aggregate principal amount of the District's 1998 COP's with an average interest rate of 4.73%. The initial escrow deposit was used to purchase government sponsored agency obligation securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1998 Certificates of Participation.

The advance refunding resulted in a difference between the reacquisition price and the net carrying value amount of the old debt of \$312,075. This difference is being amortized through 2023 (the life of the debt) using the straight-line method as a deferred loss on debt defeasance. The District completed the advance refunding to reduce its total debt service payments over the next 11 years by approximately \$1.293 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$1.154 million.

Annual debt service requirements for the 2012 Refunding Certificates of Participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	1,017,774	355,694	1,373,468
2015	1,048,421	323,907	1,372,328
2016	1,082,553	291,144	1,373,697
2017	1,115,453	257,332	1,372,785
2018	1,147,084	222,509	1,369,593
2019-2023	6,315,204	550,772	6,865,976
Total	\$ 11,726,489	<u>2,001,358</u>	<u>13,727,847</u>
Less: current	<u>(1,017,774)</u>		
Total non-current	\$ <u>10,708,715</u>		

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(8) Long-Term Debt, continued

Bonds Payable

2013 Bonds Payable

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

Annual debt service requirements for the 2013 Bonds payable are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$	455,000	1,888,725	2,343,725
2015		470,000	1,879,625	2,349,625
2016		475,000	1,870,225	2,345,225
2017		495,000	1,855,975	2,350,975
2018		510,000	1,841,125	2,351,125
2019-2023		2,835,000	8,900,225	11,735,225
2024-2028		11,675,000	7,584,725	19,259,725
2029-2033		14,550,000	4,714,600	19,264,600
2034-2038		6,865,000	1,723,950	8,588,950
2039-2043		5,280,000	650,000	5,930,000
Total	\$	43,610,000	32,909,175	76,519,175
Less: current		(455,000)		
Total non-current	\$	43,155,000		

(9) Capital Lease Payable

The District has leased \$863,876 in equipment under a capital lease agreement, upon which the District will take ownership of the equipment at the end of the lease-term. Capital lease payments of \$15,868 are due on a monthly-basis from April 2013 to March 2017 at an annual interest rate of 4.030%. Annual debt service requirements for the capital lease payable are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$	170,198	20,218	190,416
2015		177,185	13,231	190,416
2016		184,459	5,957	190,416
2017		47,286	318	47,604
Total	\$	579,128	39,724	618,852
Less: current		(170,198)		
Total non-current	\$	408,930		

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(10) Pension-Related Debt – CalPERS Side-Fund

As of June 30, 2003, CalPERS implemented risk-pooling for the District's agent multiple-employer public employee defined benefit pension plan. As a result, the District's defined benefit pension plan with CalPERS converted from an agent multiple-employer plan to a cost sharing multiple-employer plan. This change in the type of the plan created the CalPERS Side-Fund, which CalPERS financed at a 7.75% interest rate. CalPERS actuarially calculated the amount needed to bring the District into the cost sharing multiple-employer plan on an equal basis with other governmental agencies who had less than 100 active and retired employees combined. The reason that CalPERS switched these governmental agencies into the cost sharing multiple-employer plan was to smooth the annual costs related to the pension benefit over a longer period of time resulting in a lower cost of service to the governmental agencies.

A portion of the District's annual required contributions to CalPERS are actuarially determined and shared by all governmental agencies within the cost sharing risk pool. Also, the District is required to make annual payments to pay-down the CalPERS Side-Fund, as well. The responsibility for paying-down the District's CalPERS Side-Fund is specific to the District and is not shared by all governmental agencies within the cost sharing risk pool. Therefore, the Side Fund falls under the definition of pension-related debt, as described in GASB Statement No. 27 and recorded as liability on the District's financial statements.

Annual payments on the CalPERS Side-Fund represent principal and interest payments on the pension-related debt. Debt principal and interest expense is blended into the CalPERS pension benefit rate by individual class of District employee and repaid to CalPERS each payroll period throughout the fiscal year. The following is a pay-down schedule of the remaining payments of the District's CalPERS Side-Fund at a 7.50% interest rate, which was reduced by CalPERS in fiscal year 2012 for fiscal years 2012 and beyond as follows:

Year	Principal	Interest	Total
January 1, 2014 to December 31, 2014	\$ 65,002	80,531	145,533
January 1, 2015 to June 30, 2015	34,718	39,244	73,962
July 1, 2015 to June 30, 2016	79,100	68,425	147,525
July 1, 2016 to June 30, 2017	89,620	62,330	151,950
July 1, 2017 to June 30, 2018	101,068	55,441	156,509
July 1, 2018 to June 30, 2019	113,517	47,688	161,205
July 1, 2019 to June 30, 2020	127,045	38,966	166,011
July 1, 2020 to June 30, 2021	141,737	29,284	171,021
July 1, 2021 to June 30, 2022	157,688	18,465	176,153
July 1, 2022 to June 30, 2023	174,992	6,562	181,554
Total	\$ 1,084,487	446,936	1,531,423
Less: current	(65,002)		
Total non-current	\$ 1,019,485		

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(11) Other Post Employment Benefits Payable

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

Plan Description – Eligibility

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

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Active plan members	90	90	90
Retirees and beneficiaries receiving benefits	10	10	10
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	<u>100</u>	<u>100</u>	<u>100</u>

Plan Description – Benefits

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

Funding Policy

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 30.58% for 2013 and 29.97% for 2012 of the annual covered payroll.

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

Annual Cost

For the years ended December 31, 2013 and 2012, the District's ARC cost was \$1,892,506 and \$1,902,341, respectively. The District's net OPEB payable obligation amounted to \$7,479,625 and \$5,968,442 for the years ended December 31, 2013 and 2012, respectively. The District contributed \$381,323 and \$292,883 in age adjusted contributions for current retiree OPEB premiums for the years ended December 31, 2013 and 2012, respectively.

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(11) Other Post Employment Benefits Payable, continued

Annual Cost, continued

The balance at December 31, consists of the following:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 2,002,499	1,982,672	1,982,672
Interest on net OPEB obligation	122,950	89,796	55,498
Adjustment to annual required contribution	<u>(232,943)</u>	<u>(170,127)</u>	<u>(105,146)</u>
Total annual OPEB expense	1,892,506	1,902,341	1,933,024
Change in net OPEB payable obligation:			
Age adjusted contributions made	<u>(381,323)</u>	<u>(292,883)</u>	<u>(268,096)</u>
Total change in net OPEB payable obligation	1,511,183	1,609,458	1,664,928
OPEB payable – beginning of year	<u>5,968,442</u>	<u>4,358,984</u>	<u>2,694,056</u>
OPEB payable – end of year	<u><u>\$ 7,479,625</u></u>	<u><u>5,968,442</u></u>	<u><u>4,358,984</u></u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>				
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable</u>
2013	\$ 1,892,506	381,323	20.15%	\$ 7,479,625
2012	\$ 1,902,341	292,883	15.40%	\$ 5,968,442
2011	\$ 1,933,024	268,096	13.87%	\$ 4,358,984

Funded Status and Funding Progress of the Plan

The most recent valuation (dated December 31, 2010) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$16,234,820. There are no plan assets because the District funds on a pay-as-you-go basis and maintains no reserves equal to the remaining net post-employment benefits payable obligation. The covered payroll (annual payroll of active employees covered by the plan) for the year ended December 31, 2010 was \$6,547,188. The ratio of the unfunded actuarial accrued liability to annual covered payroll was 247.97% as of December 31, 2010.

See Page 40 for the Schedule of Funding Progress.

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(11) Other Post Employment Benefits Payable, continued

Actuarial Methods and Assumptions

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

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

Valuation date	December 31, 2010
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	27 Years as of the valuation date
Asset valuation method	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	2.50% – Current LAIF rating (rounded)
Projected salary increase	1.00%
Inflation - discount rate	2.06%
Individual salary growth	District annual COLA

(12) Net Investment in Capital Assets

The balance at December 31, consists of the following:

	2013	2012
Capital assets – not being depreciated	\$ 6,229,183	5,728,926
Capital assets – being depreciated, net	148,064,127	151,080,412
Restricted – cash and cash equivalents	7,761,016	-
Deferred outflows of resources	3,076,540	1,582,279
Bonds payable – current portion	(455,000)	-
Capital lease payable – current portion	(170,198)	(163,487)
Certificates of participation – current portion	(1,017,774)	(1,027,277)
Bonds payable – non-current portion	(43,155,000)	-
Capital lease payable – non-current portion	(408,930)	(579,127)
Certificates of participation – non-current portion	(10,708,715)	(47,297,931)
Deferred inflows of resources:	(3,166,270)	(238,356)
Net investment in capital assets	<u>\$ 106,048,979</u>	<u>109,085,439</u>

(13) Designations of Unrestricted Net Position

The balance at December 31, consists of the following:

	2013	2012
Prepaid assets:		
Materials and supplies inventory	\$ 832,364	938,813
Prepaid expenses and other deposits	538,130	232,700
Total non-spendable unrestricted net position	<u>1,370,494</u>	<u>1,171,513</u>
Rate stabilization reserve	480,000	-
Undesignated net position(deficit)	772,697	(824,247)
Total unrestricted net position	<u>\$ 2,623,191</u>	<u>347,266</u>

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(14) Deferred Compensation Savings Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by the Lincoln Financial Group at December 31, 2013 and 2012 was \$3,554,426 and \$3,002,661, respectively.

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

(15) Defined Benefit Pension Plan

Plan Description

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

Funding Policy

The contribution rate for plan members in the CalPERS 2.0% at 55 Risk Pool Retirement Plan is 7% of their annual covered salary. The District makes these contributions required of District employees on their behalf and for their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates for years 2013, 2012 and 2011 were as follows:

<u>Time Period</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Jan. 1 - June 30	11.913%	11.004%	10.392%
July 1 - Dec. 31	12.385%	11.913%	11.004%

The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2013, 2012 and 2011, the District's annual contribution was \$1,065,484, \$1,190,148 and \$1,086,497, respectively, for CalPERS and was equal to the District's required and actual contributions for each year.

See Page 40 for the Schedule of Funding Progress.

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(15) Defined Benefit Pension Plan, continued

California Public Employees Pension Reform Act of 2013

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013.

Key components of the legislation are as follows:

- Establishes PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013 (Except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payments from being counted as compensation; and
- Increases retirement age for all new public employees.

Second-Tier – Beginning January 1, 2013

The contribution rate for plan members in the CalPERS 2.0% at 62 Retirement Plan under PEPRA is 6.25% of their annual covered wages. District employees contribute 6.25% of their annual covered wages to their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The employer contribution rate (6.25%) and member contribution rate (6.25%) is a combined rate of 13.20% which will be in effect until June 30, 2015.

Actuarial Methods and Assumptions

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

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

Valuation date	June 30, 2012
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll, open
Average remaining amortization period	19 years as of the valuation date
Asset valuation method	15 year smoothed market
Actuarial assumptions:	
Discount rate	7.50% (net of administrative expenses)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(16) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase the appropriate amount of insurance coverage. At December 31, 2013, the District participated in the liability and property programs of the ACWA/JPIA as follows:

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

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

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

In addition, the District in August 2013 continued a separate policy from ACWA/JPIA with underwriters at Lloyd's for commercial earthquake/business income interruption insurance. This insurance was purchased to safeguard the District in case of a major earthquake until disaster relief funds are made available by state and federal agencies. This policy has provisions as follows:

- The loss limit is \$5,000,000 per occurrence and in the annual aggregate.
- Deductible is 20% of values per unit of insurance subject to \$25,000 minimum per occurrence.
- Coverage for 2029 East Avenue Q location is \$2,780,625 building limit and \$378,000 contents, including \$6,000,000 business income.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending December 31, 2013, 2012 and 2011. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of December 31, 2013, 2012 and 2011.

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to December 31, 2013, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 70

In April 2013, the GASB issued Statement No. 70 – *Accounting and Financial Reporting for Non-exchange Guarantees*. Provisions of this Statement require that governments that extend non-exchange financial guarantees to recognize a liability when qualitative factors and historic data, if any, indicate that it is more likely than not that the government will be required to make a payments on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 71

In November 2013, the GASB issued Statement No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(18) Commitments and Contingencies

State Water Contract

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

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 5,132,599
2015	5,115,557
2016	4,754,579
2017	4,638,456
2018	4,655,058

As of December 31, 2013, the District has expended approximately \$88,898,398 since the District started participating in the State Water Contract. According to the State's latest estimates, the District's long-term obligations under the contract, for capital and minimum operations and maintenance costs, including interest to the year 2035, are as follows:

<u>Type of Long-Term Obligation</u>	<u>Amount</u>
State Water Project Contract:	
Transportation facilities	\$ 73,139,308
Delta water charges	20,602,252
Off-aqueduct power facilities	769,007
Revenue bond surcharge	4,670,110
Total	<u>\$ 99,180,677</u>

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

Bay/Delta Regulatory and Planning Activities

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

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(18) Commitments and Contingencies, continued

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction. The District has committed to approximately \$6,954,500 to complete the open construction contracts as of December 31, 2013. These include the following:

Project Name	Cost of Project to Date	Estimated Costs to Complete	Total Expected Project Cost
Sediment removal – Littlerock Dam	\$ 1,033,185	516,000	1,549,185
Ave Q/Ave Q3/Division/Sumac waterline replace	863,956	40,000	903,956
Avenue Q5/16th St. E. waterline replacement	506,895	1,000	507,895
Localized GAC Contractor	408,617	4,500	413,117
Well 11A rehabilitation project	361,528	-	361,528
Recycled facilities master plan	296,111	-	296,111
Avenue P14 waterline replacement	191,418	100,000	291,418
20th/22nd/Pld Bl/Ave Q Vicinity waterline replace	163,998	1,243,000	1,406,998
Garden bar study	162,630	-	162,630
Frontier/31st St. E. waterline replacement	46,804	1,200,000	1,246,804
10th Street E. waterline replacement	45,147	1,400,000	1,445,147
Upper Amargosa recharge project	-	1,250,000	1,250,000
Littlerock recharge and recovery project	-	900,000	900,000
Various other minor projects >\$100,000	364,536	300,000	664,536
Total	\$ 4,444,825	6,954,500	11,399,325

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(18) Commitments and Contingencies, continued

City of Palmdale v. Palmdale Water District

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

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

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

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

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

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

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

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

The City maintains the District's action to cure the defect in its rate structure is not permissible and that the District should apply the rate structure in effect prior to its action in May 2009 to adopt the new structure. The City has submitted a form of judgment in that regard for the trial court to consider.

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(18) Commitments and Contingencies, continued

City of Palmdale v. Palmdale Water District, continued

The District subsequently filed a supplemental complaint in the action seeking monetary damages for the taking of its facilities that would have resulted from the City providing recycled water service to existing District accounts.

This case was settled in September 6, 2012 in connection with the global settlement of all existing litigation between the District and the City. As part of that settlement, the District and the City agreed to form a joint powers agency, the Palmdale Recycled Water Authority, to provide recycled water service within the District's service area.

Palmdale Recycled Water Authority – Joint Powers Authority

The City and the District have formed a Joint Powers Authority the Palmdale Recycled Water Authority (Authority) to be the recycled water supplier within the boundaries of the District (both inside and outside City boundaries). While the Joint Powers Agreement is in force, neither the City nor District will individually supply recycled water within the boundaries of the Authority.

The City and the District expect to accomplish a reallocation of the recycled water supply produced by the Los Angeles County Sanitation Districts Nos. 14 and 20 such that the effluent generated within the City that is tributary to the Palmdale Treatment Plant (Sanitation District No. 20) and to the Lancaster Treatment Plant (Sanitation District No. 14), less that previously allocated for environmental projects by both Sanitation Districts Nos. 14 and 20 and 4,000 acre-feet for the Palmdale Power Plant, is available to the Authority for purchase. The City and the District agree to use their best efforts to obtain this result.

The Authority's allocation will be approximately 6,000 acre-feet. The City, District and Sanitation Districts have calculated the overall "Palmdale" allocation to be 12,800 acre-feet, with 2,800 acre-feet allocated to the above-referenced environmental projects, leaving 10,000 acre-feet available. The City has already committed to 4,000 acre-feet for its Palmdale Power Plant, leaving the entire remaining estimated allocation of 6,000 feet for the Authority's uses. The City and District acknowledge that this reallocation is a significant factor in the decision of both the City and the District to enter into this Agreement. Future recycled water, when available, will be allocated between the West Palmdale-area projects and Authority projects approximately in proportion to the effluent generated by the respective areas.

Prior to the execution of this Agreement, the City's principal focus was on the direct use of recycled water for its Palmdale Power Plant and for the irrigation of parks and landscaped areas, and on the use of recycled water for groundwater recharge. The District's principal focus was on providing recycled water to agricultural users in exchange for the right to produce groundwater for potable uses, and on the use of recycled water for groundwater recharge. By this Agreement, the parties hereby commit themselves to support all three uses of recycled water, and agree that all available recycled water should be put to beneficial use as soon as practicable.

Other Litigation

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

Palmdale Water District
Notes to the Basic Financial Statements, continued
For the Years Ended December 31, 2013 and 2012

(19) Subsequent Events

Events occurring after December 31, 2013, have been evaluated for possible adjustment to the financial statements or disclosure as of March 31, 2014, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

Palmdale Water District
Schedule of Funding Progress
For the Years Ended December 31, 2013 and 2012

(1) Defined Benefit Pension Plan

Development of the Actuarial Value of Assets Calculation in a Risk Pool

The District is part of the CalPERS Miscellaneous 2.0% at 55 yrs. Risk Pool	June 30, 2011	June 30, 2012	June 30, 2013
1. Plan's accrued liability	\$ 24,831,715	26,605,702	-
2. Plan's side fund	(1,203,412)	(1,167,310)	-
3. Pool's accrued liability	3,619,835,876	4,175,139,166	-
4. Pool's side fund	(115,840,552)	(132,335,224)	-
5. Pool's actuarial value of assets (AVA) including receivables	3,203,214,899	3,686,598,343	-
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	21,600,067	23,197,052	-
7. Pool's market value of assets (MVA) including receivables	2,867,303,802	3,120,110,130	-
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	19,334,935	19,632,558	-

Funding History

The Funding History below shows the actuarial accrued liability, the actuarial value of assets, the market value of assets, funded ratios and the annual covered payroll. The actuarial value of assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan in the risk pool.

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Market Value of Assets (MVA) (c)	Funded Ratio		Annual Covered Payroll
				AVA (b/a)	MVA (c/a)	
June 30, 2011	\$ 24,831,715	21,600,067	19,334,935	86.99%	77.86%	\$ 5,967,838
June 30, 2012	26,605,702	23,197,052	19,632,558	87.19%	73.79%	6,154,498
June 30, 2013	*	-	-	0.00%	0.00%	-

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Plan's Side Fund (b)	Actuarial Accrued Liability, net (a+b) = (c)	Market Value of Assets (MVA) (d)	Unfunded Obligation (c-d)	Funded Ratio
June 30, 2011	24,831,715	(1,203,412)	23,628,303	19,334,935	4,293,368	81.83%
June 30, 2012	26,605,702	(1,167,310)	25,438,392	19,632,558	5,805,834	77.18%
June 30, 2013	-	-	-	-	-	0.00%

* CalPERS has not provided the information for these periods as of the date of the audit report.

(2) Other Post-Employment Benefits Payable

Required Supplemental Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2010	\$ -	16,234,820	16,234,820	0.00%	\$ 6,547,188	247.97%
12/31/2008	\$ -	4,497,022	4,497,022	0.00%	\$ 6,311,893	71.25%

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in 2014 based on the year ending December 31, 2013.

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Report on Internal Controls and Compliance



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

Board of Directors
Palmdale Water District
Palmdale, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Palmdale Water District (District), which comprise the statement of net position as of December 31, 2013, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles Z. Fedak & Company CPAs - An Accountancy Corporation

Charles Z. Fedak & Company, CPA's – An Accountancy Corporation
Cypress, California
March 31, 2014

Palmdale Water District

Management Report

December 31, 2013



Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

Palmdale Water District

Management Report

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Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA
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Board of Directors
Palmdale Water District
Palmdale, California

Dear Members of the Board:

We have audited the basic financial statements of the Palmdale Water District (District) as of and for the year ending December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and may not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the finance committee, the board of directors and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Our other observations, comments and recommendations, all of which have been discussed with the appropriate members of management, are summarized as follows:

Summary of Current and Prior Year Comments and Recommendations

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the start of the audit. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have noted here that there are no audit adjustments this year: however, certain reclassification adjustments were needed for financial reporting purposes. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance, if necessary.

* * * * *

This communication is intended solely for the information and use of management, the finance committee, the board of directors and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

Charles Z. Fedak: Company CPAs - An Accountancy Corporation

Charles Z. Fedak and Company, CPA's – An Accountancy Corporation
Cypress, California
March 31, 2014

APPENDIX

Palmdale Water District

Finance Committee Letter

December 31, 2013



Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA
Christopher J. Brown, CPA

Charles Z. Fedak & Company

Certified Public Accountants
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Board of Directors
Palmdale Water District
Palmdale, California

We have audited the basic financial statements of the Palmdale Water District (District) for the year ended December 31, 2013 and have issued our report thereon dated March 31, 2014. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the District's basic financial statements.

Auditor's Responsibility under United States Generally Accepted Auditing Standards

As stated in our Audit Engagement Letter dated February 3, 2014, our responsibility, as described by professional standards, is to express opinions about whether the basic financial statements prepared by management with oversight of the Governing Board are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve the Governing Board or management of its responsibilities of oversight in the District's external financial reporting process or any other processes.

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

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

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing requirements as noted in our Audit Planning Letter dated March 3, 2014.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the basic financial statements.

We noted no transactions entered into by the District during year 2013 for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Management's Judgments, Accounting Estimates and Financial Disclosures

Accounting estimates play an integral part in the preparation of basic financial statements by management and are based upon management's knowledge, experience and current judgment(s) about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the position in the basic financial statements is (are):

Management's estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for delinquent/doubtful accounts is based on historical write-offs of past due delinquent/doubtful customer accounts, customer creditworthiness, and calculated assumptions of expected future write-offs. We evaluated the key factors and assumptions used to develop the allowance for delinquent/doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the property tax receivable account is based on the District's expected property tax receipts from the County of Los Angeles' Treasurer-Tax Collector's Office during the period of January 1, 2013 through December 31, 2013. We evaluated the key factors and assumptions used to develop the property tax receivable account balance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the State Water Project – participation rights account is based on the District's continued annual capital payment participation in the State of California Department of Water Resources State Water Project for capital upgrades to the State Water Project system. The District amortizes the capitalized portion of the participation rights each year using a formula that considers the total estimated cost of the project, estimated useful life and estimated production capacity of the assets based upon information provided by the State of California Department of Water Resources. We evaluated the key factors and assumptions used to develop the State Water Project – participation rights balance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the other post-employment benefits payable is based on an actuarial evaluation of this liability that was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate the annual required contribution for the District to determine that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the basic financial statements are neutral, consistent and clear. Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the basic financial statements is (are):

The disclosure of fair value of cash and investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of the District's allowance for delinquent/doubtful accounts in Note 3 to the basic financial statements represents amounts susceptible to external factors the District has no control over, such as, the state of the economy in the District's service area.

The disclosure of the District's expected accounts receivable – property tax represents amounts susceptible to external factors the District has no control over, such as, the state of the economy in the District's service area, the assessment of the property by the County of Los Angeles' Assessor's Office and the collection of the property tax receipts by the County of Los Angeles' Treasurer-Tax Collector's Office.

The disclosure of the District's State Water Project – participation rights in Note 5 to the basic financial statements represents amounts susceptible to external factors the District has no control over, such as, legal and impairment issues the State Water Project is facing.

The disclosure of capital assets, net in Note 5 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the District's other post-employment benefits payable in Note 11 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

Corrected and Uncorrected Misstatements

Generally Accepted Auditing Standards require us to accumulate all known and likely misstatements identified during the audit, except those that are considered trivial, and communicate them to the appropriate level of management as follows:

There were three (3) audit adjustment/reclassification entries, made to the original trial balance presented to us to begin our audit. The overall net effect of the adjustments was to increase the net assets of the District by approximately \$7,868. Management has corrected these misstatements in the basic financial statements and in the District's financial accounting records. Please see the entries attached at the end of this report.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principal to the District's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require us the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit processes and testwork.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit of the District.

Management Representations

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated March 31, 2014.

Conclusion

We appreciate the cooperation extended us by Dennis LaMoreaux, General Manager, Michael A. Williams, Finance Manager, Robert Egan, Financial Consultant, and Dennis Hoffmeyer, Senior Accountant, in the performance of our audit testwork.

We will be pleased to respond to any question you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified, parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

A handwritten signature in dark ink that reads "Charles Z. Fedak: Company CPAs - An Accountancy Corporation". The signature is written in a cursive, slightly slanted style.

Charles Z. Fedak and Company, CPA's – An Accountancy Corporation
Cypress, California
March 31, 2014

Palmdale Water District					
Schedule of Audit Adjusting Journal Entries					
December 31, 2013					
Account	Description		Debit		Credit
Adjusting Journal Entries JE # 1					
Reclass COP Discount					
1-00-2480-000	2013A Bonds - Discount	\$	127,947.30		
1-00-2470-000	2013A Bonds - Premium				127,947.30
Total			127,947.30		127,947.30
Adjusting Journal Entries JE # 2					
To capitalize interest					
5-00-1200-000	Asset Rpl Fund-Work in Process		7,867.74		
1-00-5030-000	Interest Long Term Debt				7,867.74
Total			7,867.74		7,867.74
Adjusting Journal Entries JE # 3					
Reclass Interest to Amortization					
1-00-5031-000	Deferred Charge Amort. Expense		71,354.00		
1-00-5030-000	Interest Long Term Debt				71,354.00
Total		\$	71,354.00		71,354.00

**PALMDALE
WATER DISTRICT
BOARD MEMORANDUM**

DATE:	April 2, 2014	April 7, 2014
TO:	FINANCE COMMITTEE	Committee Meeting
FROM:	Mr. Bob Egan, Financial Advisor	
RE:	<i>AGENDA ITEM NO. 4.3 – DISCUSSION AND OVERVIEW OF CASH FLOW STATEMENT AND CURRENT CASH BALANCES AS OF FEBRUARY 28, 2014</i>	

Attached is the Investment Funds Report and current cash balance as of February 28, 2014. The reports will be reviewed in detail at the Finance Committee meeting.

PALMDALE WATER DISTRICT
INVESTMENT FUNDS REPORT

			February 28, 2014			February-14	January-14
	DESCR						
CASH							
0-0103	Citizens/US Bank - Checking					715,576.80	458,642.37
0-0104	Citizens- Merchant					152,187.40	139,762.21
					Bank cash	867,764.20	598,404.58
0-0119	PETTY CASH					300.00	300.00
0-0120	CASH ON HAND					3,400.00	3,400.00
	TOTAL CASH					871,464.20	602,104.58
INVESTMENTS							
0-0110	UBS ACCOUNT SS 11469 GG						
	UBS RMA Government Portfolio					6,511,405.54	6,219,958.02
	UBS Bank USA Dep acct					250,000.00	250,000.00
						6,761,405.54	6,469,958.02
0-1110	UBS ACCOUNT SS 11475 GG						
	UBS Bank USA Dep acct					250,000.00	250,000.00
	UBS RMA Government Portfolio					210,301.68	200,400.97
						460,301.68	450,400.97
0-0115	LAIF					11,712.80	11,712.80
0-0111	UBS ACCOUNT SS 11432 GG						
	UBS Bank USA Dep acct					250,000.00	250,000.00
	UBS RMA Government Portfolio					77,575.92	77,565.15
	Accrued interest					10,398.85	7,243.11
US GOVERNMENT SECURITIES:							
	ISSUE DATE	ISSUER	EXPIR DATE	RATE	PAR	MARKET VALUE	MARKET VALUE
		FNMA	10/26/15	1.625	500,000	510,725.00	511,220.00
		FNMA	06/28/17	1.125	500,000	500,350.00	500,840.00
		FNMA	07/17/17	1.2	500,000	499,105.00	498,510.00
		FHLB	12/28/17	0.95	500,000	493,420.00	493,005.00
					2,000,000	2,003,600.00	2,003,575.00
CD'S							
	1	Bank of India	05/07/14	0.50	240,000	240,019.20	240,028.80
	2	Bank of Baroda	11/12/14	0.45	240,000	239,860.80	239,796.00
	3	GE Capital Bank	05/01/15	0.60	64,000	63,938.56	63,921.92
	4	Ally Bank	05/06/15	0.60	240,000	239,757.60	239,697.60
	5	Sallie Mae Bank	11/06/15	0.85	240,000	240,175.20	239,978.40
	6	Goldman Sachs Bk	11/07/16	1.00	240,000	239,200.80	238,982.40
	7	CIT Bank	11/06/17	1.60	240,000	240,127.20	239,872.80
	8	BMW Bank	11/15/18	2.00	240,000	239,779.20	239,402.40
					1,744,000	1,742,859	1,741,680
TOTAL MANAGED ACCOUNT						4,084,433.33	4,080,063.58
TOTAL INVESTMENTS						11,317,853.35	11,012,135.37
UBS ACCOUNT SS 24016						Rate Stabilization Fund	480,025.80
GRAND TOTAL CASH AND INVESTMENTS						12,669,343.35	12,094,245.95
	Summary:						
	Checking		871,464		Incr (Decr)	575,097.40	
	UBS MM		7,221,707				
	LAIF		11,713				
	UBS Investment		4,084,433				
	Rate Stab fund		480,026		BNY Mellon		
	Total		12,669,343		Construction	7,352,177.22	7,488,642.96

[illegible]

PALMDALE WATER DISTRICT BOARD MEMORANDUM

DATE: April 1, 2014 **April 7, 2014**
TO: Finance Committee **Committee Meeting**
FROM: Michael Williams, Finance Manager/CFO
VIA: Mr. Dennis LaMoreaux, General Manager
RE: ***AGENDA ITEM 4.4 – DISCUSSION AND OVERVIEW OF FINANCIAL STATEMENTS, REVENUE AND EXPENSE AND DEPARTMENTAL BUDGET REPORTS FOR FEBRUARY 28, 2014***

Discussion:

Presented here are Balance Sheet and Profit/Loss Statement for the period ending February 28, 2014. 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 February, 2014.

This is the second month of the District's Budget Year 2014. The target percentage is 16.6%. Revenues ideally are at or above, and expenditures ideally are below.

Balance Sheet:

- Page 1 is our balance sheet on February 28, 2014.
- The significant change is the recognition of 2013A Bond-Cost of Issuance as an expense. The change results from implementation of new accounting pronouncements, specifically Governmental Accounting Standards Board (GASB) Statement 65.

Profit/Loss Statement:

- Page 3 is our profit/loss statement on February 28, 2014.
- Operating revenue is at 13.4% of budget. The percentages are usually lower than target this time of year.
- Cash operating expense is at 15.4% of budget. This is below the target 16.6%.
- There are a few departments over the target 16.6%, and the reasons were covered last month. No changes in status this month.

Year-To-Year Comparison P&L:

- Page 7 is our comparison of February, 2013 to February, 2014.
- Total operating revenue is up \$32K, or 2%.
- Operating expenditures are up by \$114K, or 9%.
- Page 8 is a graphic presentation of the water consumption comparison. Units billed in acre feet were up by 99, or 10.8%. Total revenue per unit sold is down \$0.32, or 7.89%, and total revenue per connection is up \$1.81, or 3%.

Revenue Analysis Year-To-Date:

- Page 9 is our comparison of revenue, year-to-date.
- Operating revenue through February, 2014 is about even compared to 2013; it's up about 1%.
- Retail water sales are up by \$63K from last year. This is reflective of the additional 99 af sold over last year.
- Revenue for February, 2014 is at 13.4% of budget; last year we were at 14.2% of budget, but our revenue budget number is higher this year by \$1.3MM.

Expense Analysis Year-To-Date:

- Page 11 is our comparison of expense, year-to-date.
- Cash Operating Expenses through February, 2014 are up by \$1.2MM, or 32%, compared to 2013 due to early budget year departmental expenses and the Wood settlement payment.
- Total Expenses are up \$1MM, or 23.5%, for the same reasons.

Departments:

- Pages 14 through 22 are detailed budgets of each department. As stated earlier, a few departments are over the target percentage, but they have been discussed and there are no further status changes.

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.

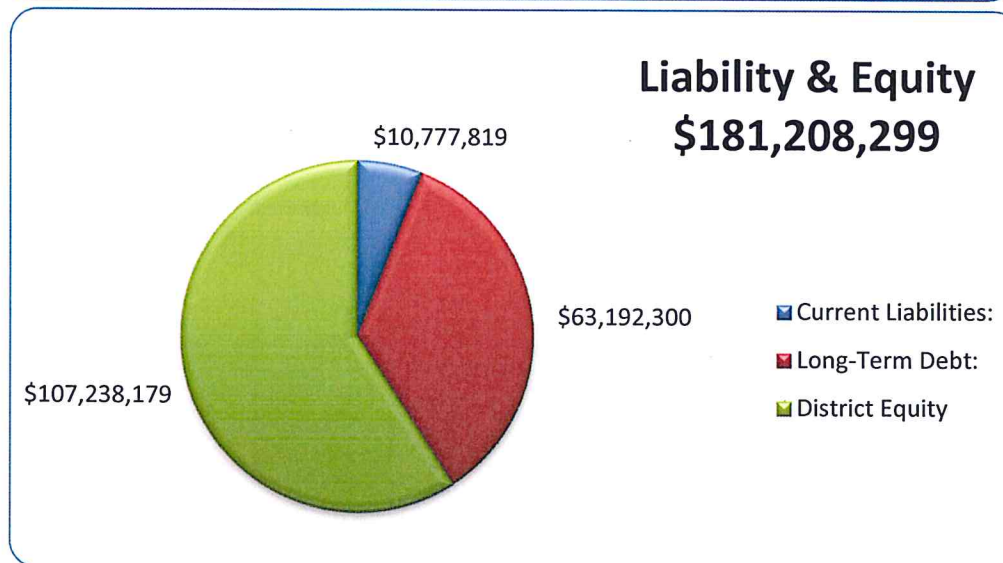
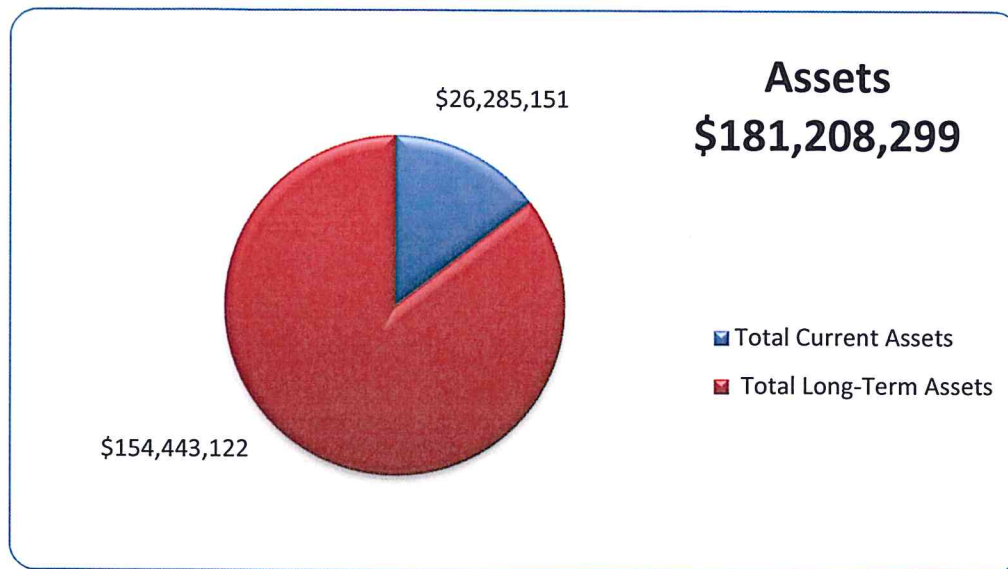
Service Cost Construction: The value of material, parts & supplies from inventory used to construct, repair and maintain our asset infrastructure.

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

Palmdale Water District
Balance Sheet Report
For the Two Months Ending 2/28/2014

	<u>February 2014</u>	<u>January 2014</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 871,464	\$ 602,105
Investments	11,310,502	11,012,135
2013A Bonds - Project Funds	7,352,177	7,488,643
	<u>\$ 19,534,144</u>	<u>\$ 19,102,883</u>
Receivables:		
Accounts Receivables - Water Sales	\$ 1,562,123	\$ 1,625,172
Accounts Receivables - Miscellaneous	43,980	57,460
Allowance for Uncollected Accounts	(226,399)	(257,023)
	<u>\$ 1,379,704</u>	<u>\$ 1,425,609</u>
Interest Receivable	\$ -	\$ -
Assessments Receivables	4,263,271	4,554,660
Meters, Materials and Supplies	881,871	751,076
Prepaid Expenses	226,161	298,920
Total Current Assets	\$ 26,285,151	\$ 26,133,147
Long-Term Assets:		
Property, Plant, and Equipment, net	\$ 115,101,814	\$ 115,342,829
Participation Rights in State Water Project, net	39,104,758	39,175,676
Bond Issuance Cost, Net	-	246,822
2013A Bonds - Cost of Issuance	-	1,159,832
2013A Bonds - Insurance & Surety Bond	236,550	237,217
	<u>\$ 154,443,122</u>	<u>\$ 156,162,375</u>
Restricted Cash:		
Rate Stabilization Fund	480,026	480,006
Total Long-Term Assets & Restricted Cash	\$ 154,923,148	\$ 156,642,381
Total Assets	\$ 181,208,299	\$ 182,775,529
LIABILITIES AND DISTRICT EQUITY		
Current Liabilities:		
Current Interest Installment of Long-term Debt	\$ 938,436	\$ 593,355
Current Principal Installment of Long-term Debt	1,642,972	1,942,205
Accounts Payable and Accrued Expenses	5,624,722	4,862,718
Deferred Assessments	2,571,690	2,863,079
Total Current Liabilities	\$ 10,777,819	\$ 10,261,357
Long-Term Debt:		
Pension-Related Debt	\$ 1,084,487	\$ 1,141,041
OPEB Liability	7,778,254	7,888,789
2013A Water Revenue Bonds	43,953,979	43,671,230
2012 - Certificates of Participation	10,008,559	9,980,816
2011 - Capital Lease Payable	367,020	415,642
Total Long-Term Liabilities	\$ 63,192,300	\$ 63,097,518
Total Liabilities	\$ 73,970,119	\$ 73,358,875
District Equity		
Revenue from Operations	\$ (1,433,990)	\$ (698,219)
Retained Earnings	108,672,169	110,114,873
Total Liabilities and District Equity	\$ 181,208,299	\$ 182,775,529

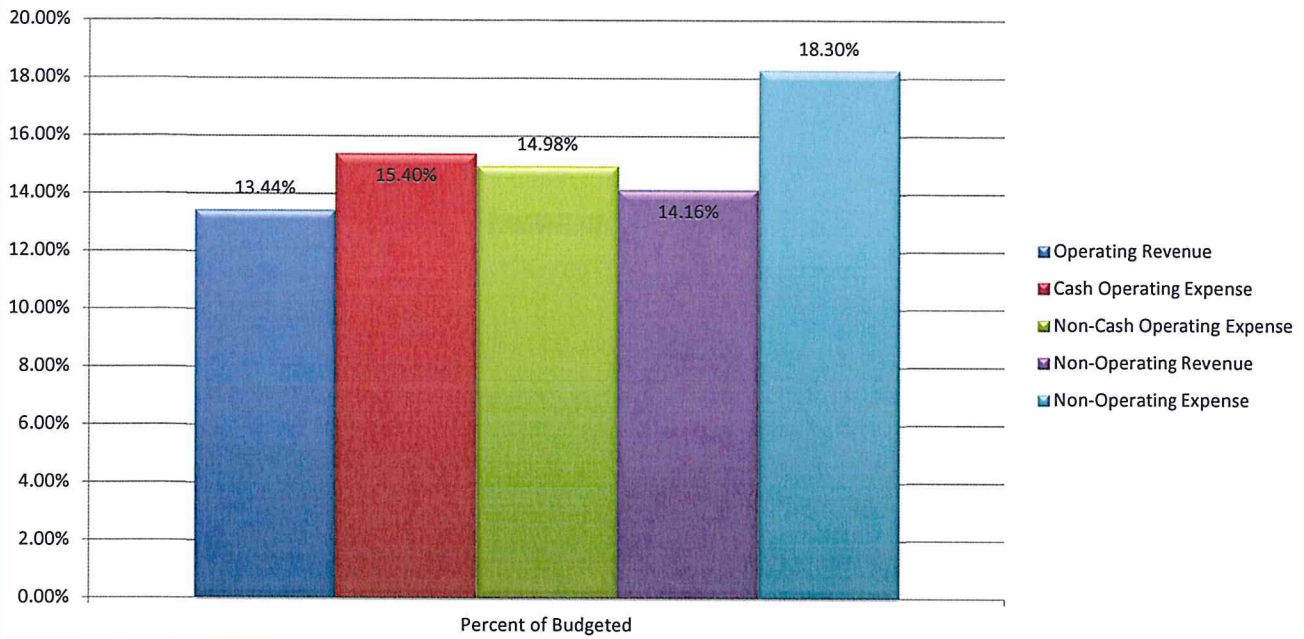
BALANCE SHEET AS OF FEBRUARY 28, 2014



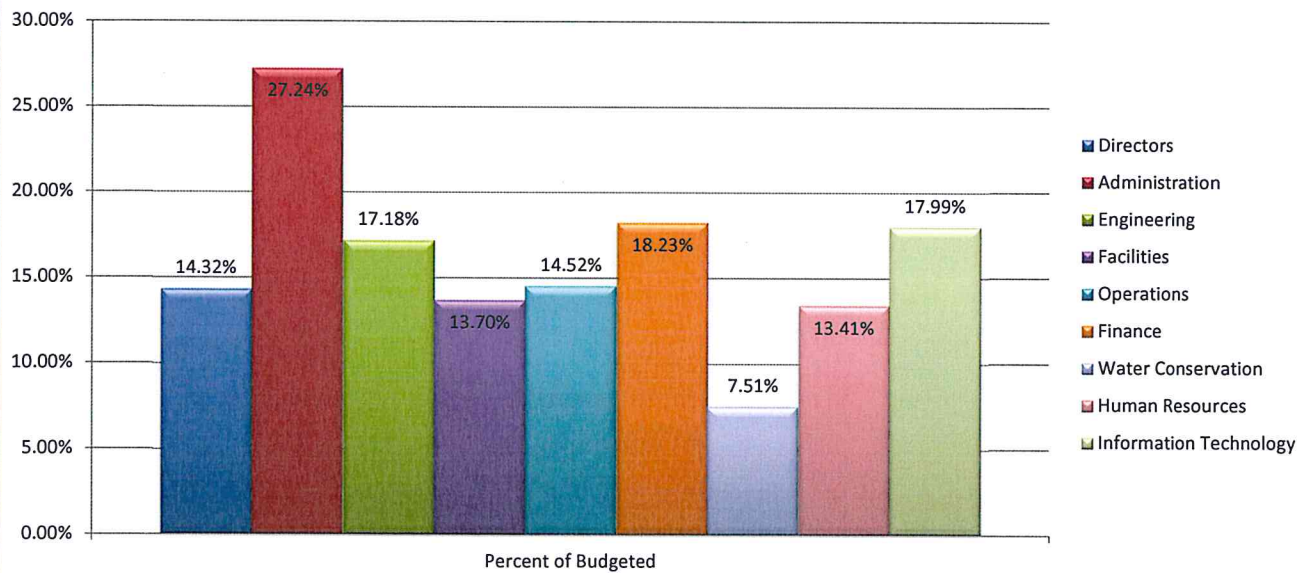
Palmdale Water District
Consolidated Profit and Loss Statement
For the Two Months Ending 2/28/2014

	Thru January	February	Year-to-Date	Adjustments	Adjusted Budget	% of Budget
Operating Revenue:						
Wholesale Water	\$ 23	\$ 3,007	\$ 3,031		\$ 225,000	1.35%
Water Sales	478,202	486,786	964,988		9,053,000	10.66%
Meter Fees	926,190	924,427	1,850,617		11,255,000	16.44%
Water Quality Fees	84,806	88,395	173,200		1,638,000	10.57%
Elevation Fees	24,357	25,046	49,403		525,000	9.41%
Other	136,378	102,165	238,543		1,700,000	14.03%
Total Water Sales	\$ 1,649,955	\$ 1,629,827	\$ 3,279,782	\$ -	\$ 24,396,000	13.44%
Cash Operating Expenses:						
Directors	\$ 3,671	\$ 12,720	\$ 16,391		\$ 114,500	14.32%
Administration	771,227	179,544	950,771		3,490,000	27.24%
Engineering	117,353	68,190	185,543		1,079,800	17.18%
Facilities	247,869	219,145	467,014		3,408,500	13.70%
Operations	414,857	377,222	792,080		5,453,500	14.52%
Finance	314,749	226,515	541,264		2,968,750	18.23%
Water Conservation	12,394	7,886	20,279		270,000	7.51%
Human Resources	12,777	16,102	28,878		215,300	13.41%
Information Technology	81,063	68,033	149,096		828,600	17.99%
Water Purchases	351,518	33,624	385,142		2,400,000	16.05%
Water Purchases-Prior Year OAP	-	-	-		250,000	0.00%
Water Recovery	(8,888)	-	(8,888)		(100,000)	8.89%
Capitalized Expenditures	26,624	167,665	194,289		2,143,500	9.06%
GAC Filter Media Replacement	-	-	-		1,638,000	0.00%
Total Cash Operating Expenses	\$ 2,345,214	\$ 1,376,646	\$ 3,721,859	\$ -	\$ 24,160,450	15.40%
Non-Cash Operating Expenses:						
Depreciation	\$ 553,924	\$ 553,478	\$ 1,107,401		\$ 7,350,000	15.07%
OPEB Accrual Expense	166,875	166,875	333,750		2,000,000	16.69%
Bad Debts	7,207	61	7,268		100,000	7.27%
Service Costs Construction	4,510	475	4,985		125,000	3.99%
Capitalized Construction	(88,053)	(80,941)	(168,994)		(1,000,000)	16.90%
Total Non-Cash Operating Expenses	\$ 644,463	\$ 639,947	\$ 1,284,410	\$ -	\$ 8,575,000	14.98%
Net Operating Profit/(Loss)	\$ (1,339,721)	\$ (386,767)	\$ (1,726,488)	\$ -	\$ (8,339,450)	20.70%
Non-Operating Revenues:						
Assessments (Debt Service)	\$ 480,736	\$ 191,605	\$ 672,341		\$ 4,400,000	15.28%
Assessments (1%)	156,185	99,784	255,970		1,800,000	14.22%
DWR Fixed Charge Recovery	-	-	-		100,000	0.00%
Interest	14,335	4,654	18,989		25,000	75.96%
Capital Improvement Fees	-	2,538	2,538		150,000	1.69%
State Grants	-	-	-		485,000	0.00%
Other	10,079	52,154	62,234		185,000	33.64%
Total Non-Operating Revenues	\$ 661,335	\$ 350,736	\$ 1,012,071	\$ -	\$ 7,145,000	14.16%
Non-Operating Expenses:						
Interest on Long-Term Debt	\$ 194,845	\$ 196,650	\$ 391,495		\$ 2,111,000	18.55%
Amortization of SWP	159,510	159,510	319,020		1,679,000	19.00%
Water Conservation Programs	3,388	5,671	9,059		143,000	6.33%
Total Non-Operating Expenses	\$ 357,743	\$ 361,830	\$ 719,574	\$ -	\$ 3,933,000	18.30%
Net Earnings	\$ (1,036,130)	\$ (397,861)	\$ (1,433,990)	\$ -	\$ (5,127,450)	27.97%

P & L BUDGET vs. ACTUAL



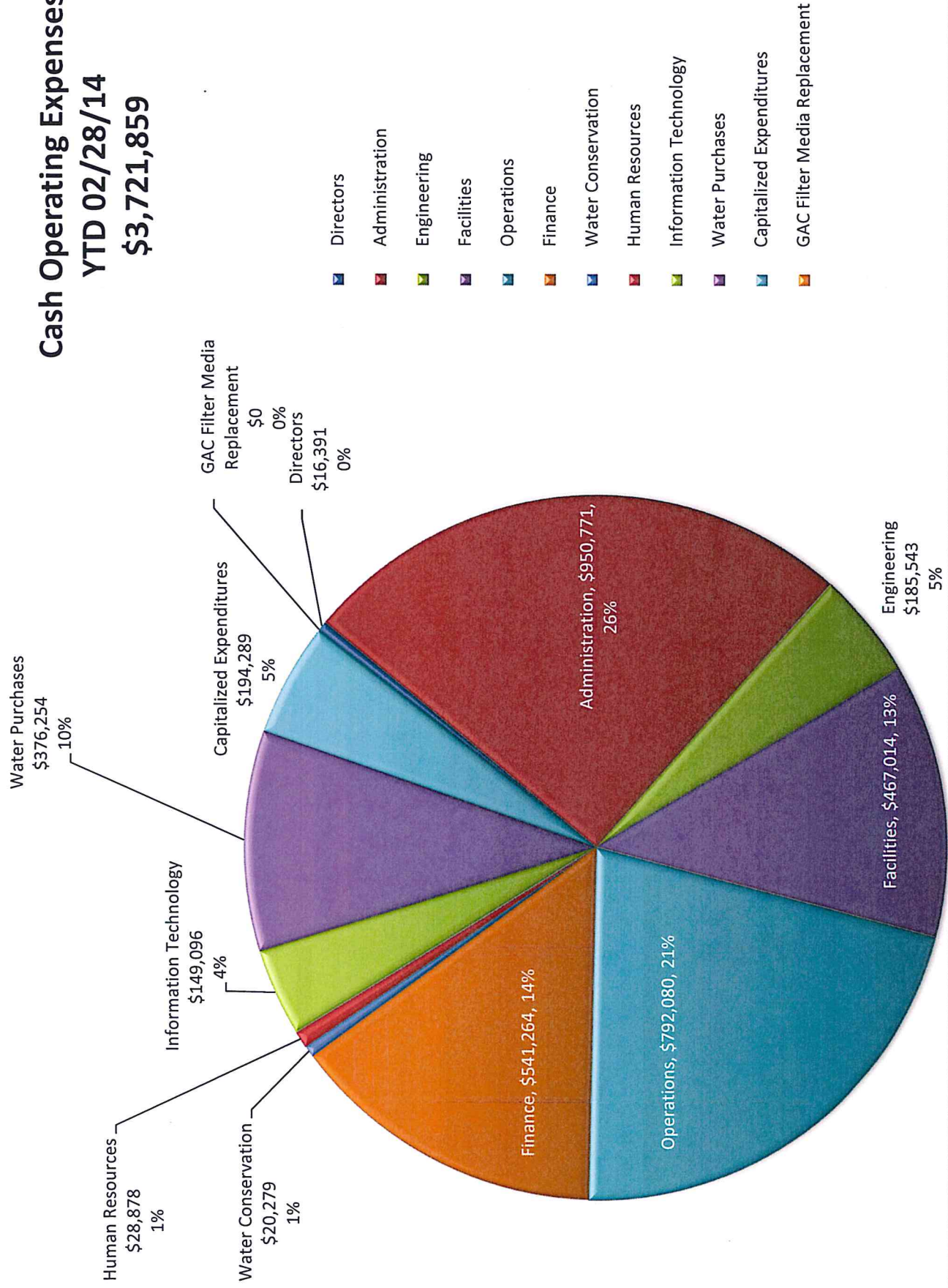
DEPARTMENTAL - BUDGET vs. ACTUAL



Cash Operating Expenses

YTD 02/28/14

\$3,721,859



Personnel to Operations Exp

YTD 02/28/14

\$3,721,859

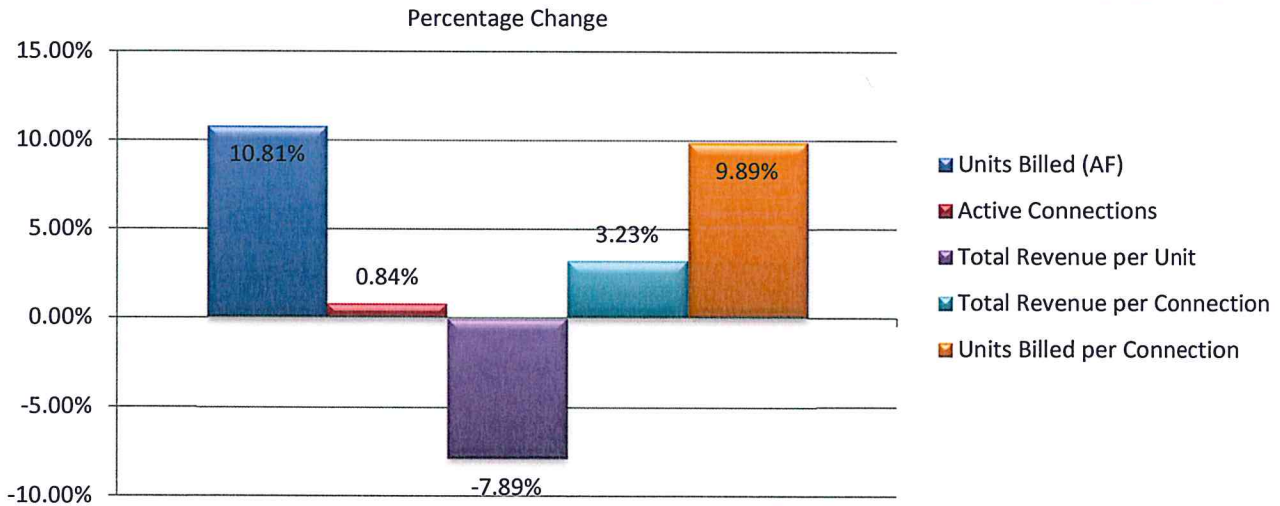
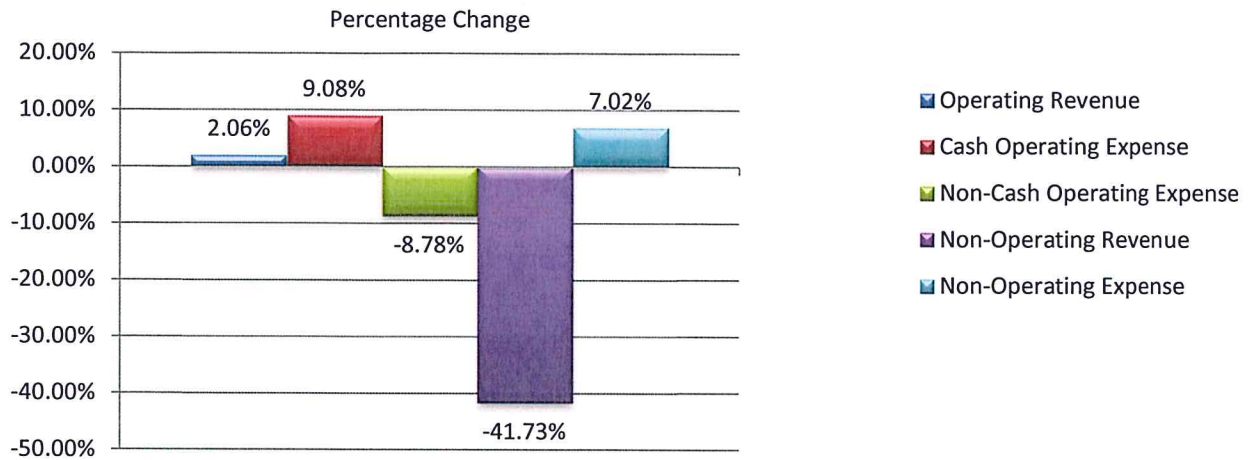


Palmdale Water District
Profit and Loss Statement
Year-To-Year Comparison - February

	2013 February	2014 February	Change	% Change		Consumption Comparison		
					Units Billed	2013	2014	
Operating Revenue:						399,998	443,219	
Wholesale Water	\$ 3,680	\$ 3,007	\$ (673)	-18.29%	Active	26,194	26,413	
Water Sales	436,819	486,786	49,967	11.44%	Vacant	1,148	943	
Meter Fees	923,181	924,427	1,246	0.14%				
Water Quality Fees	80,000	88,395	8,395	10.49%				
Elevation Fees	23,886	25,046	1,161	4.86%	Rev/unit	\$ 3.99	\$ 3.68	
Other	129,383	102,165	(27,218)	-21.04%	Rev/con	\$ 56.03	\$ 57.84	
Total Water Sales	\$ 1,596,949	\$ 1,629,827	\$ 32,878	2.06%	Unit/con	15.27	16.78	
Cash Operating Expenses:								
Directors	\$ 7,055	\$ 12,720	\$ 5,665	80.29%				
Administration	137,764	179,544	41,780	30.33%				
Engineering	90,777	68,190	(22,587)	-24.88%				
Facilities	253,372	219,145	(34,226)	-13.51%				
Operations	282,868	377,222	94,354	33.36%				
Finance	190,945	226,515	35,570	18.63%				
Water Conservation	17,151	7,886	(9,265)	-54.02%				
Human Resources	8,265	16,102	7,837	94.83%				
Information Technology	50,157	68,033	17,876	35.64%				
Water Purchases	43,481	33,624	(9,857)	-22.67%				
Water Purchases-Prior Year OAP	-	-	-					
Water Recovery	-	-	-					
Capitalized Expenditures	180,263	167,665	(12,598)	-6.99%				
GAC Filter Media Replacement	-	-	-					
Total Cash Operating Expenses	\$ 1,262,097	\$ 1,376,646	\$ 114,549	9.08%				
Non-Cash Operating Expenses:								
Depreciation	\$ 590,620	\$ 553,478	\$ (37,143)	-6.29%				
OPEB Accrual Expense	165,223	166,875	1,652	1.00%				
Bad Debts	270	61	(209)	-77.39%				
Service Costs Construction	4,742	475	(4,267)	-89.98%				
Capitalized Construction	(59,325)	(80,941)	(21,616)	36.44%				
Total Non-Cash Operating Expenses	\$ 701,530	\$ 639,947	\$ (61,583)	-8.78%				
Net Operating Profit/(Loss)	\$ (366,678)	\$ (386,767)	\$ (20,088)	5.48%				
Non-Operating Revenues:								
Assessments (Debt Service)	\$ 355,857	\$ 191,605	\$ (164,252)	-46.16%				
Assessments (1%)	144,143	99,784	(44,358)	-30.77%				
DWR Fixed Charge Recovery	-	-	-					
Interest	3,098	4,654	1,556	50.23%				
Capital Improvement Fees	44,176	2,538	(41,638)	-94.25%				
State Grants	-	-	-					
Other	54,653	52,154	(2,499)	-4.57%				
Total Non-Operating Revenues	\$ 601,928	\$ 350,736	\$ (251,191)	-41.73%				
Non-Operating Expenses:								
Interest on Long-Term Debt	\$ 183,466	\$ 196,650	\$ 13,184	7.19%				
Amortization of SWP	144,745	159,510	14,765	10.20%				
Water Conservation Programs	9,888	5,671	(4,218)	-42.65%				
Total Non-Operating Expenses	\$ 338,100	\$ 361,830	\$ 23,731	7.02%				
Net Earnings	\$ (102,851)	\$ (397,861)	\$ (295,010)	286.83%				

YEAR-TO-YEAR COMPARISON

February '13 -To - February '14



	2013	2014	Change	
Units Billed (AF)	918	1,017	99	10.81%
Active Connections	26,194	26,413	219	0.84%
Non-Active	1,148	943	-205	-17.86%
Total Revenue per Unit	\$3.99	\$3.68	-\$0.32	-7.89%
Total Revenue per Connection	\$56.03	\$57.84	\$1.81	3.23%
Units Billed per Connection	15.27	16.78	1.51	9.89%

Palmdale Water District

Revenue Analysis

For the Two Months Ending 2/28/2014
2014

2013 to 2014 Comparison

	Thru January	February	Year-to-Date	Adjusted Budget	% of Budget	Thru January	February	Year-to-Date	% Change
Operating Revenue:									
Wholesale Water	\$ 23	\$ 3,007	\$ 3,031	\$ 225,000	1.35%	\$ 23	(673)	(1,594)	-34.46%
Water Sales	478,202	486,786	964,988	9,053,000	10.66%	(11,024)	49,967	38,944	4.21%
Meter Fees	926,190	924,427	1,850,617	11,255,000	16.44%	9,537	1,246	10,783	0.59%
Water Quality Fees	84,806	88,395	173,200	1,638,000	10.57%	2,541	8,395	10,936	6.74%
Elevation Fees	24,357	25,046	49,403	525,000	9.41%	1,392	1,161	2,553	5.45%
Other	136,378	102,165	238,543	1,700,000	14.03%	(2,090)	(27,218)	(29,308)	-10.94%
Total Water Sales	\$ 1,649,955	\$ 1,629,827	\$ 3,279,782	\$ 24,396,000	13.44%	\$ 380	\$ 32,878	\$ 32,315	1.00%

Non-Operating Revenues:									
Assessments (Debt Service)	\$ 480,736	\$ 191,605	\$ 672,341	\$ 4,400,000	15.28%	\$ (95,334)	\$ (164,252)	\$ (259,587)	-27.85%
Assessments (1%)	\$ 156,185	99,784	255,970	1,800,000	14.22%	(77,156)	(44,358)	(121,515)	-32.19%
DWR Fixed Charge Recovery	-	-	-	100,000	0.00%	-	-	-	-
Interest	14,335	4,654	18,989	25,000	75.96%	19,651	1,556	21,207	-955.99%
Capital Improvement Fees	-	2,538	2,538	150,000	1.69%	-	(41,638)	(41,638)	-94.25%
State Grants	-	-	-	485,000	0.00%	-	-	-	-
Other	10,079	52,154	62,234	185,000	33.64%	(5,725)	(2,499)	(8,224)	-11.67%
Total Non-Operating Revenues	\$ 661,335	\$ 350,736	\$ 1,012,071	\$ 7,145,000	14.16%	\$ (158,564)	\$ (251,191)	\$ (409,756)	-28.82%
Total Revenue	\$ 2,311,290	\$ 1,980,563	\$ 4,291,853	\$ 31,541,000	13.61%	\$ (158,184)	\$ (218,313)	\$ (377,441)	-8.08%

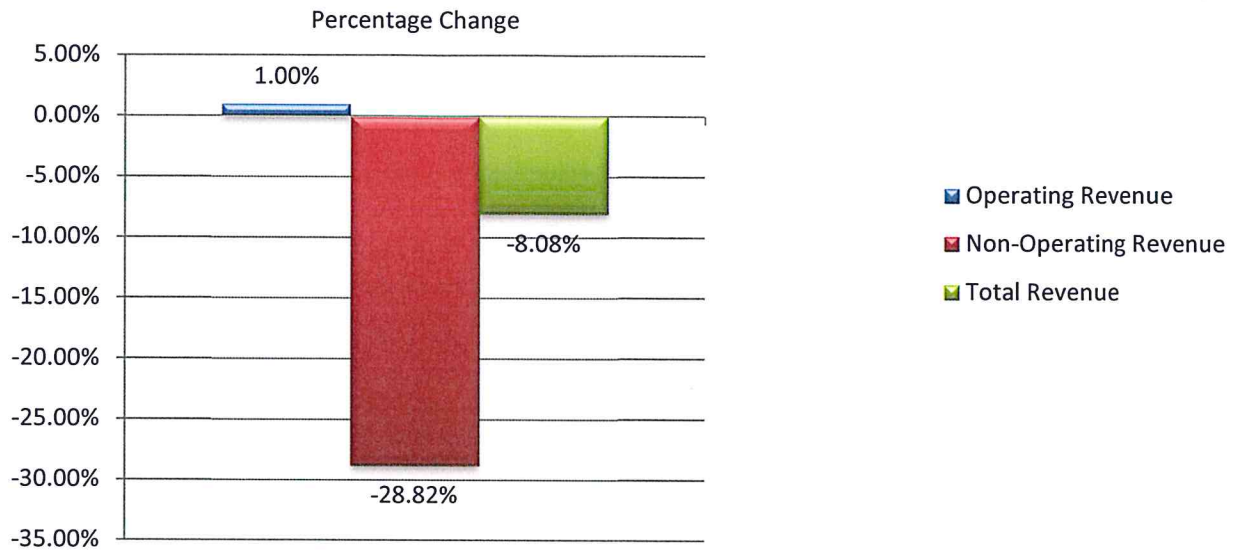
2013

	Thru January	February	Year-to-Date	Adjusted Budget	% of Budget
Operating Revenue:					
Wholesale Water	\$ 944	\$ 3,680	\$ 4,624	\$ 175,000	2.64%
Water Sales	489,226	436,819	926,044	8,198,000	11.30%
Meter Fees	916,653	923,181	1,839,834	11,232,000	16.38%
Water Quality Fees	82,265	80,000	162,264	1,638,000	9.91%
Elevation Fees	22,964	23,886	46,850	550,000	8.52%
Other	138,467	129,383	267,851	1,250,000	21.43%
Total Water Sales	\$ 1,649,575	\$ 1,596,949	\$ 3,247,467	\$ 22,868,000	14.20%

Non-Operating Revenues:					
Assessments (Debt Service)	\$ 576,070	\$ 355,857	\$ 931,927	\$ 4,300,000	21.67%
Assessments (1%)	\$ 233,342	144,143	377,484	1,877,484	20.11%
DWR Fixed Charge Recovery	-	-	-	100,000	-
Interest	(5,316)	3,098	(2,218)	25,000	-8.87%
Capital Improvement Fees	-	44,176	44,176	150,000	29.45%
State Grants	-	-	-	485,000	0.00%
Other	15,804	54,653	70,458	150,000	46.97%
Total Non-Operating Revenues	\$ 819,900	\$ 601,928	\$ 1,421,827	\$ 7,087,484	20.06%
Total Revenue	\$ 2,469,474	\$ 2,198,876	\$ 4,669,294	\$ 29,955,484	15.59%

REVENUE COMPARISON YEAR-TO-DATE

February '13-To-February '14



Palmdale Water District

Operating Expense Analysis

For the Two Months Ending 2/28/2014

2014

2013 to 2014 Comparison

	Thru January	February	Year-to-Date	Adjusted Budget	% of Budget	Thru January	February	Year-to-Date	% Change
Cash Operating Expenses:									
Directors	\$ 3,671	\$ 12,720	\$ 16,391	\$ 114,500	14.32%	\$ (5,740)	\$ 5,665	\$ (75)	-0.46%
Administration	771,227	179,544	950,771	3,490,000	27.24%	593,718	41,780	635,498	201.57%
Engineering	117,353	68,190	185,543	1,079,800	17.18%	20,907	(22,587)	(1,679)	-0.90%
Facilities	247,869	219,145	467,014	3,408,500	13.70%	29,250	(34,226)	(4,976)	-1.05%
Operations	414,857	377,222	792,080	5,453,500	14.52%	54,557	94,354	148,911	23.15%
Finance	314,749	226,515	541,264	2,968,750	18.23%	106,543	35,570	142,114	35.60%
Water Conservation	12,394	7,886	20,279	270,000	7.51%	(5,143)	(9,265)	(14,409)	-41.54%
Human Resources	12,777	16,102	28,878	215,300	13.41%	2,143	7,837	9,980	52.81%
Information Technology	81,063	68,033	149,096	828,600	17.99%	81,063	17,876	53,465	55.91%
Water Purchases	351,518	33,624	385,142	2,400,000	16.05%	194,795	(9,857)	184,938	92.37%
Water Purchases-Prior Year OAP	-	-	-	250,000	0.00%	-	-	-	-
Water Recovery	(8,888)	-	(8,888)	(100,000)	8.89%	57,937	-	57,937	-86.70%
Capitalized Expenditures	26,624	167,665	194,289	2,143,500	9.06%	(3,165)	(12,598)	(15,763)	-7.50%
GAC Filter Media Replacement	-	-	-	1,638,000	0.00%	-	-	-	-
Total Cash Operating Expenses	\$ 2,345,214	\$ 1,376,646	\$ 3,721,859	\$ 24,160,450	15.40%	\$ 1,126,866	\$ 114,549	\$ 1,195,941	32.13%
Non-Cash Operating Expenses:									
Depreciation	\$ 553,924	\$ 553,478	\$ 1,107,401	\$ 7,350,000	15.07%	\$ (38,149)	\$ (37,143)	\$ (75,291)	-6.37%
OPEB Accrual Expense	166,875	166,875	333,750	2,000,000	16.69%	1,652	1,652	3,305	1.00%
Bad Debts	7,207	61	7,268	100,000	7.27%	2,641	(209)	2,433	50.30%
Service Costs Construction	4,510	475	4,985	125,000	3.99%	(25,612)	(4,267)	(29,879)	-85.70%
Capitalized Construction	(88,053)	(80,941)	(168,994)	(1,000,000)	16.90%	(24,532)	(21,616)	(46,148)	37.57%
Total Non-Cash Operating Expenses	\$ 644,463	\$ 639,947	\$ 1,284,410	\$ 8,575,000	14.98%	\$ (83,998)	\$ (61,583)	\$ (145,581)	-11.33%
Non-Operating Expenses:									
Interest on Long-Term Debt	\$ 194,845	\$ 196,650	\$ 391,495	\$ 2,111,000	18.55%	\$ 6,436	\$ 13,184	\$ 19,620	5.28%
Amortization of SWP	159,510	159,510	319,020	1,679,000	19.00%	17,381	14,765	32,146	11.21%
Water Conservation Programs	3,388	5,671	9,059	143,000	6.33%	(5,302)	(4,218)	(9,520)	-1.41%
Total Non-Operating Expenses	\$ 357,743	\$ 361,830	\$ 719,574	\$ 3,933,000	18.30%	\$ 18,515	\$ 23,731	\$ 42,246	6.24%
Total Expenses	\$ 3,347,420	\$ 2,378,424	\$ 5,725,843	\$ 36,668,450	15.62%	\$ 1,061,383	\$ 76,697	\$ 1,092,606	23.58%

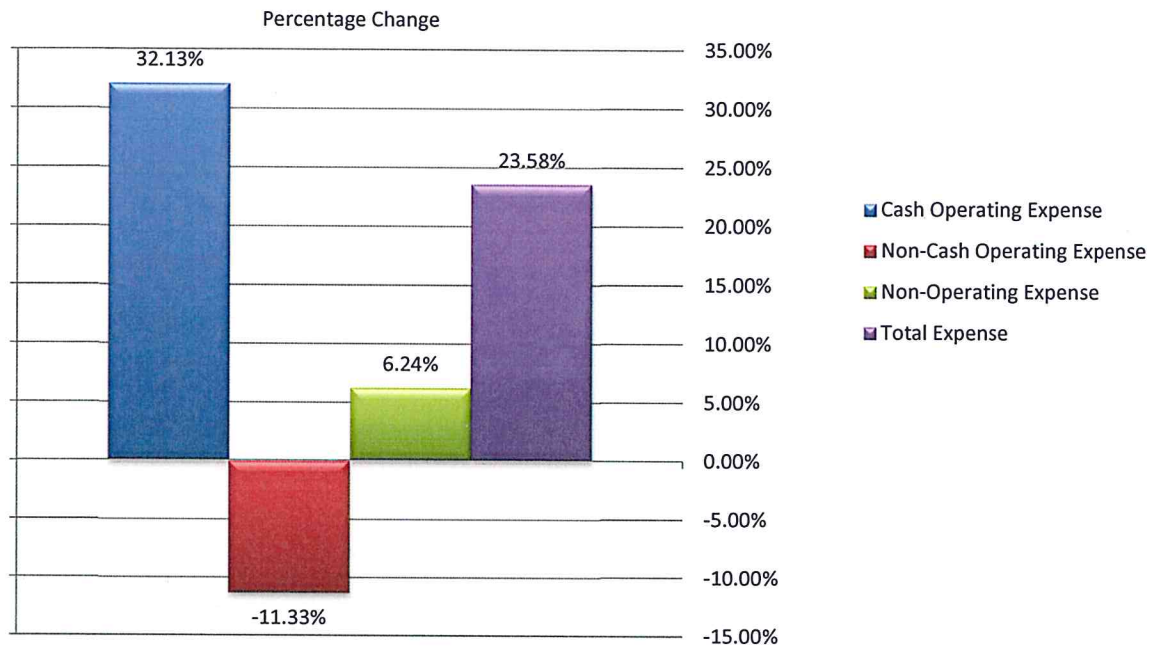
Palmdale Water District
Operating Expense Analysis
For the Two Months Ending 2/28/2014

2013 to 2014 Comparison

	Thru January	February	Year-to-Date	Adjusted Budget	% of Budget
Cash Operating Expenses:					
Directors	\$ 9,411	\$ 7,055	\$ 16,466	\$ 117,500	14.01%
Administration	177,509	137,764	315,273	2,602,000	12.12%
Engineering	96,446	90,777	187,222	1,215,750	15.40%
Facilities	218,619	253,372	471,990	3,298,500	14.31%
Operations	360,301	282,868	643,169	4,944,250	13.01%
Finance	208,205	190,945	399,151	2,789,000	14.31%
Water Conservation	17,537	17,151	34,688	239,750	14.47%
Human Resources	10,634	8,265	18,898	209,600	9.02%
Information Technology	45,474	50,157	95,631	728,000	13.14%
Water Purchases	156,723	43,481	200,204	2,600,000	7.70%
Water Purchases-Prior Year OAP	-	-	-	-	-
Water Recovery	(66,825)	-	(66,825)	(100,000)	66.83%
Capitalized Expenditures	29,789	180,263	210,052	836,500	25.11%
GAC Filter Media Replacement	-	-	-	1,638,000	0.00%
Total Cash Operating Expenses	\$ 1,263,822	\$ 1,262,097	\$ 2,525,919	\$ 21,118,850	11.96%
Non-Cash Operating Expenses:					
Depreciation	\$ 592,072	\$ 590,620	\$ 1,182,692	\$ 7,250,000	16.31%
OPEB Accrual Expense	165,223	165,223	330,445	2,000,000	16.52%
Bad Debts	4,566	270	4,836	100,000	4.84%
Service Costs Construction	30,122	4,742	34,864	125,000	27.89%
Capitalized Construction	(63,521)	(59,325)	(122,847)	(1,000,000)	12.28%
Total Non-Cash Operating Expenses	\$ 728,461	\$ 701,530	\$ 1,429,991	\$ 8,475,000	16.87%
Non-Operating Expenses:					
Interest on Long-Term Debt	\$ 188,409	\$ 183,466	\$ 371,876	\$ 2,111,000	17.62%
Amortization of SWP	142,129	144,745	286,874	1,679,000	17.09%
Water Conservation Programs	8,690	9,888	18,578	150,000	12.38%
Total Non-Operating Expenses	\$ 339,228	\$ 338,100	\$ 677,328	\$ 3,940,000	17.19%
Total Expenses	\$ 2,331,511	\$ 2,301,727	\$ 4,633,238	\$ 33,533,850	13.82%

EXPENSE COMPARISON YEAR-TO-DATE

February '13-To-February '14



Palmdale Water District
2014 Directors Budget
For the Two Months Ending Friday, February 28, 2014

	YTD ACTUAL 2014	ORIGINAL BUDGET 2014	ADJUSTMENTS 2014	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-01-4000-000 Directors Pay	\$ 8,250	\$ 45,000	\$ -	\$ 36,750	18.33%
Employee Benefits					
1-01-4005-000 Payroll Taxes	627	5,500		4,873	11.40%
1-01-4010-000 Health Insurance	4,357	54,000		49,643	8.07%
Subtotal (Benefits)	4,984	59,500	-	49,643	8.38%
Total Personnel Expenses	<u>\$ 13,234</u>	<u>\$ 104,500</u>	<u>\$ -</u>	<u>\$ 86,393</u>	<u>12.66%</u>
OPERATING EXPENSES:					
1-01-4050-000 Directors Travel, Seminars & Meetings	3,157	10,000		6,843	31.57%
Subtotal Operating Expenses	3,157	10,000	-	6,843	31.57%
Total O & M Expenses	<u>\$ 16,391</u>	<u>\$ 114,500</u>	<u>\$ -</u>	<u>\$ 93,236</u>	<u>14.32%</u>

Palmdale Water District
2014 Administration Budget
For the Two Months Ending Friday, February 28, 2014

YTD	ORIGINAL		ADJUSTED	
ACTUAL	BUDGET	ADJUSTMENTS	BUDGET	PERCENT
2014	2014	2014	REMAINING	USED

Personnel Budget:

1-02-4000-000 Salaries	\$ 102,575	\$ 656,000	\$ 553,425	15.64%
1-02-4000-100 Overtime	2,125	7,500	5,375	28.33%
1-02-4000-200 On-Call	7,624	60,000	52,376	12.71%
Subtotal (Salaries)	\$ 112,325	\$ 723,500	\$ 611,175	15.53%

Employee Benefits

1-02-4005-000 Payroll Taxes	9,363	41,500	32,137	22.56%
1-02-4010-000 Health Insurance	16,036	96,000	79,964	16.70%
1-02-4015-000 PERS	21,536	132,500	110,964	16.25%
1-02-4020-000 Worker's Compensation	-	125,000	125,000	0.00%
1-02-4025-000 Vacation Benefit Expense	36,454	35,000	(1,454)	104.15%
1-02-4030-000 Life Insurance	1,322	7,500	6,178	17.62%
Subtotal (Benefits)	\$ 84,710	\$ 437,500	\$ 352,790	19.36%
Total Personnel Expenses	\$ 197,035	\$ 1,161,000	\$ 963,965	16.97%

OPERATING EXPENSES:

1-02-4050-000 Staff Travel	\$ 1,578	\$ 8,000	\$ 6,422	19.72%
1-02-4050-100 General Manager Travel	1,019	5,000	3,981	20.37%
1-02-4060-000 Staff Conferences & Seminars	425	3,000	2,575	14.17%
1-02-4060-100 General Manager Conferences & Seminars	345	4,500	4,155	7.67%
1-02-4070-000 Employee Expense	7,233	40,000	32,767	18.08%
1-02-4080-000 Other Operating	408	20,000	19,592	2.04%
1-02-4110-000 Consultants	6,252	200,000	193,748	3.13%
1-02-4125-000 Insurance	-	300,000	300,000	0.00%
1-02-4130-000 Bank Charges	21,173	130,000	108,827	16.29%
1-02-4135-000 Groundwater Adjudication	77,457	400,000	322,543	19.36%
1-02-4135-000 Groundwater Adjudication - Woods Class	590,450	590,500	50	99.99%
1-02-4140-000 Legal Services	14,256	200,000	185,744	7.13%
1-02-4150-000 Accounting Services	9,370	25,000	15,630	37.48%
1-02-4155-000 Contracted Services	3,657	29,000	25,343	12.61%
1-02-4165-000 Memberships/Subscriptions	5,825	210,000	204,175	2.77%
1-02-4175-000 Permits	-	15,000	15,000	0.00%
1-02-4180-000 Postage	2,364	30,000	27,636	7.88%
1-02-4190-100 Public Relations - Publications	150	40,000	39,850	0.38%
1-02-4190-900 Public Relations - Other	-	1,000	1,000	0.00%
1-02-4200-000 Advertising	26	5,000	4,974	0.52%
1-02-4205-000 Office Supplies	4,772	18,000	13,228	26.51%
1-02-4215-200 Natural Gas - Office Building	1,079	5,000	3,921	21.57%
1-02-4220-200 Electricity - Office Building	5,898	50,000	44,102	11.80%
Subtotal Operating Expenses	\$ 753,737	\$ 2,329,000	\$ 1,575,263	32.36%
Total Departmental Expenses	\$ 950,771	\$ 3,490,000	\$ 2,539,229	27.24%

Palmdale Water District
2014 Engineering Budget
For the Two Months Ending Friday, February 28, 2014

	YTD ACTUAL 2014	ORIGINAL BUDGET 2014	ADJUSTMENTS 2014	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-03-4000-000 Salaries	\$ 89,314	\$ 668,500		\$ 579,186	13.36%
1-03-4000-100 Overtime	2,036	6,500		4,464	31.32%
Subtotal (Salaries)	\$ 91,350	\$ 675,000		\$ 583,650	13.53%
Employee Benefits					
1-03-4005-000 Payroll Taxes	8,915	51,500		42,585	17.31%
1-03-4010-000 Health Insurance	20,939	134,800		113,861	15.53%
1-03-4015-000 PERS	23,347	133,500		110,153	17.49%
Subtotal (Benefits)	\$ 53,201	\$ 319,800	\$ -	\$ 266,599	16.64%
Total Personnel Expenses	\$ 144,551	\$ 994,800	\$ -	\$ 850,249	14.53%
OPERATING EXPENSES:					
1-03-4050-000 Staff Travel	\$ 74	\$ 3,000		\$ 2,926	2.46%
1-03-4060-000 Staff Conferences & Seminars	-	2,500		2,500	0.00%
1-03-4155-000 Contracted Services	40,000	61,500		21,500	65.04%
1-03-4165-000 Memberships/Subscriptions	215	2,000		1,786	10.73%
1-03-4250-000 General Materials & Supplies	286	2,500		2,214	11.42%
1-03-8100-100 Computer Software - Maint. & Support	419	13,500		13,082	3.10%
Subtotal Operating Expenses	\$ 40,992	\$ 85,000	\$ -	\$ 44,008	48.23%
Total Departmental Expenses	\$ 185,543	\$ 1,079,800	\$ -	\$ 894,257	17.18%

Palmdale Water District
2014 Facilities Budget
For the Two Months Ending Friday, February 28, 2014

	YTD ACTUAL 2014	ORIGINAL BUDGET 2014	ADJUSTMENTS 2014	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-04-4000-000 Salaries	\$ 193,859	\$ 1,450,000		\$ 1,256,141	13.37%
1-04-4000-100 Overtime	9,432	36,500		27,068	25.84%
Subtotal (Salaries)	\$ 203,291	\$ 1,486,500		\$ 1,283,209	13.68%
Employee Benefits					
1-04-4005-000 Payroll Taxes	19,680	111,000		91,320	17.73%
1-04-4010-000 Health Insurance	50,036	374,500		324,464	13.36%
1-04-4015-000 PERS	45,341	278,000		232,659	16.31%
Subtotal (Benefits)	\$ 115,057	\$ 763,500	\$ -	\$ 648,443	15.07%
Total Personnel Expenses	\$ 318,349	\$ 2,250,000	\$ -	\$ 1,904,584	14.15%
OPERATING EXPENSES:					
1-04-4050-000 Staff Travel	\$ -	\$ 2,500		2,500	0.00%
1-04-4060-000 Staff Conferences & Seminars	-	3,000		3,000	0.00%
1-04-4155-000 Contracted Services	19,974	71,500		51,526	27.94%
1-04-4175-000 Permits-Dams	-	50,000		50,000	0.00%
1-04-4215-200 Natural Gas - Buildings	1,142	4,500		3,358	25.37%
1-04-4220-200 Electricity - Buildings	2,748	30,000		27,252	9.16%
1-04-4225-000 Maint. & Repair - Vehicles	2,580	45,000		42,420	5.73%
1-04-4230-100 Maint. & Rep. Office Building	325	18,000		17,675	
1-04-4235-110 Maint. & Rep. Equipment	967	7,500		6,533	12.90%
1-04-4235-400 Maint. & Rep. Operations - Wells	13,419	135,000		121,581	9.94%
1-04-4235-405 Maint. & Rep. Operations - Boosters	1,772	65,000		63,228	2.73%
1-04-4235-410 Maint. & Rep. Operations - Shop Bldgs	4,460	10,000		5,540	44.60%
1-04-4235-415 Maint. & Rep. Operations - Facilities	833	15,000		14,167	5.55%
1-04-4235-420 Maint. & Rep. Operations - Water Lines	44,141	275,000		230,859	16.05%
1-04-4235-425 Maint. & Rep. Operations - Littlerock Dam	-	15,000		15,000	0.00%
1-04-4235-430 Maint. & Rep. Operations - Palmdale Dam	-	15,000		15,000	0.00%
1-04-4235-435 Maint. & Rep. Operations - Palmdale Canal	-	3,000		3,000	0.00%
1-04-4235-455 Maint. & Rep. Operations - Heavy Equipment	4,828	35,000		30,172	13.79%
1-04-4235-460 Maint. & Rep. Operations - Storage Reservoirs	-	5,000		5,000	0.00%
1-04-6000-000 Waste Disposal	2,290	40,000		37,710	5.73%
1-04-6100-100 Fuel and Lube - Vehicle	23,744	130,000		106,256	18.26%
1-04-6100-200 Fuel and Lube - Machinery	4,870	43,000		38,130	11.33%
1-04-6200-000 Uniforms	3,498	21,000		17,502	16.66%
1-04-6300-100 Supplies - Misc.	6,001	47,500		41,499	12.63%
1-04-6300-800 Supplies - Construction Materials	6,629	45,000		38,371	14.73%
1-04-6400-000 Tools	2,380	12,000		9,620	19.83%
1-04-7000-100 Leases -Equipment	2,066	15,000		12,934	13.77%
Subtotal Operating Expenses	\$ 148,666	\$ 1,158,500	\$ -	\$ 1,009,834	12.83%
Total Departmental Expenses	\$ 467,014	\$ 3,408,500	\$ -	\$ 2,914,418	13.70%

Palmdale Water District
2014 Operation Budget
For the Two Months Ending Friday, February 28, 2014

	YTD ACTUAL 2014	ORIGINAL BUDGET 2014	ADJUSTMENTS 2014	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-05-4000-000 Salaries	\$ 259,120	\$ 1,734,000		\$ 1,474,880	14.94%
1-05-4000-100 Overtime	15,888	70,000		54,112	22.70%
Subtotal (Salaries)	\$ 275,008	\$ 1,804,000		\$ 1,528,992	15.24%
Employee Benefits					
1-05-4005-000 Payroll Taxes	26,022	131,000		104,978	19.86%
1-05-4010-000 Health Insurance	58,779	343,000		284,221	17.14%
1-05-4015-000 PERS	59,117	324,000		264,883	18.25%
Subtotal (Benefits)	\$ 143,917	\$ 798,000	\$ -	\$ 654,083	18.03%
Total Personnel Expenses	\$ 418,925	\$ 2,602,000	\$ -	\$ 2,128,963	16.10%
OPERATING EXPENSES:					
1-05-4050-000 Staff Travel	\$ 1,566	\$ 8,000		\$ 6,434	19.57%
1-05-4060-000 Staff Conferences & Seminars	-	9,500		9,500	0.00%
1-05-4120-100 Training - Lab Equipment	-	4,500		4,500	0.00%
1-05-4120-200 Training - SCADA Network	-	9,000		9,000	0.00%
1-05-4155-000 Contracted Services	13,910	109,250		95,340	12.73%
1-05-4175-000 Permits	-	45,000		45,000	0.00%
1-05-4215-100 Natural Gas - Wells & Boosters	22,083	236,000		213,917	9.36%
1-05-4215-200 Natural Gas - WTP	575	3,000		2,425	19.16%
1-05-4220-100 Electricity - Wells & Boosters	227,634	1,515,000		1,287,366	15.03%
1-05-4220-200 Electricity - WTP	20,546	125,000		104,454	16.44%
1-05-4230-110 Maint. & Rep. - Office Equipment	-	500		500	0.00%
1-05-4235-110 Maint. & Rep. Operations - Equipment	2,490	22,500		20,010	11.07%
1-05-4235-410 Maint. & Rep. Operations - Shop Bldgs	637	6,000		5,363	10.61%
1-05-4235-415 Maint. & Rep. Operations - Facilities	5,622	45,000		39,378	12.49%
1-05-4235-445 Maint. & Rep. Operations - Telemetry	-	2,250		2,250	0.00%
1-05-4235-450 Maint. & Rep. Operations - Hypo Generator	12,508	30,000		17,492	41.69%
1-05-4235-500 Maint. & Rep. Operations - Wind Turbine	-	6,000		6,000	0.00%
1-05-4236-000 Palmdale Lake Management	412	15,000		14,588	2.75%
1-05-4270-300 Telecommunication - Other	498	2,750		2,252	18.12%
1-05-4300-300 Testing - Edison	-	9,000		9,000	0.00%
1-05-6000-000 Waste Disposal	586	14,000		13,414	4.19%
1-05-6200-000 Uniforms	2,298	12,000		9,702	19.15%
1-05-6300-100 Supplies - Misc.	10,009	15,000		4,991	66.73%
1-05-6300-200 Supplies - Hypo Generator	1,660	6,750		5,090	24.60%
1-05-6300-300 Supplies - Electrical	-	3,500		3,500	0.00%
1-05-6300-400 Supplies - Telemetry	-	7,500		7,500	0.00%
1-05-6300-600 Supplies - Lab	12,860	35,000		22,140	36.74%
1-05-6300-700 Outside Lab Work	5,405	60,000		54,595	9.01%
1-05-6400-000 Tools	2,409	6,500		4,091	37.07%
1-05-6500-000 Chemicals	28,485	485,000		456,515	5.87%
1-05-7000-100 Leases -Equipment	961	3,000		2,039	32.05%
Subtotal Operating Expenses	\$ 373,155	\$ 2,851,500	\$ -	\$ 2,478,345	13.09%
Total Departmental Expenses	\$ 792,080	\$ 5,453,500	\$ -	\$ 4,607,308	14.52%

Palmdale Water District
2014 Finance Budget
For the Two Months Ending Friday, February 28, 2014

YTD ACTUAL 2014	ORIGINAL BUDGET 2014	ADJUSTMENTS 2014	ADJUSTED BUDGET REMAINING	PERCENT USED
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Personnel Budget:

1-06-4000-000 Salaries	\$ 239,636	\$ 1,645,000	\$ 1,405,364	14.57%
1-06-4000-100 Overtime	4,921	19,000	14,079	25.90%
Subtotal (Salaries)	\$ 244,557	\$ 1,664,000	\$ -	14.70%

Employee Benefits

1-06-4005-000 Payroll Taxes	23,320	123,000	99,680	7.36%
1-06-4010-000 Health Insurance	56,521	317,000	260,479	17.08%
1-06-4015-000 PERS	56,645	331,000	274,355	7.35%
Subtotal (Benefits)	\$ 136,485	\$ 771,000	\$ -	17.70%
Total Personnel Expenses	\$ 381,043	\$ 2,435,000	\$ -	15.65%

OPERATING EXPENSES:

1-06-4050-000 Staff Travel	\$ -	\$ 250	250	0.00%
1-06-4060-000 Staff Conferences & Seminars	69	1,000	931	6.90%
1-06-4155-300 Contracted Services	2,691	21,000	18,309	12.82%
1-06-4155-100 Contracted Services - Infosend	31,291	205,000	173,709	15.26%
1-06-4165-000 Memberships/Subscriptions	220	500	280	44.00%
1-06-4230-110 Maintenance & Repair - Office Equipment	-	1,000	1,000	0.00%
1-06-4235-440 Maint. & Rep. Operations - Large Meters	2,852	10,000	7,149	28.52%
1-06-4235-470 Maint. & Rep. Operations - Meter Exchanges	108,761	225,000	116,239	48.34%
1-06-4250-000 General Material & Supplies	1,815	6,000	4,185	30.25%
1-06-4260-000 Business Forms	3,007	10,000	6,993	30.07%
1-06-4270-100 Telecommunication - Office	2,222	12,000	9,778	18.52%
1-06-4270-200 Telecommunication - Cellular Stipend	2,435	17,000	14,565	14.32%
1-06-4270-300 Telecommunication - Cellular	-	500	500	0.00%
1-06-4300-200 Testing - Large Meter Testing	4,260	21,500	17,240	19.81%
1-06-7000-100 Leases - Equipment	598	3,000	2,402	19.94%
Subtotal Operating Expenses	\$ 160,222	\$ 533,750	\$ -	30.02%
Total Departmental Expenses	\$ 541,264	\$ 2,968,750	\$ -	18.23%

Palmdale Water District
2014 Water Conservation Budget
For the Two Months Ending Friday, February 28, 2014

	YTD ACTUAL 2014	ORIGINAL BUDGET 2014	ADJUSTMENTS 2014	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-07-4000-000 Salaries	\$ 11,566	\$ 168,500		\$ 156,934	6.86%
1-07-4000-100 Overtime	384	1,000		616	38.39%
Subtotal (Salaries)	\$ 11,950	\$ 169,500		\$ 157,550	7.05%
Employee Benefits					
1-07-4005-000 Payroll Taxes	1,379	13,000		11,621	10.61%
1-07-4010-000 Health Insurance	3,053	31,500		28,447	9.69%
1-07-4015-000 PERS	3,748	34,000		30,252	11.02%
Subtotal (Benefits)	\$ 8,179	\$ 78,500	\$ -	\$ 70,321	10.42%
Total Personnel Expenses	\$ 20,129	\$ 248,000	\$ -	\$ 227,255	8.12%
OPERATING EXPENSES:					
1-07-4050-000 Staff Travel	\$ -	\$ 1,000		\$ 1,000	0.00%
1-07-4060-000 Staff Conferences & Seminars	-	1,000		1,000	0.00%
1-07-4190-300 Public Relations - Landscape Workshop/Training	-	1,000		1,000	0.00%
1-07-4190-400 Public Relations - Contests	-	1,000		1,000	0.00%
1-07-4190-500 Public Relations - Education Programs	-	5,000		5,000	0.00%
1-07-4190-700 Public Relations -General Media	150	3,000		2,850	5.00%
1-07-4190-900 Public Relations - Other	-	5,000		5,000	0.00%
1-07-6300-100 Supplies - Misc.	-	5,000		5,000	0.00%
Subtotal Operating Expenses	\$ 150	\$ 22,000	\$ -	\$ 21,850	0.68%
Total Departmental Expenses	\$ 20,279	\$ 270,000	\$ -	\$ 249,105	7.51%

Palmdale Water District
2014 Human Resources Budget
For the Two Months Ending Friday, February 28, 2014

	YTD ACTUAL 2014	ORIGINAL BUDGET 2014	ADJUSTMENTS 2014	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-08-4000-000 Salaries	\$ 14,118	\$ 97,000		\$ 82,882	14.56%
Employee Benefits					
1-08-4005-000 Payroll Taxes	1,360	7,500		6,140	18.13%
1-08-4010-000 Health Insurance	1,545	19,200		17,655	8.05%
1-08-4015-000 PERS	1,111	6,500		5,389	17.09%
Subtotal (Benefits)	\$ 4,015	\$ 33,200	\$ -	\$ 29,185	12.09%
Total Personnel Expenses	\$ 18,134	\$ 130,200	\$ -	\$ 112,066	13.93%
OPERATING EXPENSES:					
1-08-4050-000 Staff Travel	\$ 146	\$ 500		\$ 354	29.27%
1-08-4060-000 Staff Conferences & Seminars	-	500		500	0.00%
1-08-4090-000 Temporary Staffing	5,648	-		(5,648)	
1-08-4095-000 Employee Recruitment	430	3,000		2,570	14.34%
1-08-4100-000 Employee Retention	5	1,500		1,495	0.34%
1-08-4105-000 Employee Relations	2,387	3,500		1,113	68.19%
1-08-4110-000 Consultants	-	1,000		1,000	0.00%
1-08-4120-100 Training-Safety Consultants	29	38,000		37,971	0.08%
1-08-4121-000 Safety Program	50	1,000		950	5.00%
1-08-4165-000 Membership/Subscriptions	18	1,600		1,582	1.13%
1-08-4165-100 HR/Safety Publications	-	1,000		1,000	0.00%
1-08-6300-500 Supplies - Safety	2,031	33,500		31,469	6.06%
Subtotal Operating Expenses	\$ 10,744	\$ 85,100	\$ -	\$ 74,356	12.63%
Total Departmental Expenses	\$ 28,878	\$ 215,300	\$ -	\$ 186,422	13.41%

Palmdale Water District
2014 Information Technology Budget
For the Two Months Ending Friday, February 28, 2014

	YTD	ORIGINAL		ADJUSTED	
	ACTUAL	BUDGET	ADJUSTMENTS	BUDGET	PERCENT
	2014	2014	2014	REMAINING	USED
Personnel Budget:					
1-09-4000-000 Salaries	\$ 33,319	\$ 226,000		\$ 192,681	14.74%
1-09-4000-100 Overtime	-	2,500		2,500	0.00%
Subtotal (Salaries)	\$ 33,319	\$ 228,500		\$ 195,181	14.58%
Employee Benefits					
1-09-4005-000 Payroll Taxes	3,198	16,000		12,802	19.99%
1-09-4010-000 Health Insurance	6,400	38,400		32,000	16.67%
1-09-4015-000 PERS	8,047	45,200		37,153	17.80%
Subtotal (Benefits)	\$ 17,645	\$ 99,600	\$ -	\$ 81,955	17.72%
Total Personnel Expenses	\$ 50,964	\$ 328,100	\$ -	\$ 274,636	15.53%
OPERATING EXPENSES:					
1-09-4050-000 Staff Travel	\$ -	\$ 3,000		3,000	0.00%
1-09-4060-000 Staff Conferences & Seminars	12,628	15,000		2,372	84.19%
1-09-4155-000 Contracted Services	13,922	129,000		115,078	10.79%
1-09-4165-000 Memberships/Subscriptions	-	500		500	0.00%
1-09-4270-000 Telecommunications	10,139	55,500		45,361	18.27%
1-09-8000-100 Computer Equipment - Computers	5,938	25,000		19,062	23.75%
1-09-8000-200 Computer Equipment - Laptops	-	5,000		5,000	0.00%
1-09-8000-300 Computer Equipment - Monitors	-	2,000		2,000	0.00%
1-09-8000-400 Computer Equipment - Printers	-	15,000		15,000	0.00%
1-09-8000-500 Computer Equipment - Toner Cartridges	82	3,000		2,918	2.75%
1-09-8000-550 Computer Equipment - Telephony	-	2,500			
1-09-8000-600 Computer Equipment - Other	7,981	35,000		27,019	22.80%
1-09-8100-100 Computer Software - Maint. and Support	4,020	70,000		65,980	5.74%
1-09-8100-140 Computer Software - Starnik	17,000	95,000		78,000	17.89%
1-09-8100-150 Computer Software - Dynamics GP Support	26,309	30,000		3,691	87.70%
1-09-8100-200 Computer Software - Software and Upgrades	112	15,000		14,888	0.74%
Subtotal Operating Expenses	\$ 98,132	\$ 500,500	\$ -	\$ 399,868	19.61%
Total Departmental Expenses	\$ 149,096	\$ 828,600	\$ -	\$ 674,504	17.99%

PALMDALE WATER DISTRICT BOARD MEMORANDUM

DATE: April 2, 2014 **April 7, 2014**
TO: FINANCE COMMITTEE **Committee Meeting**
FROM: Mr. Matthew R. Knudson, Assistant General Manager
VIA: Mr. Dennis LaMoreaux, General Manager
RE: *AGENDA ITEM NO. 4.5 – DISCUSSION AND OVERVIEW OF
COMMITTED CONTRACTS ISSUED – UPDATED APRIL 2, 2014*

Discussion:

Attached for your information are the updated spreadsheets that summarize the contractually committed contracts and projected payout schedule for the various budgeted District studies, projects, and equipment items. The spreadsheets are broken into the following three categories based on funding sources.

- **Water Revenue Bonds – Series 2013A:**

The seven projects listed on the attached summary are being funded from the Water Revenue Bonds – Series 2013A, which totals \$8,500,000 in water supply and infrastructure replacement projects. To date, there is a total of \$4,841,055 contractually committed and \$1,420,169 paid out for consulting and construction activity related to these projects.

- **Studies, Projects, and Equipment:**

The projects listed on the attached “Studies, Projects, and Equipment” spreadsheet show the studies, asset replacement, and equipment contracts that are in place and the actual/projected payments made on each of these items.

- **Water Quality Fund:**

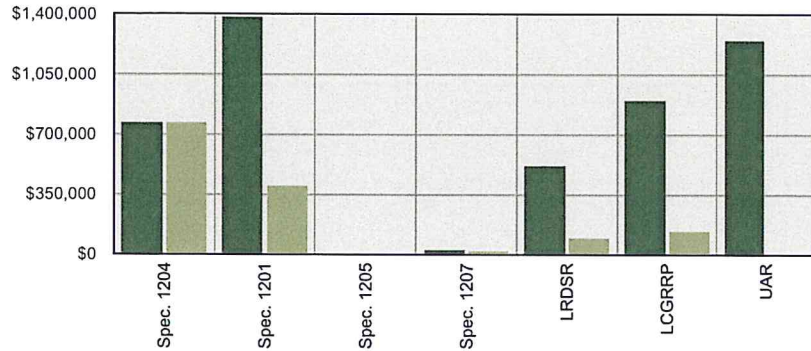
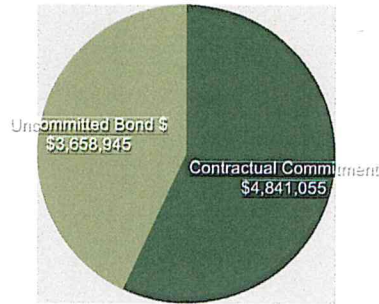
Staff is working on finalizing a proposal to present to the Board for consideration that will be a long-term contract for the supply and installation of the Granular Activated Carbon (GAC). Once a commitment is made by the District, staff will update the spreadsheet to reflect said commitment and payment schedule.

PWD WATER REVENUE BONDS - SERIES 2013A

Contractual Commitment Uncommitted Bond \$

Contractual Commitment

Payout to Date



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	\$765,085	\$765,085	(\$40,085)
Spec. 1201	606-11	20th, Puerta, Sweetbriar, and 22nd St. E.	5/8/13	\$1,450,000	\$1,387,042	\$402,598	\$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	\$18,626	\$1,376,490
LRDSR	501-04	Littlerock Sediment Removal (EIR/EIS/Permits)	TBD	\$975,000	\$515,925	\$96,141	\$459,075
LCGRRP	400-12	Littlerock Recharge and Recovery (Feasibility)	TBD	\$1,500,000	\$899,493	\$137,719	\$600,507
UAR	TBD	Upper Amargosa Recharge (Project Capacity)	11/20/12	\$1,250,000	\$1,250,000	\$0	\$0
Totals:				\$8,500,000	\$4,841,055	\$1,420,169	\$3,658,945

Project Payout Detail

Date	Project	Description	Invoice No.	Requisition No.	Payment Amount
Jul 8, 2013	WRB	Issuance Costs	N/A	2	\$ 24,815.84
Jul 9, 2013	Spec. 1204	BV Construction - Progress Payment #1	1	3	\$ 98,552.53
Jul 17, 2013	Spec. 1207	JT Eng. - Design Progress Payment	5187	4	\$ 9,108.00
Aug 5, 2013	Spec. 1204	BV Construction - Progress Payment #2	2	5	\$ 145,175.44
Sep 4, 2013	Spec. 1204	BV Construction - Progress Payment #3-4	3 and 4	6	\$ 167,790.43
Sep 30, 2013	LRDSR	Aspen - EIR/EIS Progress Payment	1116.002-01	7	\$ 18,499.60
Sep 30, 2013	Spec. 1204	BV Construction - Progress Payment #5	5	8	\$ 46,862.08
Oct 24, 2013	Spec. 1204	BV Construction - Progress Payment #6	6	9	\$ 51,052.05
Oct 24, 2013	LRDSR	Aspen - EIR/EIS Progress Payment	1116.002-02	10	\$ 8,410.32
Nov 7, 2013	Spec. 1204	BV Construction - Progress Payment #7	7	11	\$ 87,960.50
Dec 4, 2013	Spec. 1204	BV Construction - Progress Payment #8	8	12	\$ 70,650.08
Dec 4, 2013	LRDSR	Aspen - EIR/EIS Progress Payment	1116.002-03	13	\$ 11,054.97
Jan 2, 2014	LCGRRP	Kennedy/Jenks - Progress Payment	78236	14	\$ 24,066.25
Jan 2, 2014	Spec. 1201	BV Construction - Progress Payment #1	1	14	\$ 29,925.00
Jan 2, 2014	Spec. 1204	BV Construction - Progress Payment #9	9	14	\$ 58,787.84
Jan 2, 2014	LRDSR	Aspen - EIR/EIS Progress Payment	1116.002-04	14	\$ 36,178.95
Jan 2, 2014	Spec. 1207	JT Eng. - Design Progress Payment	5200	14	\$ 9,518.00
Jan 21, 2014	Spec. 1201	BV Construction - Progress Payment #2 & #3	2 & 3	15	\$ 114,095.00
Feb 24, 2014	LRDSR	Aspen - EIR/EIS Progress Payment	1116.002-05	16	\$ 4,917.47
Feb 24, 2014	Spec. 1201	BV Construction - Progress Payment #4 & #5	4 & 5	16	\$ 131,743.15
Mar 3, 2014	Spec. 1204	BV Construction - Retention Payment	10	17	\$ 38,254.26
Mar 3, 2014	LCGRRP	Kennedy/Jenks - Progress Payment	79010 & 80391	17	\$ 113,652.66
Mar 31, 2014	Spec. 1201	BV Construction - Progress Payment #6	6	18	\$ 126,834.50
Mar 31, 2014	LRDSR	Aspen - EIR/EIS Progress Payment	1116.002-06 and 07	18	\$ 17,080.04

STUDIES, PROJECTS, AND EQUIPMENT CONTRACTS AND PAYOUT SCHEDULE - APRIL, 2014

Project Commitment and Payout Summary

Work Order No.	Description	Contractor/Consultant/Supplier	Contractual Commitment	Payout to Date
601-14	Well No. 14A Rehabilitation	Best Drilling & Pump	\$ 79,790	\$ 0
PL01	Water System Master Plan Update	MWH	\$ 196,043	\$ 0
RCP03	Annual Tank Maintenance Program	Superior Tank Solutions	\$ 319,100	\$ 0
403-14	Dredging @ Lake Outlet Structure / Mechanical Repairs	Cushman Contracting	\$ 300,000	\$ 235,289
400-14	Security Improvement Project	Exante 360	\$ 58,730	\$ 19,729
WEB	Website Development	Tripepi Smith	\$ 20,000	\$ 0
PRO24	WIFI Installation and Testing	AKINS IT	\$ 25,000	\$ 0
PRO23	docSTAR Smart Automation Project	docSTAR	\$ 25,000	\$ 0

Project Payout Detail (Actual/Projected)

Work Order No.	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
601-14				\$ 50,000	\$ 29,790							
PL01				\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 16,043			
RCP03					\$ 319,100							
403-14			\$ 235,289		\$ 64,711							
400-14	\$ 6,509	\$ 13,220		\$ 15,000	\$ 15,000	\$ 9,001						
WEB				\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000					
PRO24					\$ 12,500	\$ 12,500						
PRO23				\$ 7,500	\$ 7,500	\$ 5,000						
Totals:	\$ 6,509	\$ 13,220	\$ 235,289	\$ 107,500	\$ 483,601	\$ 61,501	\$ 35,000	\$ 30,000	\$ 16,043	\$ 0	\$ 0	\$ 0

APPENDIX M

BID PROCUREMENT AND CHANGE ORDER POLICY

I. Work Costing More Than \$25,000

a. Except as otherwise provided in this statement of policy, all contracts for any improvement, job, construction project or unit of work (herein referred to as work), and all acquisitions of material or equipment, estimated to cost or to have a value when completed in excess of Twenty-Five Thousand Dollars (\$25,000), shall be let to the lowest responsible bidder in the manner hereinafter provided.

b. The Board shall first determine whether the contract shall be let or the acquisition made, as a single unit for the whole of the work or acquisition, or whether it shall be divided into severable convenient parts.

c. The Contract documents shall be prepared utilizing the District's standard forms, with such modification as may be appropriate for the particular work or unit of work, or the acquisition of materials or equipment. In the case of work to be performed for the District, the documents to be prepared shall ordinarily include the Notice Inviting Bids, Instructions to Bidders, the Proposal for submission by the bidder, the Information Required of Bidder, setting forth the equipment and material source and other required information, Contractor's Licensing Statement, List of Subcontractors, Bid Security Form, Agreement, Faithful Performance Bond, Payment Bond, Non-Collusion Affidavit, Notice to Proceed, General Provisions, Special Provisions, and Plans and Specifications.

d. Unless otherwise required by the provisions of the Public Contract Code, the District may advertise in the F. W. Dodge Green Sheet, the Construction Market Data and

similar publications, inviting sealed proposals for furnishing labor for or materials or supplies for use or incorporation in, the proposed work or unit of work, or for providing materials or equipment. To the extent applicable to a specific work or acquisition, the notice calling for bids shall contain the information specified in Section 20564 of the Public Contract Code. In the event that the construction of works is to be paid for with the proceeds of the sale of bonds or a limited assessment, the District shall give said notice by publication once a week for three (3) successive weeks in a newspaper of general circulation published in the District as specified in Section 20563 of the Public Contracts Code.

e. All bids shall be presented under sealed cover on forms furnished by the District, and, in the case of a bid to perform work for the District, it shall be accompanied by one of the following forms of bidder's security: (1) cash, (2) a cashier's check made payable to the District, (3) a certified check made payable to the District, or (4) a bidder's bond executed by an admitted surety insurer made payable to the District.

f. At the time and place appointed and set forth in the Notice Inviting Bids, the bids shall be opened in public.

g. The District shall assign a five (5) percent contract bid reduction to a bidder which is a "Local Contractor or Vendor," as defined in (n)(1).

h. The Board may reject any and all proposals or bids should it deem it to be for the public good, or may award the contract for the work or unit of work, or materials or equipment, to the lowest responsible bidder at the prices named or specified in the bid or proposal subject however to Paragraph i.

i. Once all bids have been opened, the bids of those bidders which are "Local Contractors or Vendors" shall be reduced by five percent (5%) for purposes of determining the lowest responsible bidder. If the bid of a Local Contractor or Vendor, after applying the contract

similar publications, inviting sealed proposals for furnishing labor for or materials or supplies for use or incorporation in, the proposed work or unit of work, or for providing materials or equipment. To the extent applicable to a specific work or acquisition, the notice calling for bids shall contain the information specified in Section 20564 of the Public Contract Code. In the event that the construction of works is to be paid for with the proceeds of the sale of bonds or a limited assessment, the District shall give said notice by publication once a week for three (3) successive weeks in a newspaper of general circulation published in the District as specified in Section 20563 of the Public Contracts Code.

e. All bids shall be presented under sealed cover on forms furnished by the District, and, in the case of a bid to perform work for the District, it shall be accompanied by one of the following forms of bidder's security: (1) cash, (2) a cashier's check made payable to the District, (3) a certified check made payable to the District, or (4) a bidder's bond executed by an admitted surety insurer made payable to the District.

f. At the time and place appointed and set forth in the Notice Inviting Bids, the bids shall be opened in public.

g. The District shall assign a five (5) percent contract bid reduction to a bidder which is a "Local Contractor or Vendor," as defined in (n)(1).

h. The Board may reject any and all proposals or bids should it deem it to be for the public good, or may award the contract for the work or unit of work, or materials or equipment, to the lowest responsible bidder at the prices named or specified in the bid or proposal subject however to Paragraph i.

i. Once all bids have been opened, the bids of those bidders which are "Local Contractors or Vendors" shall be reduced by five percent (5%) for purposes of determining the lowest responsible bidder. If the bid of a Local Contractor or Vendor, after applying the contract

bid reduction provided for in Paragraph g, is then the lowest responsible bid , that Local Contractor or Vendor shall be awarded the contract at the amount of its bid without regard to any contract bid reduction, subject to the remaining provisions of this policy.

j. The District or its agents may refuse to award a contract under Section i to a Local Contractor or Vendor if it makes a determination that the products purchased or work provided by a bidder cannot be provided within a timely manner for the performance of the contract or a determination the Local Contractor or Vendor cannot meet specified quality performance standards or experience requirements.

k. If any federal or state statute or regulation precludes the granting of federal or state assistance or reduces the amount of that assistance for a particular public works project because of a preference awarded according to the terms of this policy, this policy shall not apply insofar as its application would preclude or reduce federal or state assistance for that work.

l. In the case of work to be performed for the District, the District shall require the successful bidder or bidders to file with the Board good and sufficient bonds, to be approved by the Board, conditioned upon the faithful performance of the contract and upon payment of all claims for labor and materials in connection therewith.

m. In the case of work to be performed from the District, the District shall require the successful bidder or bidders to carry public liability and property damage insurance, workers' compensation insurance, and other insurance, in the amounts and under the terms stipulated in the Contract documents.

n. The following terms shall have the following meanings:

1) "Local Contractor or Vendor" means a contractor or vendor whose principal place of business as reflected in official records is located in the area shown on the Local Contractor and Vendor Boundary Map attached hereto.

Those claiming to be Local Contractors and Vendors shall submit proof of their principal place of business with their bid.

2) "Lowest Responsible Bidder" shall mean a person who submits the lowest monetary bid, taking into account the contract bid reduction provided for in paragraph g, and which responds to the terms upon which bids were requested, and who has the capacity, integrity and ability to perform the particular requirements of the contract. Factors which may be considered in determining the "lowest responsible bidder" include, but are not limited to, all of the following:

a) The contractor's prior record of performance on other public works projects, if any, including timely completion of performance, quality of work, and completion of projects within project budget or bid amount submitted.

b) The contractor's involvement in any ongoing litigation or contract disputes with the awarding authority which could impair satisfactory performance on the contract to be awarded.

c) The contractor's history of noncompliance with occupational safety and health requirements, labor statutes and regulations, and other local, state, and federal laws.

II. Work or Acquisitions Costing More Than \$3,000, But Not More than \$25,000

All contracts for any work or unit of work, and all acquisitions of materials or equipment, estimated to cost or to have a value when completed in excess of Three Thousand Dollars (\$3,000), but not more than Twenty-Five Thousand Dollars (\$25,000), shall be reviewed by a Committee of the Board, and shall be submitted for formal competitive bids in accordance with this statement of policy only if the Committee shall so recommend and the Board shall concur by

a majority vote. In the event no formal competitive bids are solicited, the Board may also give local contractors and vendors a preference.

III. Work or Acquisitions Costing Less Than \$3,000

All contracts for any work or unit of work, and all acquisitions of materials or equipment, estimated to cost or to have a value when completed that is less than Three Thousand Dollars (\$3,000), may be authorized by the District's General Manager without compliance with any formal competitive bidding procedure or prior Board approval, and in any such case he may authorize the work or unit of work or acquire the materials or equipment, by informal bidding or quotations or by purchase on the open market without advertising. The District's General Manager may give local contractors and vendors a preference.

IV. Change Order Policy

All change orders occurring during the performance of a contract shall be reported to the Board. Change order amounts which are Three Thousand Dollars (\$3,000) or less or which are ten percent (10%) or less of the original contract amount up to a maximum amount of Twenty-Five Thousand Dollars (\$25,000) may be authorized by the District's General Manager; however, change order amounts greater than Three Thousand Dollars (\$3,000) and greater than ten percent (10%) of the original contract amount up to a maximum change order amount of Twenty-Five Thousand Dollars (\$25,000) shall be approved by the Bid Committee of the Board. The Board shall by a majority vote approve all change order amounts in excess of Twenty-Five Thousand Dollars (\$25,000). In the case of contracts with unit prices, if the number of units of significant bid items increases by twenty percent (20%) or more, Board approval must be obtained.

V. Exceptions to Statement of Policy

The policy specified in this statement shall not apply in the following cases or circumstances:

- (1) A contract for the acquisition or disposal of any real property.
- (2) A contract for the leasing of any personal property or the acquisition of personal property other than materials and equipment for use in construction activities.
- (3) A contract for the purchase of water or water rights.
- (4) A contract for the repair of District equipment.
- (5) A contract for legal, engineering and other professional services.
- (6) A contract for the performance of work or acquisition of materials or equipment deemed by the Board to be of urgent necessity for the preservation of life, health or property, or in order to continue to provide water to the District's existing customers, and such action is authorized by a two-thirds vote of the District's Board.
- (7) The repair, alteration, addition, or the making of improvements, by force account.
- (8) Work related to and in furtherance of the purposes of the District, or materials or equipment acquired for such purposes, where such work is to be performed or such materials or equipment are to be acquired, for the account of other persons or entities, an example of such work or acquisition being the construction of a water transmission line or the installation of meters or other facilities for a developer and done at the developer's expense.
- (9) A contract for the performance of work or acquisition of materials in instances where work and materials are regularly and periodically required and work and materials are repairs or replacements of prior works or materials relating to the following:
 - (a) Asphalt and concrete patching;
 - (b) Janitorial supplies;

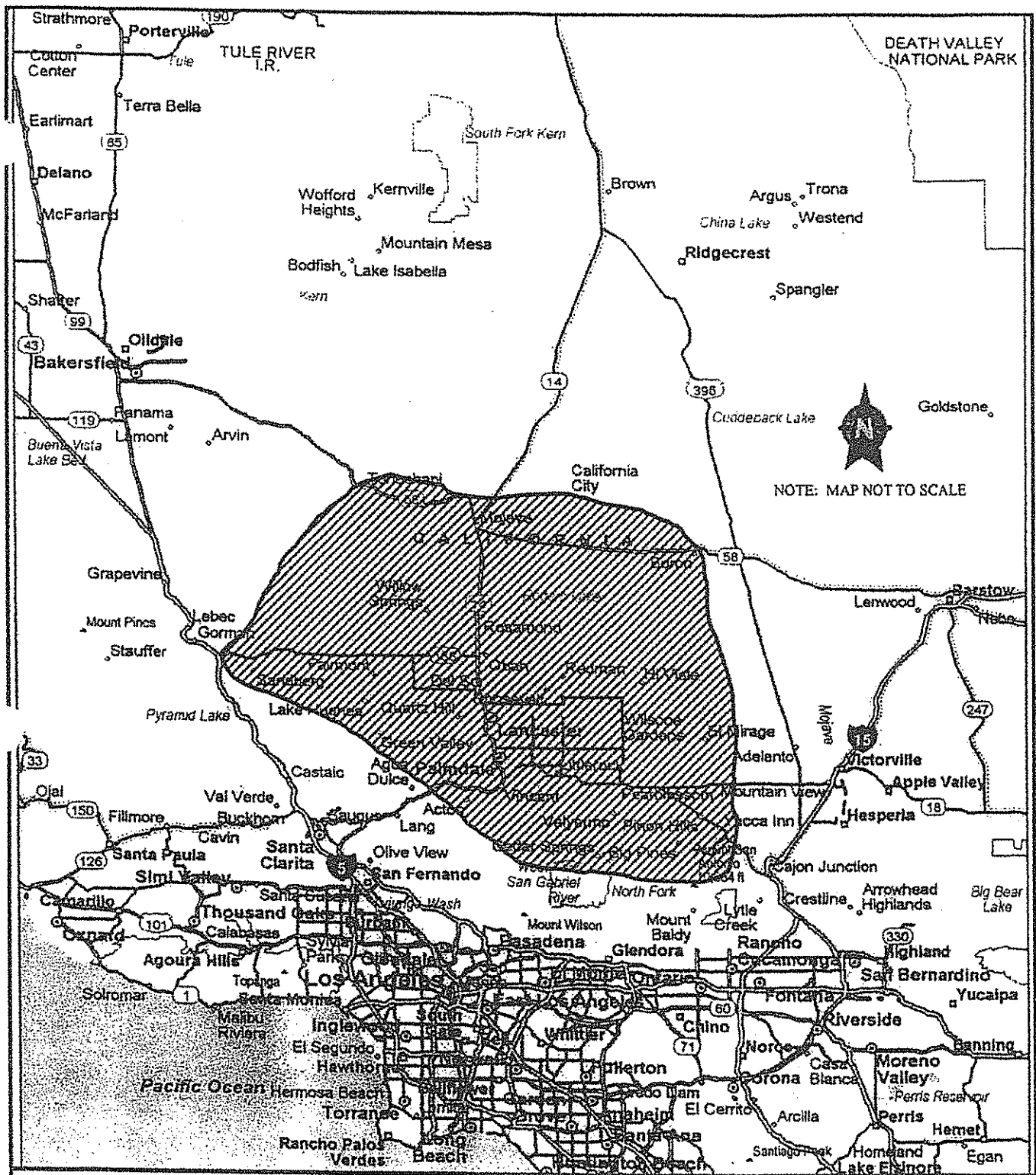
- (c) Office supplies;
- (d) Aggregate (sand, base and similar materials);
- (e) Cold mix asphalt;
- (f) Data mailers;
- (g) Water meters.

VI. Scope of Statement of Policy

This statement of policy establishes the manner of calling for bids and letting contracts for the performance of work for the District or the acquisition of materials or equipment. However, notwithstanding this statement, all contracts for work and all contracts for acquisition of materials and equipment, may be made or entered into upon such terms and conditions and in such manner as the Board may determine is in the best interest of the District.

BID PROCUREMENT POLICY APPROVED AND ADOPTED AT A
REGULAR BOARD MEETING OF THE PALMDALE WATER DISTRICT
BOARD OF DIRECTORS HELD April 19, 1990

Revised 1-14-92
Revised 9-15-92
Revised 4-25-94
Revised 11-10-97



PALMDALE WATER DISTRICT RULES AND REGULATIONS APPENDIX "M"

LOCAL CONTRACTOR AND VENDOR BOUNDARY MAP

APPROVED: APRIL 25, 1994

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

DATE: April 1, 2014 **April 7, 2014**
TO: FINANCE COMMITTEE **Committee Meeting**
FROM: Michael Williams, Finance Manager/CFO
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 4.7 – DISCUSSION AND REVIEW OF LOW INCOME ASSISTANCE PROGRAM***

Recommendation:

Staff recommends an initial review of the draft rules to applicants of the rate assistance program attached.

Background:

The Finance Committee has requested staff to research the possibility of implementing a low income rate assistance program. Taking from what Walnut Valley Water District has done, staff has prepared a draft rate assistance program targeted at seniors 62 and older as a starting point. The program can be modified after implementation depending on the success and participation rate.

Some key factors of the program:

- Program will cover up to 50% of monthly service charge for one year.
- Available to seniors age 62 or older only living in single family home only.
- Available to property owners and renters.
- Participants must be enrolled in Edison and/or Gas company CARE program.
- Participants must qualify by income levels set by Public Utilities Commission Alternative Rates for Energy.
- Participants must submit supporting documentation requested by staff.
- Participants must renew their eligibility annually.

The program would be funded by taking the revenue from the cell tower lease and the revenue from Fin and Feather rental, which totals approximately \$150,000 annually. Because we have closed the financial year of 2013 and recognized those revenues as other income under non-operating revenue, we can't use 2013's revenue for 2014. However, if the Board decides to approve the program, we can begin to set aside those revenues in 2014 and make them available for the program beginning in January, 2015.

The above is the initial thought for implementation on a small and manageable scale. Based upon the amount of assistance needed by rate payers, the program can be expanded to allow more rate payers to qualify, or provide a higher assistance level to the group.

Budget:

The impact on the District's Budget is a reduction in non-operating revenue of approximately \$150,000 annually.

Supporting Documents:

- Draft rules to applicant
- Draft application

RULES TO APPLICANTS FOR WATER RATE ASSISTANCE PROGRAM

APPLICANT

The Palmdale Water District Rate Assistance Program (PWDRAP) is available only to residential customers, age 62 or older, who receive water through a 1-inch or smaller water meter.

An applicant for the District's Rate Assistance Program must be either the owner living in the premises or the tenant of the residence and responsible for the payment of water service provided by the District. Tenants must have on file with the District an affidavit, in the form attached hereto as "exhibit ?", signed by the property owner, assuming responsibility for payment of services for said property.

ELIGIBILITY FOR PROGRAM

Each applicant for the PWDRAP must establish eligibility for the program annually as stated below:

CARE Program: Applicant must qualify and be enrolled in Southern California Edison's or Southern California Gas' California Alternative Rates for Energy (CARE) program and must provide a utility bill showing proof of such enrollment.

Household Income: Applicant's total gross household income cannot exceed pre-determined income requirements established by the District, based upon the approved limits set by the California Public Utilities Commission for the CARE program. Applicant must provide verification of household income with application by any means deemed acceptable by the District.

Income Requirements. Maximum household income requirements are based upon number of persons living in residence in relation to maximum total "gross household income" from all sources.

Income Qualifications. Total gross household income is all revenues, from all household members, from whatever sources derived, including but not limited to:

- Wages
- Salaries and Other Employment Compensation
- Interest
- Dividends
- Spousal Support
- Public Assistance Payments
- Social Security and Other Pensions

- Rental Income
- Income from Self-employment
- All Employment-related Non-cash Income

Income Taxes: Applicant may not be claimed as a dependent on another person's federal or state income tax return.

Property Taxes: Applicant may be required to provide a copy of their annual property tax statement, or documentation reasonably requested by the District to evidence home ownership.

Additional Requirements: The following requirements also apply to each applicant:

- Must reapply each time they move.
- Must reapply annually.
- Must notify the District within 30 days if they become ineligible.

METHOD OF APPLICATION FOR PROGRAM

Application Procedure: Applicant must obtain from the District an application, attached hereto as "exhibit ?", for the PWDRAP. Applicant must complete the application and submit the required documentation to the District. If approved, applicant will receive the assistance on their bill, as calculated under Sections "XXX", below, at a to-be-determined date. If the application is not approved, applicant will receive a letter from the District explaining the reason for the disapproval.

Application Period: Applications are accepted on a first come, first served basis, contingent upon the availability of funds. Participation in the PWDRAP is personal to the applicant and is not transferable with the property.

PROGRAM FUNDING

The Board of Directors will approve on an annual basis, as part of the District's budget process, the annual funding for the PWDRAP. Approved funding, if any, will be a not-to-exceed amount established for a twelve (12) month period that may differ from the District's fiscal year. The annual funding approved will be prorated amongst eligible participants in an amount not-to-exceed fifty percent (50%) of the current monthly service charge.

ASSISTANCE RATE

The District has established an assistance amount of up to fifty percent (50%) off of the monthly service charge for meters up to one (1) inch in size, for qualified households. This rate of assistance is subject to change on an annual basis as determined by the Board of Directors.

REDUCTION; TERMINATION

The District, in its sole discretion, reserves the rights to reduce amounts available under the PWDRAP, and any assistance available under that program, in its entirety, upon at least thirty (30) days written notice to participants in the program.

DRAFT

APPLICATION FORM

Palmdale Water District Rate Assistance Program (PWDRAP)

The Palmdale Water District is pleased to offer a Rate Assistance Program to our customers, 62 years of age and older, who meet the eligibility requirements identified below. If your household qualifies for a discount on your energy bill under the electric or gas CARE programs, you may also qualify for rate assistance of up to fifty percent (50%) on the monthly service charge on your water bill.

- To apply for PWDRAP at your residence, please fill out this application and submit the required documentation to the District. If approved, the rate assistance will become effective within sixty (60) days after the date of approval. If your application is not approved, you will receive a letter from the District explaining the reason for that disapproval. Applicants may apply any time throughout the year; however, applications will be accepted on a first come, first served basis, contingent upon the availability of funds.

If you need assistance in completing the application, or would like more information about the program, call 661-947-4111, option 2, and speak to a Customer Service Representative, or visit our office at 2029 East Avenue Q, Palmdale, CA 93550, or on the web at www.palmdalewater.org.

INCOME REQUIREMENTS (Effective June 1, 2013 through May 31, 2014) Source: California PUC Alternative Rates for Energy (CARE)	
Number of persons living in residence	Maximum total "gross household income" from all sources
1	\$22,980
2	\$31,020
3	\$39,060
4	\$47,100
5	\$55,140
6	\$63,180
7	\$71,220
8	\$79,260
Each Additional Person	\$8,040

What Counts as Income?

Total gross household income is all revenues, from all household members, from whatever sources derived, including but not limited to: wages, salaries and other employment-related compensation, interest, dividends, spousal and child support payments, public assistance payments, Social Security and pensions, rental income, income for self-employment, and all employment-related non-cash income.

What are the Qualifications?

- Must complete and submit application. Applications will be accepted on a first come, first served basis contingent upon availability of funds.
- Must qualify for Southern California Edison's or Southern California Gas' CARE program.
- Total gross household income cannot exceed the amounts shown on the "Income Requirements" chart above.
- Must be a District residential customer and receive water through a 1-inch or smaller water meter.
- Must provide verification of household income as requested by means required by District.
- May not be claimed as a dependent on another person's federal or state income tax return.
- May be required to provide proof of ownership by means requested by District.
- Must reapply annually
- Must reapply each time you move.
- Must notify the District within thirty (30) days if you become ineligible.
- Assistance is nontransferable with property or applicant.

[illegible]