Since 1918

PALMDALE WATER DISTRICT

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Attorneys

July 7, 2016

Agenda for a Meeting of the Finance Committee of the Palmdale Water District Committee Members: Marco Henriquez-Chair, Robert Alvarado to be held at the District's office at 2029 East Avenue Q, Palmdale

Tuesday, July 12, 2016

3:30 p.m.

NOTE: To comply with the Americans with Disabilities Act, to participate in any Board meeting please contact Dawn Deans at 661-947-4111 x1003 at least 48 hours prior to a Board meeting to inform us of your needs and to determine if accommodation is feasible.

Agenda item materials, as well as materials related to agenda items submitted after distribution of the agenda packets, are available for public review at the District's office located at 2029 East Avenue Q, Palmdale (Government Code Section 54957.5). 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. (PWD Rules and Regulations, Appendix DD, Sec. IV.A.)**

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 regular meeting held June 6, 2016.

4.2) Discussion and overview of Cash Flow Statement and Current Cash Balances as of May, 2016. (Financial Advisor Egan)

4.3) Discussion and overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for May, 2016. (Finance Manager Williams)

4.4) Discussion and overview of committed contracts issued and water revenue bond projects. (Assistant General Manager Knudson)

4.5) Discussion and possible action on long term financial planning and adoption of remaining three years of approved Proposition 218 Water Rate Plan to ensure future water rate stability and long-term water sustainability projects to meet current and future water demands. (Assistant General Manager Knudson/Finance Manager Williams)

4.6) Consideration and possible action on contract with NHA Advisors to provide annual continuing disclosure consulting and dissemination agent services. ($1,500.00/year – Budgeted – Finance Manager Williams)

4.7) Consideration and possible action to refund Series 2013A and 2012 bonds. (Finance Manager Williams)

4.8) Consideration and possible action on approving three-year audit proposal from The Pun Group. ($18,000.00-2016/$18,500.00-2017/$19,000.00-2018 – Budgeted – Finance Manager Williams)

5) Information items.

5.1) Status of Debt Service Coverage. (Financial Advisor Egan)

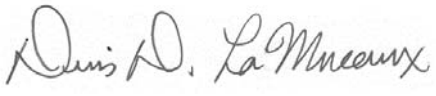
5.2) District operating expenses – five year review. (Finance Manager Williams)

5.3) Review of age of District pipelines and anticipated water main and meter replacement projects. (Committee Member Alvarado/Assistant General Manager Knudson)

5.4) Other.

6) Board members' requests for future agenda items.

7) Adjournment.



DENNIS D. LaMOREAUX,
General Manager

DDL/dd

PALMDALE WATER DISTRICT

BOARD MEMORANDUM

DATE:	July 7, 2016	**July 12, 2016**
TO:	FINANCE COMMITEE	**Committee Meeting**
FROM:	Mr. Bob Egan, Financial Advisor	
RE:	***AGENDA ITEM NO. 4.2 – DISCUSSION AND OVERVIEW OF CASH FLOW STATEMENT AND CURRENT CASH BALANCES AS OF MAY, 2016.***	

Attached is the Investment Funds Report and current cash balance as of May 31, 2016. The reports will be reviewed in detail at the Finance Committee meeting.

PALMDALE WATER DISTRICT
INVESTMENT FUNDS REPORT
May 31, 2016

					May 2016	April 2016
CASH						
1-00-0103-100	Citizens - Checking				89,300.49	338,662.73
1-00-0103-200	Citizens - Refund				-	439.25
1-00-0103-300	Citizens - Merchant				129,087.46	34,370.58
				Bank Total	**218,387.95**	**373,472.56**
1-00-0110-000	PETTY CASH				300.00	300.00
1-00-0115-000	CASH ON HAND				5,400.00	5,400.00
				TOTAL CASH	**224,087.95**	**379,172.56**
INVESTMENTS						
1-00-0135-000	**Local Agency Investment Fund**			**Acct. Total**	**11,790.36**	**11,790.36**
1-00-0120-000	**UBS Money Market Account General (SS 11469)**					
	UBS RMA Government Portfolio				4,104,559.65	2,975,356.71
	UBS Bank USA Dep acct				250,000.00	250,000.00
	Accrued interest				7,390.24	7,099.08
					4,361,949.89	**3,232,455.79**
	US Government Securities					
	CUSIP #	**Issuer**	**Maturity Date**	**Rate**	**PAR**	**Market Value**	**Market Value**
	912828SJ0	US Treasury Note	02/28/2017	0.87	1,000,000	**1,001,410.00**	**1,002,270.00**
					1,000,000	**1,001,410.00**	**1,002,270.00**
	Certificates of Deposit					
		Issuer	**Maturity Date**	**Rate**	**Face Value**		
	1	Safra National Bank	08/16/2016	0.60	240,000	240,100.80	240,062.40
	2	First Bank PR	11/07/2016	0.80	240,000	240,242.40	240,208.80
	3	Compass Bank	02/07/2017	0.95	240,000	240,482.40	240,369.60
	4	GE Cap Retail Bank	04/27/2017	1.84	200,000	201,512.00	201,542.00
	5	Discover Bank	05/02/2017	1.74	240,000	242,073.60	242,136.00
	6	Merrick Bank	06/12/2017	1.00	100,000	100,317.00	100,299.00
	7	Level One Bank	06/19/2017	0.65	101,000	101,215.13	101,185.84
	8	GE Cap Retail Bank	06/22/2017	1.78	200,000	202,158.00	202,232.00
	9	Capitol One Bank	08/14/2017	1.19	240,000	241,080.00	240,984.00
	10	Triumph Bank	09/26/2017	0.80	200,000	200,636.00	200,488.00
	11	MB Finl Bank	10/26/2017	0.85	200,000	199,940.00	199,716.00
					2,201,000	**2,209,757.33**	**2,209,223.64**
				Acct. Total	**7,573,117.22**	**6,443,949.43**
1-00-1110-000	**UBS Money Market Account Capital (SS 11475)**					
	UBS Bank USA Dep acct				7.56	7.56
	UBS RMA Government Portfolio				-	-
				Acct. Total	**7.56**	**7.56**
1-00-0125-000	**UBS Access Account General (SS 11432)**					
	UBS Bank USA Dep acct				229,550.45	224,043.84
	UBS RMA Government Portfolio				-	-
	Accrued interest				17,539.08	16,762.68
					247,089.53	**240,806.52**
	US Government Securities					
	CUSIP #	**Issuer**	**Maturity Date**	**Rate**	**PAR**	**Market Value**	**Market Value**
	3133EDMN9	FFCB Bond	06/02/2016	0.37	1,000,000	1,000,000.00	1,000,070.00
	912828KD1	US Treasury Note	02/15/2019	2.62	1,500,000	1,571,430.00	1,577,460.00
	912828P53	US Treasury Note	02/15/2019	0.75	1,000,000	993,670.00	996,060.00
					3,500,000	**3,565,100.00**	**3,573,590.00**
	Certificates of Deposit					
		Issuer	**Maturity Date**	**Rate**	**Face Value**		
	1	Goldman Sachs Bk	11/07/2016	1.00	240,000	240,501.60	240,511.20
	2	CIT Bank	11/06/2017	1.60	240,000	240,271.20	240,254.40
	3	BMW Bank	11/15/2018	1.96	240,000	245,128.80	244,384.80
	4	American Express	04/29/2019	1.43	240,000	243,391.20	241,972.80
	5	Synchrony Bank	04/14/2020	1.81	240,000	245,647.20	243,736.80
					1,200,000	**1,214,940.00**	**1,210,860.00**
				Acct. Total	**5,027,129.53**	**5,025,256.52**
				Total Managed Accounts	**12,612,044.67**	**11,481,003.87**
1-00-1121-000	**UBS Rate Stabilization Fund (SS 24016) - *District Restricted***					
	UBS Bank USA Dep acct				250,000.00	250,000.00
	UBS RMA Government Portfolio				230,281.82	230,278.05
				Acct. Total	**480,281.82**	**480,278.05**
				GRAND TOTAL CASH AND INVESTMENTS	**13,316,414.44**	**12,340,454.48**
				Increase (Decrease) in Funds	**975,959.96**	
1-00-1130-000	**2013A Bonds - Project Funds (BNY Mellon)**					
	Construction Funds				**671,401.88**	**671,280.91**

PALMDALE WATER DISTRICT

2016 Cash Flow Report (Based on Jan. 19, 2016 Approved Budget)

	January	February	March	April	May	June	July	August	September	October	November	December	YTD	Budget 2017 Carryover Information
Total Cash Beginning Balance (BUDGET)	**12,253,595**	**11,996,708**	**12,070,140**	**9,443,313**	**11,240,278**	**11,923,901**	**11,779,269**	**10,981,346**	**11,574,708**	**9,220,541**	**9,395,698**	**9,267,781**		
Total Cash Beginning Balance	**12,253,595**	**12,534,672**	**12,719,333**	**10,275,232**	**12,340,454**	**13,316,414**	**13,000,882**	**12,419,230**	**12,320,180**	**10,056,101**	**10,012,061**	**9,887,528**		
Budgeted Water Receipts	1,541,128	1,523,788	1,575,809	1,590,982	1,790,396	1,946,460	2,165,382	2,202,231	2,030,994	1,946,460	1,688,521	1,673,349	21,675,500	
Water Receipts	**1,836,145**	**1,903,857**	**1,602,349**	**1,518,640**	**1,618,564**	1,946,460	2,165,382	2,202,231	2,030,994	1,946,460	1,688,521	1,673,349	22,132,952	
DWR Refund (Operational Related)				**1,718**	**28**								1,746	
Other													-	
Total Operating Revenue (BUDGET)													-	
Total Operating Revenue (ACTUAL)	1,836,145	1,903,857	1,602,349	1,520,358	1,618,592	1,946,460	2,165,382	2,202,231	2,030,994	1,946,460	1,688,521	1,673,349	22,134,698	
Total Operating Expenses excl GAC (BUDGET)	(1,237,486)	(1,217,967)	(1,591,629)	(1,550,533)	(1,568,100)	(1,439,060)	(1,770,025)	(1,614,651)	(1,795,266)	(1,449,785)	(1,434,170)	(1,550,028)	(18,218,700)	
GAC (BUDGET)	(362,730)		(190,000)			(190,000)			(190,000)		(190,000)		(1,122,730)	
Operating Expenses excl GAC (ACTUAL)	**(1,356,117)**	**(1,281,496)**	**(1,961,054)**	**(1,361,831)**	**(1,377,208)**	(1,439,060)	(1,770,025)	(1,614,651)	(1,795,266)	(1,449,785)	(1,434,170)	(1,550,028)	(18,390,691)	
GAC	**(62,730)**	**(183,290)**	**(275,135)**					(190,000)			(190,000)		(901,154)	
Prepaid Insurance (paid)/refunded		**(66,457)**											(66,457)	
Total Operating Expense (ACTUAL)	(1,418,847)	(1,531,243)	(2,236,189)	(1,361,831)	(1,377,208)	(1,439,060)	(1,770,025)	(1,804,651)	(1,795,266)	(1,449,785)	(1,624,170)	(1,550,028)	(19,358,302)	
Non-Operating Revenue Expenses:														
Assessments, net (BUDGET)	664,439	253,955	14,289	2,027,090	739,781	11,042	75,342	127,302	-	-	129,251	2,452,512	6,495,000	
Actual/Projected Assessments, net	**684,181**	**313,172**	**15,308**	**2,078,805**	**818,666**	**12,539**	75,342	127,302	-	-	129,251	2,452,512	6,707,077	
RDA Pass-through (Successor Agency)					**307,851**								307,851	
Interest	**3,168**	**4,991**	**9,069**	**8,540**	**9,385**	2,915	2,915	2,915	2,915	2,915	2,915	2,935	55,578	
Market Adjustment	**7,983**	**(12,780)**	**7,384**	**(3,392)**	**(4,736)**								(5,542)	
Grant Re-imbursement						**306,915**						177,000	483,915	
Capital Improvement Fees								25,000				25,000	50,000	
DWR Refund (Capital Related)				**98,537**	**37,228**				50,000			50,000	235,765	
Other	**3,415**	**26**	**590**	**(202)**	**(33)**	8,330	8,330	8,330	8,330	8,330	8,330	8,370	62,146	
Total Non-Operating Revenues (BUDGET)													-	
Total Non-Operating Revenues (ACTUAL)	**698,746**	**305,408**	**32,351**	**2,182,288**	**1,168,361**	**330,699**	**86,587**	**163,547**	**61,245**	**11,245**	**140,496**	**2,715,817**	**7,896,790**	
Non-Operating Expenses:														
Budgeted Capital Expenditures	(514,999)	(306,567)	(287,878)	(40,796)	(48,676)	(26,296)	(91,743)	(91,743)	(91,743)	(91,743)	(91,744)	(918,263)	(2,602,191)	
Actual/Projected Capital Expenditures	**(93,505)**	**(302,341)**	**(24,615)**	**(62,302)**	**(242,404)**	(225,390)	(115,113)	(38,796)	(26,296)	(160,581)	-	-	(1,291,344)	
Uncommitted Capital Expenditures	-	-	-	-	-	(10,000)	(210,000)	(430,000)	(215,000)	(200,000)	(138,000)	-	(1,203,000)	
WRB Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-	(347,629)	(347,629)	(582,380)
SWP Capitalized	**(717,495)**	**(170,388)**	**(196,069)**	**(170,390)**	**(170,390)**	(170,390)	(717,492)	(170,390)	(201,804)	(170,388)	(170,388)	(170,388)	(3,195,972)	
Butte County Water Transfer						**(726,859)**						(726,859)	(1,453,719)	
Bond Payments - Interest			**(1,084,814)**						(1,076,522)				(2,161,336)	
Principal			**(537,114)**						(1,020,439)				(1,557,553)	
Capital leases - Go West (2012 Lease)	**(17,296)**	**(17,296)**	**-**	**(35,624)**	**(17,296)**	(17,296)	(17,296)	(17,296)	(17,296)	(17,296)	(17,296)	(17,296)	(208,585)	
Capital leases - GE Capital (Printer Lease)	**(6,672)**	**(3,336)**	**-**	**(7,277)**	**(3,695)**	(3,695)	(3,695)	(3,695)	(3,695)	(3,695)	(3,695)	(3,695)	(46,846)	
Total Non-Operating Expenses (ACTUAL)	**(834,969)**	**(493,362)**	**(1,842,612)**	**(275,592)**	**(433,785)**	**(1,153,631)**	**(1,063,596)**	**(660,177)**	**(2,561,052)**	**(551,961)**	**(329,379)**	**(1,265,868)**	**(11,465,983)**	
Total Cash Ending Balance (BUDGET)	**11,996,708**	**12,070,140**	**9,443,313**	**11,240,278**	**11,923,901**	**11,779,269**	**10,981,346**	**11,574,708**	**9,220,541**	**9,395,698**	**9,267,781**	**10,300,285**		
Total Cash Ending Balance (ACTUAL)	**12,534,672**	**12,719,333**	**10,275,232**	**12,340,454**	**13,316,414**	**13,000,882**	**12,419,230**	**12,320,180**	**10,056,101**	**10,012,061**	**9,887,528**	**11,460,798**		
												Budget	**10,300,285**	
												Difference	**1,160,513**	

Indicates actual expenditures/revenues:

Indicates anticipated expenditures/revenues:

PALMDALE WATER DISTRICT

BOARD MEMORANDUM

DATE:	July 7, 2016	**July 12, 2016**
TO:	Finance Committee	**Committee Meeting**
FROM:	Michael Williams, Finance Manager/CFO	
VIA:	Mr. Dennis LaMoreaux, General Manager	
RE:	***AGENDA ITEM 4.3 – DISCUSSION AND OVERVIEW OF FINANCIAL STATEMENTS, REVENUE, AND EXPENSE AND DEPARTMENTAL BUDGET REPORTS FOR MAY, 2016***	

Discussion:

Presented here are the Balance Sheet and Profit/Loss Statement for the period ending May 31, 2016. 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 May, 2016.

This is the fifth month of the District's Budget Year 2016. The target percentage is 41%. Revenues ideally are at or above, and expenditures ideally are below.

Balance Sheet:

- Page 1 is our balance sheet on May 31, 2016.
- The significant change is in the investments. There is an increase of approximately $1M. This is due primarily to the assessment payment received and pass through dissolution RDA.

Profit/Loss Statement:

- Page 3 is our profit/loss statement on May 31, 2016.
- Operating revenue is at 37% of budget, a relatively good position at this time of year and conditions.
- Cash operating expense is at 40% of budget. This too is a relatively good position, just at our target percentage.
- Net operating profit for the month of May was $386K. Net operating loss year-to-date is at $219K.
- Water Conservation continues to track higher due to expenses related to public relations.
- Page 3-1 is a listing of other revenues, and it includes year to date totals.
- Page 6 is showing the distribution of operating expense between labor and operations. Labor costs are currently at 51% of total expenses with salaries making up 34% of that.

Year-To-Year Comparison P&L:

- Page 7 is our comparison of May, 2015 to May, 2016.
- Total operating revenue is up $22K, or 1.3%.
- Operating expenditures are up $66K, or 5%.

- Page 7-1 is our comparison of May, 2014 to May, 2016.
- Total operating revenue is down $185K, or 9.6%.
- Total operating expenses were down $363K, or 21%, due primarily to reduced plant expenditures.
- Page 8 and 8-1 is a graphic presentation of the water consumption comparison for 2015 and 2014, respectively. Units billed in acre feet for 2015 comparison were down by 281, or 19%. Total revenue per unit sold is up $0.7, or 26%, total revenue per connection is down $3.4, or 5.3%, and units billed per connection is down 4.67, or 20%.
- Units billed in acre feet for 2014 comparison were down by 492, or 30%. Total revenue per unit sold is up $0.80, or 29%, total revenue per connection is down $8.80, or 12.8%, and units billed per connection is down 8.22, or 30%.

Revenue Analysis Year-To-Date:

- Page 9 is our comparison of revenue, year-to-date.
- Operating revenue through May, 2016 is down $125K, or 1.5%.
- Retail water revenue from all areas are down by $250K from last year. That's shown by the combined green highlighted area.
- Retail water sales including the drought surcharge, but excluding meter fees, is down $211K.
- Total revenue is down $155K.
- Operating revenue is at 36.7% of budget; last year was at 34.8% of budget. However, our 2016 revenue budget is $1.5MM less than 2015.

Expense Analysis Year-To-Date:

- Page 11 is our comparison of expense, year-to-date.
- Cash Operating Expenses through May, 2016 are up $264K, or 3%, compared to 2015.
- Total Expenses are up $513K, or 4%, due primarily to reduced depreciation and our contribution to PRWA.

Departments:

- Pages 14 through 24 are detailed individual departmental budgets for your review.

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.

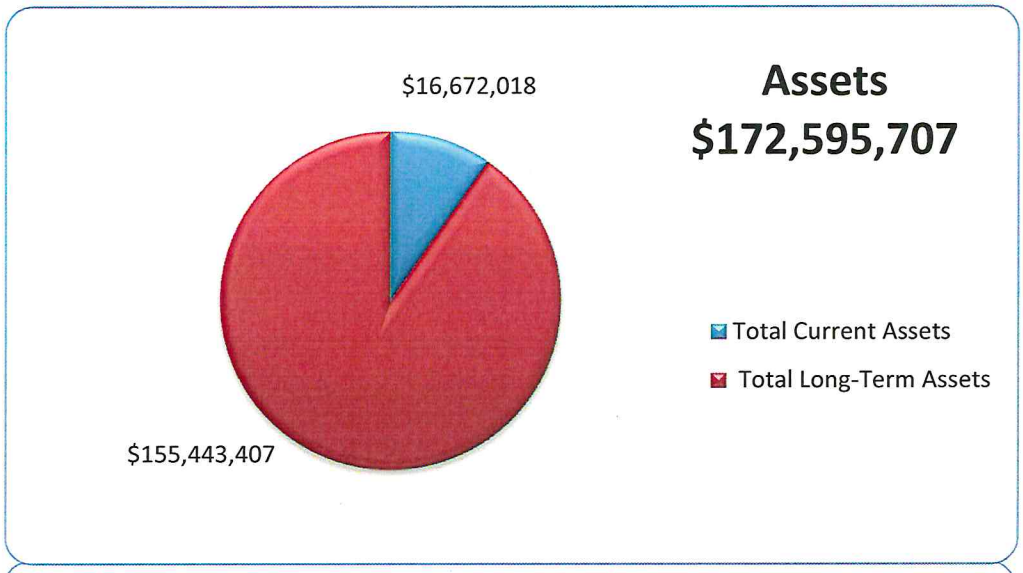
Service Cost Construction: The value of material, parts & supplies from inventory used to construct, repair and maintain our asset infrastructure.

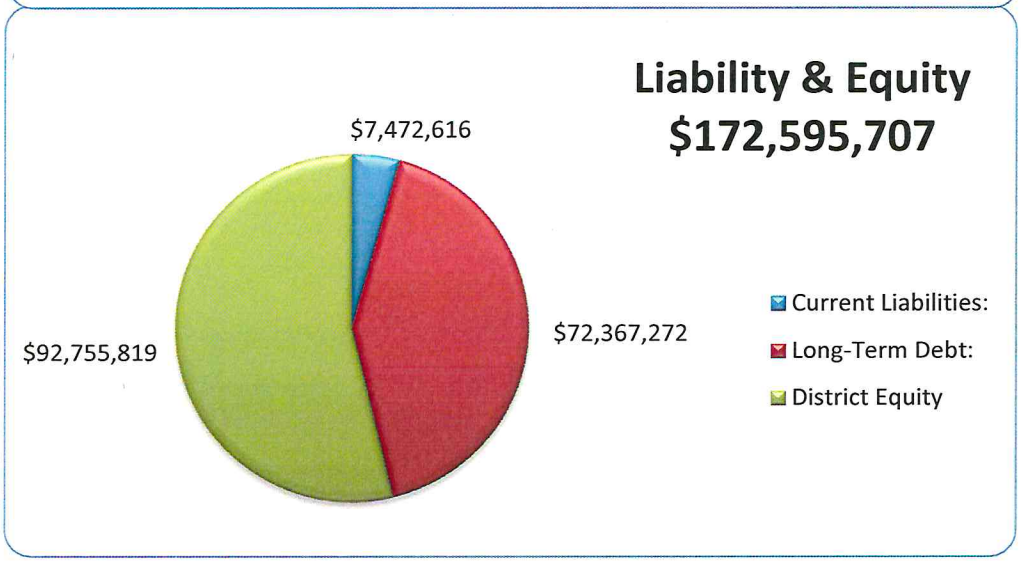
Capitalized Construction: The value of our labor force used to construct our asset infrastructure.

Palmdale Water District
Balance Sheet Report
For the Five Months Ending 5/31/2016

	May 2016	April 2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 224,088	$ 379,173
Investments	12,612,045	11,481,004
2013A Bonds - Project Funds	639,608	671,281
	$ 13,475,740	$ 12,531,457
Receivables:		
Accounts Receivables - Water Sales	$ 1,571,868	$ 1,542,377
Accounts Receivables - Miscellaneous	26,378	27,864
Allowance for Uncollected Accounts	(196,113)	(196,113)
	$ 1,402,134	$ 1,374,129
Assessments Receivables	$ 948,208	$ 1,766,874
Meters, Materials and Supplies	719,335	722,462
Prepaid Expenses	126,601	151,372
Total Current Assets	**$ 16,672,018**	**$ 16,546,294**
Long-Term Assets:		
Property, Plant, and Equipment, net	$ 111,170,399	$ 111,468,852
Participation Rights in State Water Project, net	43,119,725	43,146,233
Investment in PRWA	229,923	229,923
2013A Bonds - Insurance & Surity Bond	218,559	219,225
CalPERS Contributions	704,801	704,801
	$ 155,443,407	**$ 155,769,035**
Restricted Cash:		
Rate Stabilization Fund	480,282	480,278
Total Long-Term Assets & Restricted Cash	**$ 155,923,689**	**$ 156,249,313**
Total Assets	**$ 172,595,707**	**$ 172,795,607**
LIABILITIES AND DISTRICT EQUITY		
Current Liabilities:		
Current Interest Installment of Long-term Debt	$ 358,877	$ 179,454
Current Principal Installment of Long-term Debt	1,144,031	1,159,324
Accounts Payable and Accrued Expenses	5,378,042	5,429,857
Deferred Assessments	591,667	1,183,333
Total Current Liabilities	**$ 7,472,616**	**$ 7,951,969**
Long-Term Debt:		
Pension-Related Debt	$ 9,177,550	$ 9,177,550
OPEB Liability	12,133,103	11,953,558
2013A Water Revenue Bonds	42,948,212	42,950,463
2012 - Certificates of Participation	8,061,121	8,054,323
2011 - Capital Lease Payable	47,286	47,286
Total Long-Term Liabilities	**$ 72,367,272**	**$ 72,183,180**
Total Liabilities	**$ 79,839,887**	**$ 80,135,149**
District Equity		
Revenue from Operations	$ (1,899,578)	$ (1,994,938)
Retained Earnings	94,655,397	94,655,397
Total Liabilities and District Equity	**$ 172,595,707**	**$ 172,795,607**

BALANCE SHEET AS OF MAY 31, 2016



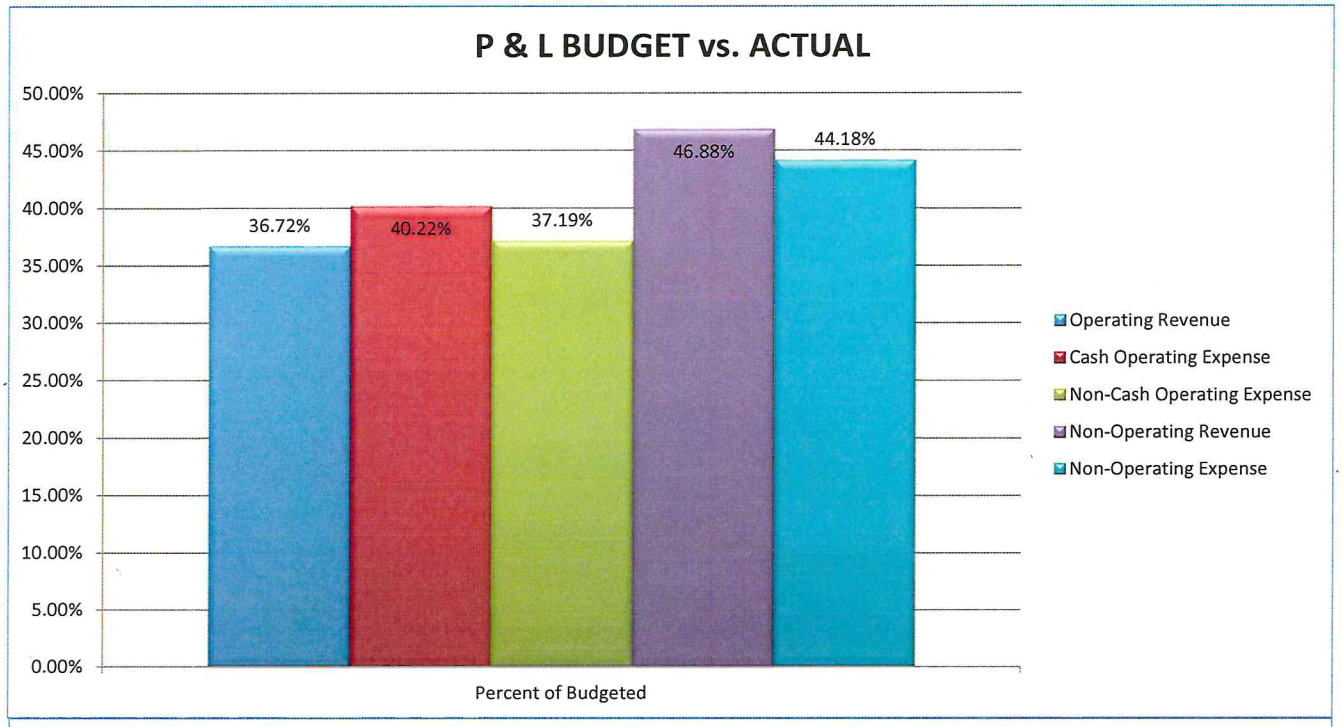


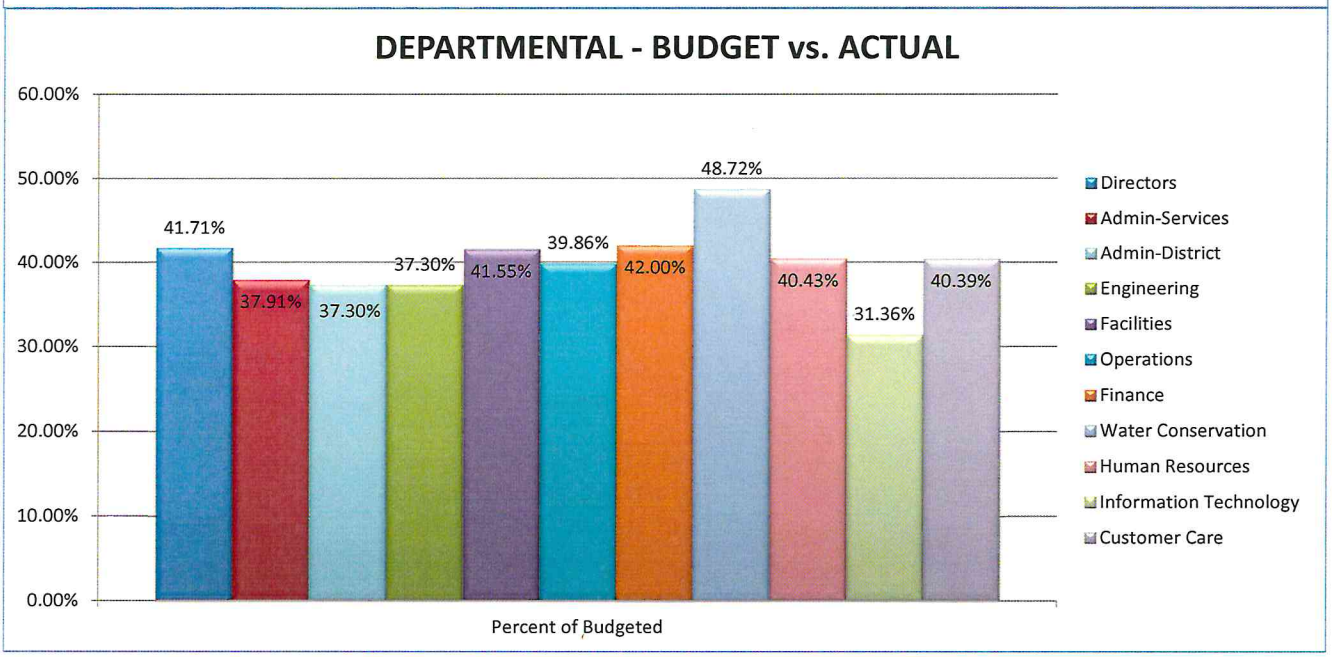
Palmdale Water District
Consolidated Profit and Loss Statement
For the Five Months Ending 5/31/2016

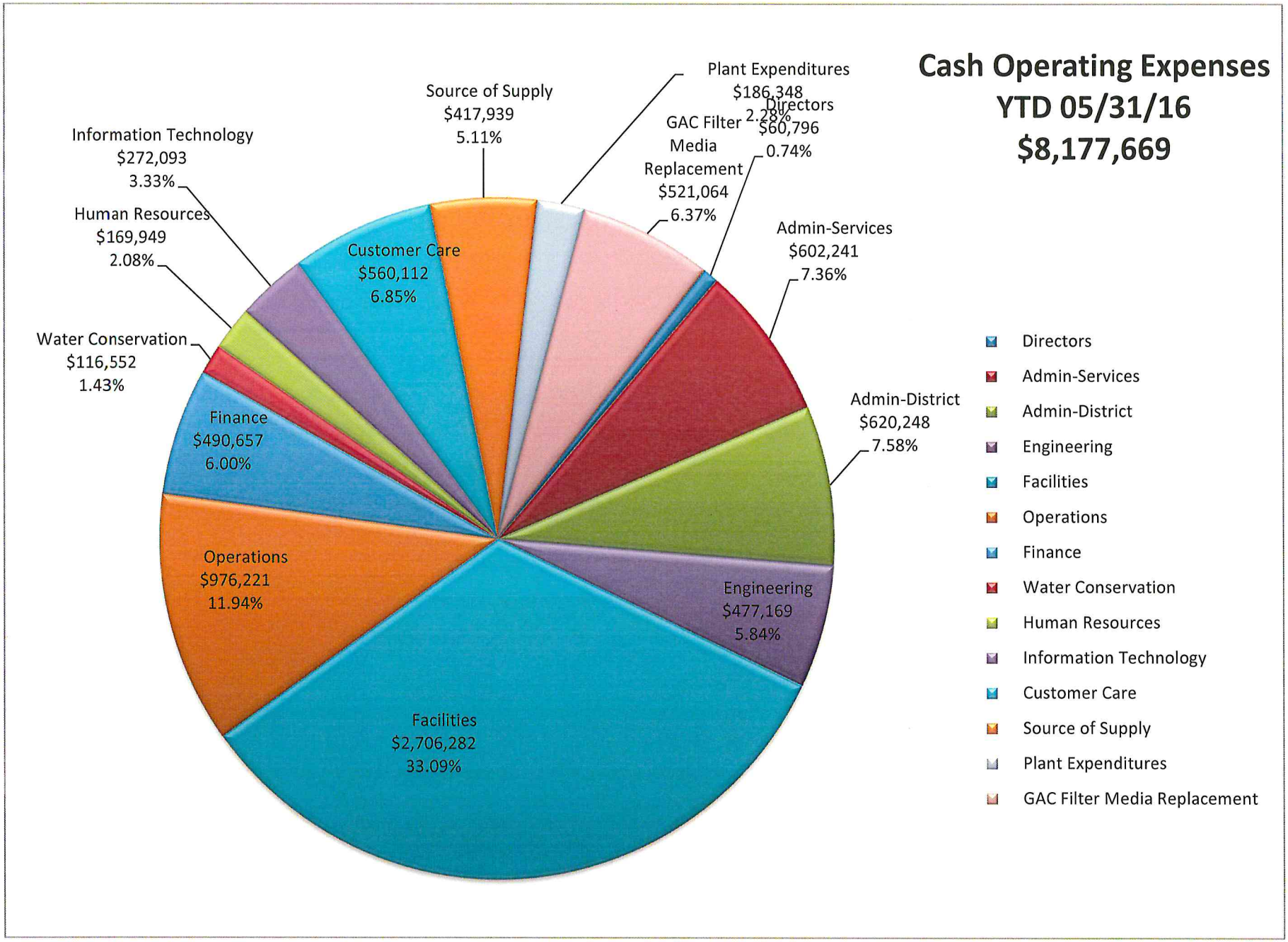
	Thru April	May	Year-to-Date	Adjustments	Adjusted Budget	% of Budget
Operating Revenue:						
Wholesale Water	$ 24,409	$ 31,746	$ 56,156		$ 160,000	35.10%
Water Sales	1,464,397	456,289	1,920,686		7,242,000	26.52%
Meter Fees	4,054,090	1,015,014	5,069,104		12,079,000	41.97%
Water Quality Fees	197,368	64,266	261,634		934,500	28.00%
Elevation Fees	72,650	25,851	98,501		400,000	24.63%
Other (Page 3-1)	245,530	51,076	296,606		860,000	34.49%
Drought Surcharge	170,296	85,553	255,849		-	
Total Operating Revenue	**$ 6,228,741**	**$ 1,729,795**	**$ 7,958,536**	**$ -**	**$ 21,675,500**	**36.72%**
Cash Operating Expenses:						
Directors	$ 53,820	$ 6,976	$ 60,796		$ 145,750	41.71%
Administration-Services	489,001	113,240	602,241		1,588,750	37.91%
Administration-District	501,713	118,535	620,248		1,612,750	38.46%
Engineering	384,969	92,200	477,169		1,279,250	37.30%
Facilities	2,231,543	474,738	2,706,282		6,513,750	41.55%
Operations	774,529	201,692	976,221		2,449,250	39.86%
Finance	400,657	89,999	490,657		1,168,250	42.00%
Water Conservation	89,693	26,858	116,552		239,250	48.72%
Human Resources	145,343	24,605	169,949		420,350	40.43%
Information Technology	232,519	39,573	272,093		867,750	31.36%
Customer Care	447,153	112,959	560,112		1,386,750	40.39%
Source of Supply-Purchased Water	406,191	11,748	417,939		1,725,000	24.23%
Plant Expenditures	156,477	29,871	186,348		-	
GAC Filter Media Replacement	521,064	-	521,064		934,500	55.76%
Total Cash Operating Expenses	**$ 6,834,675**	**$ 1,342,994**	**$ 8,177,669**	**$ -**	**$ 20,331,350**	**40.22%**
Net Cash Operating Profit/(Loss)	**$ (605,934)**	**$ 386,802**	**$ (219,132)**	**$ -**	**$ 1,344,150**	**-16.30%**
Non-Cash Operating Expenses:						
Depreciation	$ 1,948,973	$ 463,276	$ 2,412,249		$ 7,200,000	33.50%
OPEB Accrual Expense	783,441	195,860	979,301		2,250,000	43.52%
Bad Debts	26,982	13,834	40,816		50,000	81.63%
Service Costs Construction	26,628	(3,445)	23,183		125,000	18.55%
Capitalized Construction	(247,865)	-	(247,865)		(1,000,000)	24.79%
Total Non-Cash Operating Expenses	**$ 2,538,158**	**$ 669,525**	**$ 3,207,683**	**$ -**	**$ 8,625,000**	**37.19%**
Net Operating Profit/(Loss)	**$ (3,144,092)**	**$ (282,724)**	**$ (3,426,816)**	**$ -**	**$ (7,280,850)**	**47.07%**
Non-Operating Revenues:						
Assessments (Debt Service)	$ 1,786,833	$ 446,708	$ 2,233,542		$ 4,670,000	47.83%
Assessments (1%)	579,833	452,809	1,032,643		2,025,000	50.99%
DWR Fixed Charge Recovery	98,537	37,228	135,765		200,000	67.88%
Interest	24,962	4,649	29,611		35,000	84.60%
Capital Improvement Fees	-	-	-		50,000	0.00%
Grants - State and Federal	-	-	-		485,000	0.00%
Other	124,539	(33)	124,506		120,000	103.75%
Total Non-Operating Revenues	**$ 2,614,704**	**$ 941,361**	**$ 3,556,066**	**$ -**	**$ 7,585,000**	**46.88%**
Non-Operating Expenses:						
Interest on Long-Term Debt	$ 745,760	$ 185,210	$ 930,970		$ 2,228,000	41.79%
Amortization of SWP	787,582	196,898	984,480		2,238,000	43.99%
Change in Investments in PRWA	103,794	-	103,794		-	
Water Conservation Programs	6,609	2,974	9,583		126,500	7.58%
Total Non-Operating Expenses	**$ 1,643,745**	**$ 385,082**	**$ 2,028,828**	**$ -**	**$ 4,592,500**	**44.18%**
Net Earnings	**$ (2,173,133)**	**$ 273,556**	**$ (1,899,578)**	**$ -**	**$ (4,288,350)**	**44.30%**

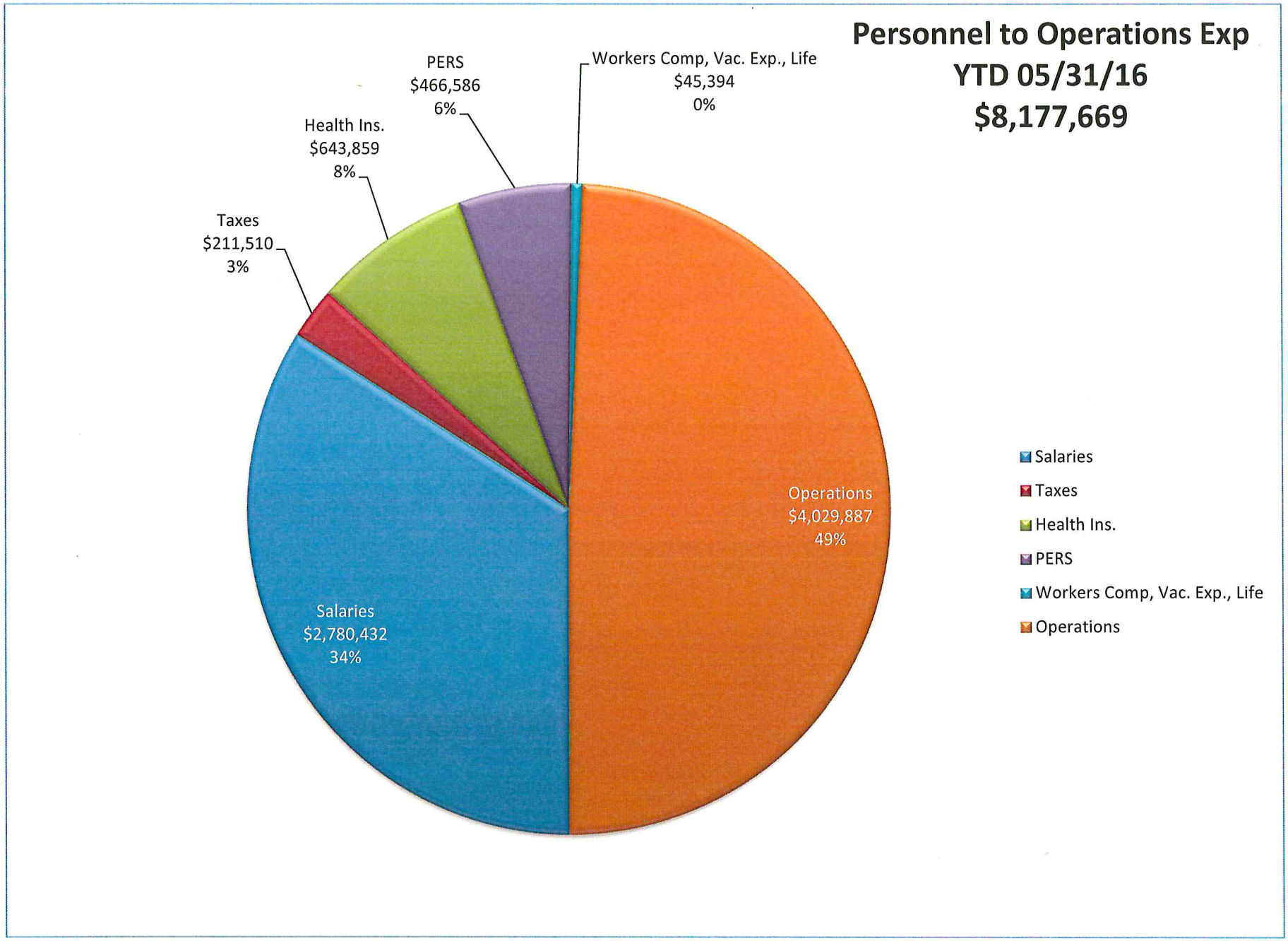
OTHER OPERATING REVENUE

	Current	YTD
Account Setup Charge($25)	$4,500.00	$17,060.00
Customer Request Turn On/Off($15)	$15.00	$15.00
Account Setup Charge/CC ($35)	$0.00	$1,085.00
5/8" Meter W/Itron Assembly($212)	$0.00	($212.00)
After Hours Service Call	$0.00	$365.00
Credit Check($10)	$0.00	$690.00
Grind Down Angle Stop ($230)	$0.00	($230.00)
Lock Broken or Missing($15)	$15.00	$315.00
Miscellaneous Charge	$0.00	$931.70
Non-Compliance Fee Backflow($50)	$100.00	$450.00
Pulled Meter Service Charge($60)	$0.00	$360.00
Rejected Payment Notification	$220.00	$1,260.00
Repair Angle Stop After Hours($600.00)	$1,200.00	$1,200.00
Repair Angle Stop($440.00)	$1,320.00	$3,520.00
Shut-Off Charge($30)	$5,340.00	$31,410.00
Shut-Off Notice Fee ($5)	$9,800.00	$40,260.00
Standard Trip Charge($15)	$210.00	$1,020.00
Waste Water 1st Notice($50.00)	$1,750.00	$5,000.00
Waste Water 2nd Notice ($250.00)	($250.00)	($250.00)
Late Fees	$30,044.40	$152,723.42
NSF Fee	$375.00	$1,625.00


P & L BUDGET vs. ACTUAL
50.00%
45.00%
40.00%
35.00%
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
36.72%
40.22%
37.19%
46.88%
44.18%
Operating Revenue
Cash Operating Expense
Non-Cash Operating Expense
Non-Operating Revenue
Non-Operating Expense
Percent of Budgeted


DEPARTMENTAL - BUDGET vs. ACTUAL
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
41.71%
37.91%
37.30%
37.30%
41.55%
39.86%
42.00%
48.72%
40.43%
31.36%
40.39%
Directors
Admin-Services
Admin-District
Engineering
Facilities
Operations
Finance
Water Conservation
Human Resources
Information Technology
Customer Care
Percent of Budgeted


Cash Operating Expenses
YTD 05/31/16
$8,177,669
Plant Expenditures
$186,348
2.28%
Source of Supply
$417,939
5.11%
Directors
$60,796
0.74%
GAC Filter Media Replacement
$521,064
6.37%
Information Technology
$272,093
3.33%
Admin-Services
$602,241
7.36%
Human Resources
$169,949
2.08%
Customer Care
$560,112
6.85%
Water Conservation
$116,552
1.43%
Admin-District
$620,248
7.58%
Finance
$490,657
6.00%
Operations
$976,221
11.94%
Engineering
$477,169
5.84%
Facilities
$2,706,282
33.09%
Directors
Admin-Services
Admin-District
Engineering
Facilities
Operations
Finance
Water Conservation
Human Resources
Information Technology
Customer Care
Source of Supply
Plant Expenditures
GAC Filter Media Replacement


Personnel to Operations Exp
YTD 05/31/16
$8,177,669
PERS
$466,586
6%
Workers Comp, Vac. Exp., Life
$45,394
0%
Health Ins.
$643,859
8%
Taxes
$211,510
3%
Operations
$4,029,887
49%
Salaries
$2,780,432
34%
Salaries
Taxes
Health Ins.
PERS
Workers Comp, Vac. Exp., Life
Operations

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

	2015 May	2016 May	Change	% Change
Operating Revenue:				
Wholesale Water	$ 442	$ 31,746	$ 31,304	
Water Sales	583,678	456,289	(127,388)	-21.83%
Meter Fees	971,232	1,015,014	43,782	4.51%
Water Quality Fees	85,605	64,266	(21,339)	-24.93%
Elevation Fees	36,850	25,851	(10,999)	-29.85%
Other	29,568	51,076	21,508	72.74%
Drought Surcharge		85,553	85,553	
Total Operating Revenue	**$ 1,707,376**	**$ 1,729,795**	**$ 22,420**	**1.31%**
Cash Operating Expenses:				
Directors	$ 16,148	$ 6,976	$ (9,172)	-56.80%
Administration-Services	198,564	113,240	33,211	16.73%
Administration-District	-	118,535		
Engineering	87,080	92,200	5,119	5.88%
Facilities	442,106	474,738	32,632	7.38%
Operations	204,273	201,692	(2,582)	-1.26%
Finance	87,325	89,999	2,674	3.06%
Water Conservation	18,800	26,858	8,059	42.87%
Human Resources	30,958	24,605	(6,353)	-20.52%
Information Technology	37,948	39,573	1,625	4.28%
Customer Care	105,511	112,959	7,448	7.06%
Source of Supply-Purchased Water	(80,157)	11,748	91,904	-114.66%
Plant Expenditures	127,539	29,871	(97,668)	-76.58%
GAC Filter Media Replacement	-	-	-	
Total Cash Operating Expenses	**$ 1,276,095**	**$ 1,342,994**	**$ 66,898**	**5.24%**
Non-Cash Operating Expenses:				
Depreciation	$ 534,975	$ 463,276	$ (71,699)	-13.40%
OPEB Accrual Expense	183,580	195,860	12,280	6.69%
Bad Debts	-	13,834	13,834	
Service Costs Construction	(9,570)	(3,445)	6,124	-64.00%
Capitalized Construction	(97,561)	-	97,561	-100.00%
Total Non-Cash Operating Expenses	**$ 611,425**	**$ 669,525**	**$ 58,100**	**9.50%**
Net Operating Profit/(Loss)	**$ (180,145)**	**$ (282,724)**	**$ (102,579)**	**56.94%**
Non-Operating Revenues:				
Assessments (Debt Service)	$ 446,500	$ 446,708	$ 208	0.05%
Assessments (1%)	472,200	452,809	(19,391)	-4.11%
DWR Fixed Charge Recovery	35,221	37,228	2,007	5.70%
Interest	2,539	4,649	2,110	83.10%
Capital Improvement Fees	-	-	-	
Other	21	(33)	(54)	-256.47%
Total Non-Operating Revenues	**$ 956,481**	**$ 941,361**	**$ (15,120)**	-1.58%
Non-Operating Expenses:				
Interest on Long-Term Debt	$ 189,347	$ 185,210	$ (4,137)	-2.18%
Amortization of SWP	172,877	196,898	24,021	13.89%
Change in Investments in PRWA	5,093	-	(5,093)	-100.00%
Water Conservation Programs	15,117	2,974	(12,143)	-80.33%
Total Non-Operating Expenses	**$ 382,434**	**$ 385,082**	**$ 2,649**	0.69%
Net Earnings	**$ 393,903**	**$ 273,556**	**$ (120,348)**	**-30.55%**

Consumption Comparison

	2015	2016
Units Billed	616,550	494,352
Active	26,496	26,585
Vacant	881	819
Rev/unit	$ 2.77	$ 3.50
Rev/con	$ 63.32	$ 59.93
Unit/con	23.27	18.60

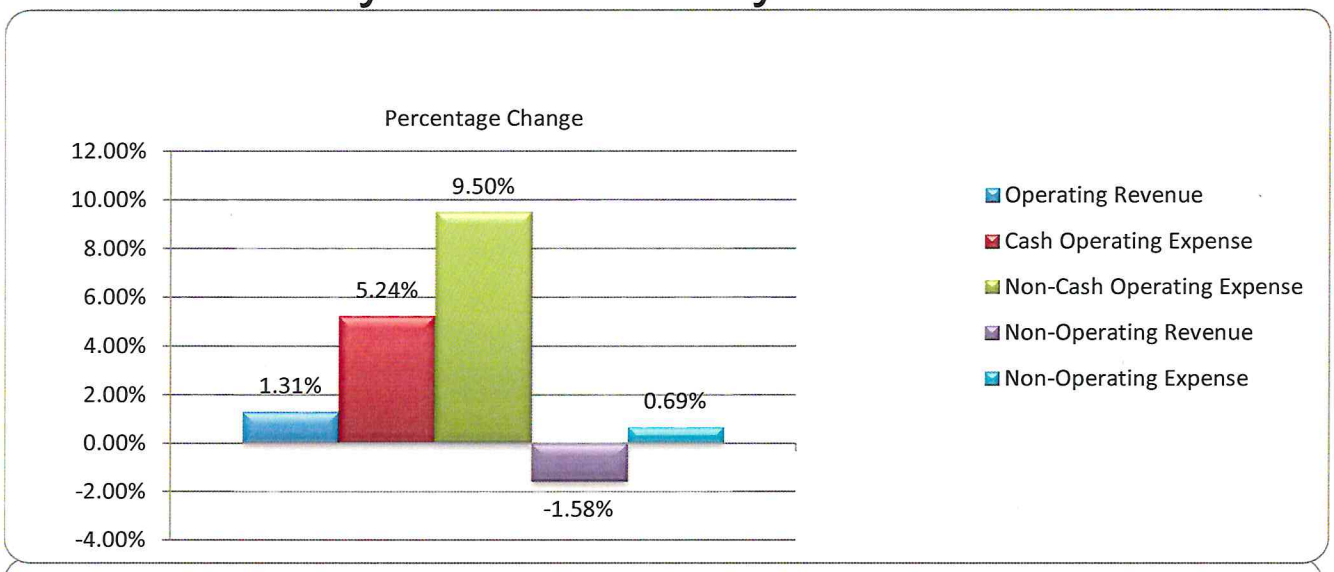
Palmdale Water District
Profit and Loss Statement
Year-To-Year Comparison-2 Years - May

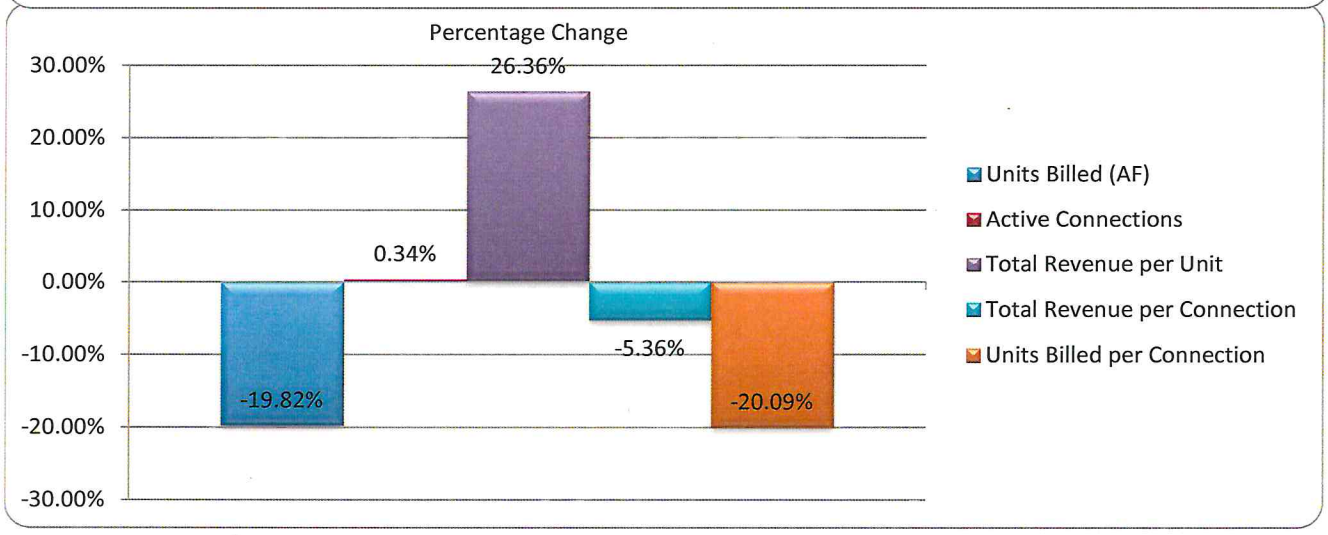
	2014 May	2016 May	Change	% Change
Operating Revenue:				
Wholesale Water	$ 4,860	$ 31,746	$ 26,886	553.20%
Water Sales	682,139	456,289	(225,850)	-33.11%
Meter Fees	944,186	1,015,014	70,828	7.50%
Water Quality Fees	141,641	64,266	(77,376)	-54.63%
Elevation Fees	43,669	25,851	(17,819)	-40.80%
Other	98,500	51,076	(47,424)	-48.15%
Drought Surcharge	-	85,553	85,553	
Total Operating Revenue	**$ 1,914,996**	**$ 1,729,795**	**$ (185,200)**	**-9.67%**
Cash Operating Expenses:				
Directors	$ 14,213	$ 6,976	$ (7,237)	-50.92%
Administration-Services	159,803	113,240	71,972	45.04%
Administration-District	-	118,535		
Engineering	76,866	92,200	15,334	19.95%
Facilities	241,691	474,738	233,048	96.42%
Operations	463,241	201,692	(261,549)	-56.46%
Finance	252,359	89,999	(162,360)	-64.34%
Water Conservation	9,967	26,858	16,891	169.47%
Human Resources	23,516	24,605	1,090	4.63%
Information Technology	93,087	39,573	(53,513)	-57.49%
Customer Care	-	112,959	112,959	
Source of Supply-Purchased Water	24,913	11,748	(13,165)	-52.85%
Plant Expenditures	347,101	29,871	(317,230)	-91.39%
GAC Filter Media Replacement	-	-	-	
Total Cash Operating Expenses	**$ 1,706,756**	**$ 1,342,994**	**$ (363,762)**	**-21.31%**
Non-Cash Operating Expenses:				
Depreciation	$ 549,115	$ 463,276	$ (85,839)	-15.63%
OPEB Accrual Expense	166,875	195,860	28,985	17.37%
Bad Debts	4,062	13,834	9,773	240.61%
Service Costs Construction	(147,733)	(3,445)	144,288	-97.67%
Capitalized Construction	(109,506)	-	109,506	-100.00%
Total Non-Cash Operating Expenses	**$ 462,812**	**$ 669,525**	**$ 206,713**	**44.66%**
Net Operating Profit/(Loss)	**$ (254,572)**	**$ (282,724)**	**$ (28,151)**	**11.06%**
Non-Operating Revenues:				
Assessments (Debt Service)	$ 531,994	$ 446,708	$ (85,285)	-16.03%
Assessments (1%)	436,152	452,809	16,658	3.82%
DWR Fixed Charge Recovery	133,539	37,228	(96,311)	-72.12%
Interest	5,957	4,649	(1,309)	-21.97%
Capital Improvement Fees	-	-	-	
Other	50,688	(33)	(50,721)	-100.07%
Total Non-Operating Revenues	**$ 1,158,329**	**$ 941,361**	**$ (216,968)**	-18.73%
Non-Operating Expenses:				
Interest on Long-Term Debt	$ 193,353	$ 185,210	$ (8,143)	-4.21%
Amortization of SWP	159,510	196,898	37,388	23.44%
Change in Investments in PRWA	-	-	-	
Water Conservation Programs	23,405	2,974	(20,431)	-87.29%
Total Non-Operating Expenses	**$ 376,268**	**$ 385,082**	**$ 8,815**	2.34%
Net Earnings	**$ 527,489**	**$ 273,556**	**$ (253,934)**	**-48.14%**

Consumption Comparison

	2014	2016
Units Billed	708,815	494,352
Active	26,431	26,585
Vacant	940	819
Rev/unit	$ 2.70	$ 3.50
Rev/con	$ 68.73	$ 59.93
Unit/con	26.82	18.60

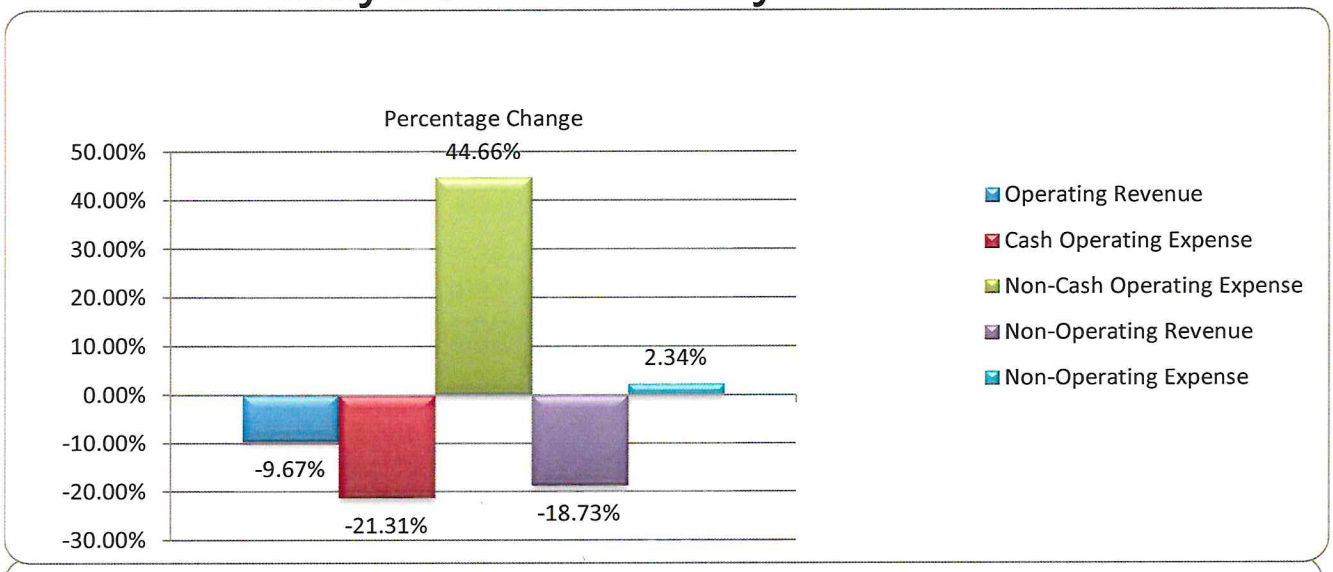
YEAR-TO-YEAR COMPARISON
May 2015 -To - May 2016

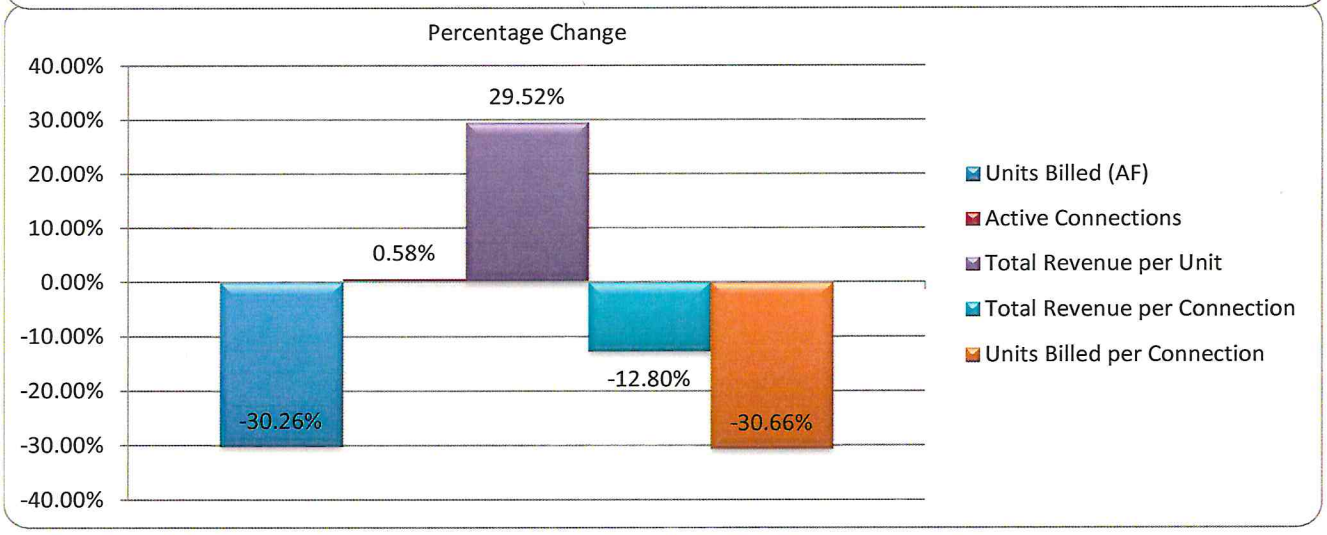




	2015	2016	Change	
Units Billed (AF)	1,415	1,135	-281	-19.82%
Active Connections	26,496	26,585	89	0.34%
Non-Active	881	819	-62	-7.04%
Total Revenue per Unit	$2.77	$3.50	$0.73	26.36%
Total Revenue per Connection	$63.32	$59.93	-$3.40	-5.36%
Units Billed per Connection	23.27	18.60	-4.67	-20.09%

YEAR-TO-YEAR COMPARISON
May 2014 -To - May 2016





	2014	2016	Change	
Units Billed (AF)	1,627	1,135	-492	-30.26%
Active Connections	26,431	26,585	154	0.58%
Non-Active	940	819	-121	-12.87%
Total Revenue per Unit	$2.70	$3.50	$0.80	29.52%
Total Revenue per Connection	$68.73	$59.93	-$8.80	-12.80%
Units Billed per Connection	26.82	18.60	-8.22	-30.66%

Palmdale Water District
Revenue Analysis
For the Five Months Ending 5/31/2016

2016

	Thru April	May	Year-to-Date	Adjusted Budget	% of Budget
Operating Revenue:					
Wholesale Water	$ 24,409	$ 31,746	$ 56,156	$ 160,000	35.10%
Water Sales	1,464,397	456,289	1,920,686	7,242,000	26.52%
Meter Fees	4,054,090	1,015,014	5,069,104	12,079,000	41.97%
Water Quality Fees	197,368	64,266	261,634	934,500	28.00%
Elevation Fees	72,650	25,851	98,501	400,000	24.63%
Other	245,530	51,076	296,606	860,000	34.49%
Drought Surcharge	170,296	85,553	255,849	-	
Total Water Sales	**$ 6,228,741**	**$ 1,729,795**	**$ 7,958,536**	**$ 21,675,500**	**36.72%**
Non-Operating Revenues:					
Assessments (Debt Service)	$ 1,786,833	$ 446,708	$ 2,233,542	$ 4,670,000	47.83%
Assessments (1%)	579,833	452,809	1,032,643	2,025,000	50.99%
DWR Fixed Charge Recovery	98,537	37,228	135,765	200,000	67.88%
Interest	24,962	4,649	29,611	35,000	84.60%
Capital Improvement Fees	-	-	-	50,000	0.00%
Grants - State and Federal	-	-	-	485,000	0.00%
Other	124,539	(33)	124,506	120,000	103.75%
Total Non-Operating Revenues	**$ 2,614,704**	**$ 941,361**	**$ 3,556,066**	**$ 7,585,000**	**46.88%**
Total Revenue	**$ 8,843,446**	**$ 2,671,157**	**$ 11,514,602**	**$ 29,260,500**	**39.35%**

2015

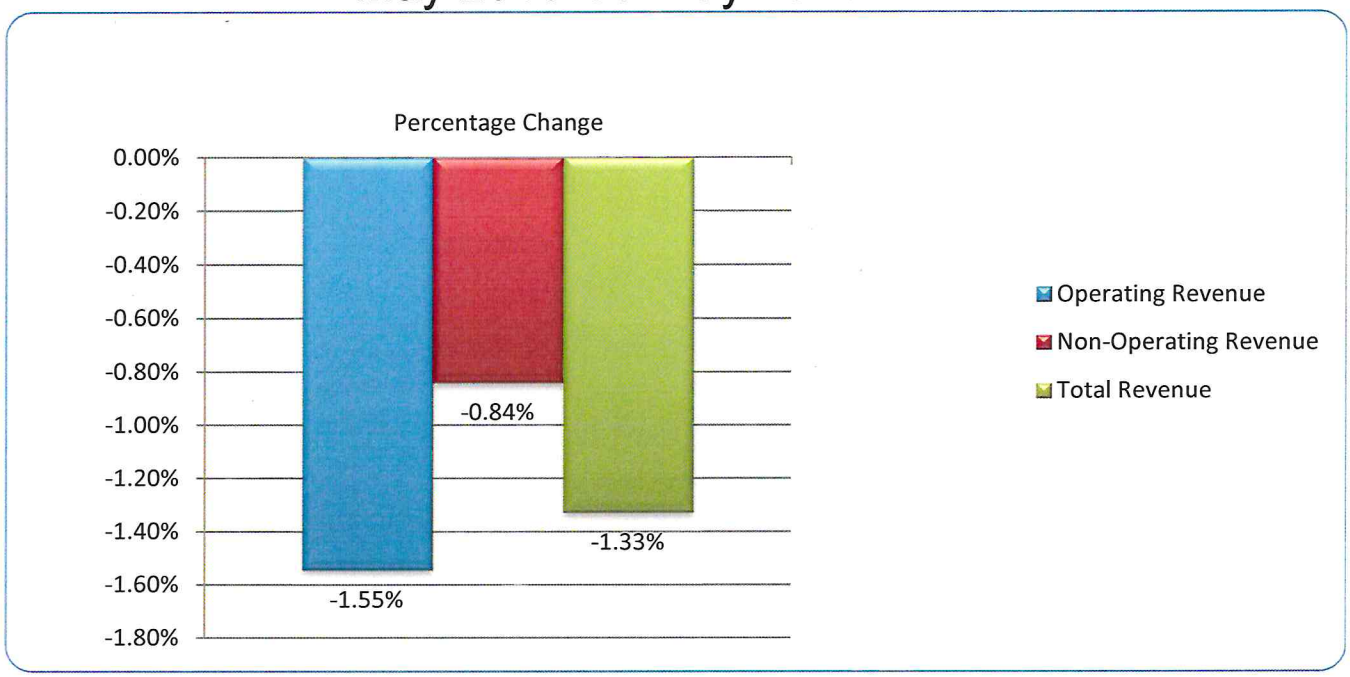
	Thru April	May	Year-to-Date	Adjusted Budget	% of Budget
Operating Revenue:					
Wholesale Water	$ 2,664	$ 442	$ 3,107	$ 225,000	1.38%
Water Sales	1,712,841	583,678	2,296,519	8,550,500	26.86%
Meter Fees	3,881,173	971,232	4,852,405	11,506,000	42.17%
Water Quality Fees	236,507	85,605	322,112	1,146,500	28.10%
Elevation Fees	92,864	36,850	129,714	525,000	24.71%
Other	450,152	29,568	479,720	1,450,000	33.08%
Drought Surcharge	-	-	-	-	
Total Water Sales	**$ 6,373,537**	**$ 1,706,933**	**$ 8,080,470**	**$ 23,178,000**	**34.86%**
Non-Operating Revenues:					
Assessments (Debt Service)	$ 1,786,000	$ 446,500	$ 2,232,500	$ 5,100,000	43.77%
Assessments (1%)	564,000	472,200	1,036,200	1,950,000	53.14%
DWR Fixed Charge Recovery	104,938	35,221	140,159	100,000	140.16%
Interest	25,035	2,539	27,574	35,000	78.78%
Capital Improvement Fees	$ 138,702	$ -	138,702	50,000	277.40%
Other	11,107	21	11,128	5,000	222.56%
Total Non-Operating Revenues	**$ 2,629,782**	**$ 956,481**	**$ 3,586,263**	**$ 7,240,000**	**49.53%**
Total Revenue	**$ 9,003,319**	**$ 2,663,415**	**$ 11,666,733**	**$ 30,418,000**	**38.35%**

2015 to 2016 Comparison

	Thru April	May	Year-to-Date	% Change
Operating Revenue:				
Wholesale Water	$ 21,745	$ 31,304	$ 53,049	1707.68%
Water Sales	(248,444)	(127,388)	(375,833)	-16.37%
Meter Fees	172,917	43,782	216,699	4.47%
Water Quality Fees	(39,138)	(21,339)	(60,478)	-18.78%
Elevation Fees	(20,214)	(10,999)	(31,213)	-24.06%
Other	(204,622)	21,508	(183,114)	-38.17%
Drought Surcharge	170,296	85,553	255,849	
Total Water Sales	**$ (147,460)**	**$ 22,420**	**$ (125,040)**	**-1.55%**
Non-Operating Revenues:				
Assessments (Debt Service)	$ 833	$ 208	$ 1,042	0.05%
Assessments (1%)	15,833	(19,391)	(3,558)	-0.34%
DWR Fixed Charge Recovery	(6,401)	2,007	(4,394)	-3.14%
Interest	(73)	2,110	2,037	7.39%
Capital Improvement Fees	(138,702)	-	(138,702)	-100.00%
Grants - State and Federal	-	-	-	
Other	113,432	(54)	113,378	1018.86%
Total Non-Operating Revenues	**$ (15,078)**	**$ (15,120)**	**$ (30,198)**	**-0.84%**
Total Revenue	**$ (162,537)**	**$ 7,300**	**$ (155,238)**	**-1.33%**

REVENUE COMPARISON YEAR-TO-DATE

May 2015-To-May 2016



Palmdale Water District
Operating Expense Analysis
For the Five Months Ending 5/31/2016

	2016					2015 to 2016 Comparison			
	Thru April	May	Year-to-Date	Adjusted Budget	% of Budget	Thru April	May	Year-to-Date	% Change
Cash Operating Expenses:									
Directors	$ 53,820	$ 6,976	$ 60,796	$ 145,750	41.71%	$ 13,854	$ (9,172)	$ 4,682	8.34%
Administration-Services	489,001	113,240	602,241	1,588,750	37.91%	76,759	33,211	109,970	9.88%
Administration-District	501,713	118,535	620,248	1,612,750	38.46%				
Engineering	384,969	92,200	477,169	1,279,250	37.30%	(35,003)	5,119	(29,883)	-5.89%
Facilities	2,231,543	474,738	2,706,282	6,513,750	41.55%	412,563	32,632	445,195	19.69%
Operations	774,529	201,692	976,221	2,449,250	39.86%	8,761	(2,582)	6,179	0.64%
Finance	400,657	89,999	490,657	1,168,250	42.00%	(356,522)	2,674	(353,848)	-41.90%
Water Conservation	89,693	26,858	116,552	239,250	48.72%	(3,748)	8,059	4,310	3.84%
Human Resources	145,343	24,605	169,949	420,350	40.43%	23,452	(6,353)	17,100	11.19%
Information Technology	232,519	39,573	272,093	867,750	31.36%	(23,644)	1,625	(22,018)	-7.49%
Customer Care	447,153	112,959	560,112	1,386,750	40.39%	226,139	7,448	233,586	71.54%
Source of Supply-Purchased Water	406,191	11,748	417,939	1,725,000	24.23%	(84,760)	91,904	7,144	1.02%
Plant Expenditures	156,477	29,871	186,348	-		14,886	(97,668)	(82,782)	-30.76%
GAC Filter Media Replacement	521,064	-	521,064	934,500	55.76%	(74,980)	-	(74,980)	-12.58%
Total Cash Operating Expenses	**$ 6,834,675**	**$ 1,342,994**	**$ 8,177,669**	**$ 20,331,350**	**40.22%**	**$ 197,756**	**$ 66,898**	**$ 264,654**	**3.24%**
Non-Cash Operating Expenses:									
Depreciation	$ 1,948,973	$ 463,276	$ 2,412,249	$ 7,200,000	33.50%	$ (187,609)	$ (71,699)	$ (259,308)	-9.71%
OPEB Accrual Expense	783,441	195,860	979,301	2,250,000	43.52%	49,121	12,280	61,401	6.69%
Bad Debts	26,982	13,834	40,816	50,000	81.63%	25,880	13,834	39,715	
Service Costs Construction	26,628	(3,445)	23,183	125,000	18.55%	17,174	6,124	23,298	
Capitalized Construction	(247,865)	-	(247,865)	(1,000,000)	24.79%	149,609	97,561	247,169	-49.93%
Total Non-Cash Operating Expenses	**$ 2,538,158**	**$ 669,525**	**$ 3,207,683**	**$ 8,625,000**	**37.19%**	**$ 54,175**	**$ 58,100**	**$ 112,275**	**3.50%**
Non-Operating Expenses:									
Interest on Long-Term Debt	$ 745,760	$ 185,210	$ 930,970	$ 2,228,000	41.79%	$ (16,147)	$ (4,137)	$ (20,284)	-2.13%
Amortization of SWP	787,582	196,898	984,480	2,238,000	43.99%	96,074	24,021	120,095	13.89%
Change in Investments in PRWA	103,794	-	103,794	-		103,794	(5,093)	98,701	
Water Conservation Programs	6,609	2,974	9,583	126,500	7.58%	(49,330)	(12,143)	(61,473)	-86.51%
Total Non-Operating Expenses	**$ 1,643,745**	**$ 385,082**	**$ 2,028,828**	**$ 4,592,500**	**44.18%**	**$ 134,391**	**$ 2,649**	**$ 137,040**	**7.24%**
Total Expenses	**$ 11,016,579**	**$ 2,397,601**	**$ 13,414,180**	**$ 33,548,850**	**39.98%**	**$ 386,322**	**$ 127,647**	**$ 513,969**	**3.98%**

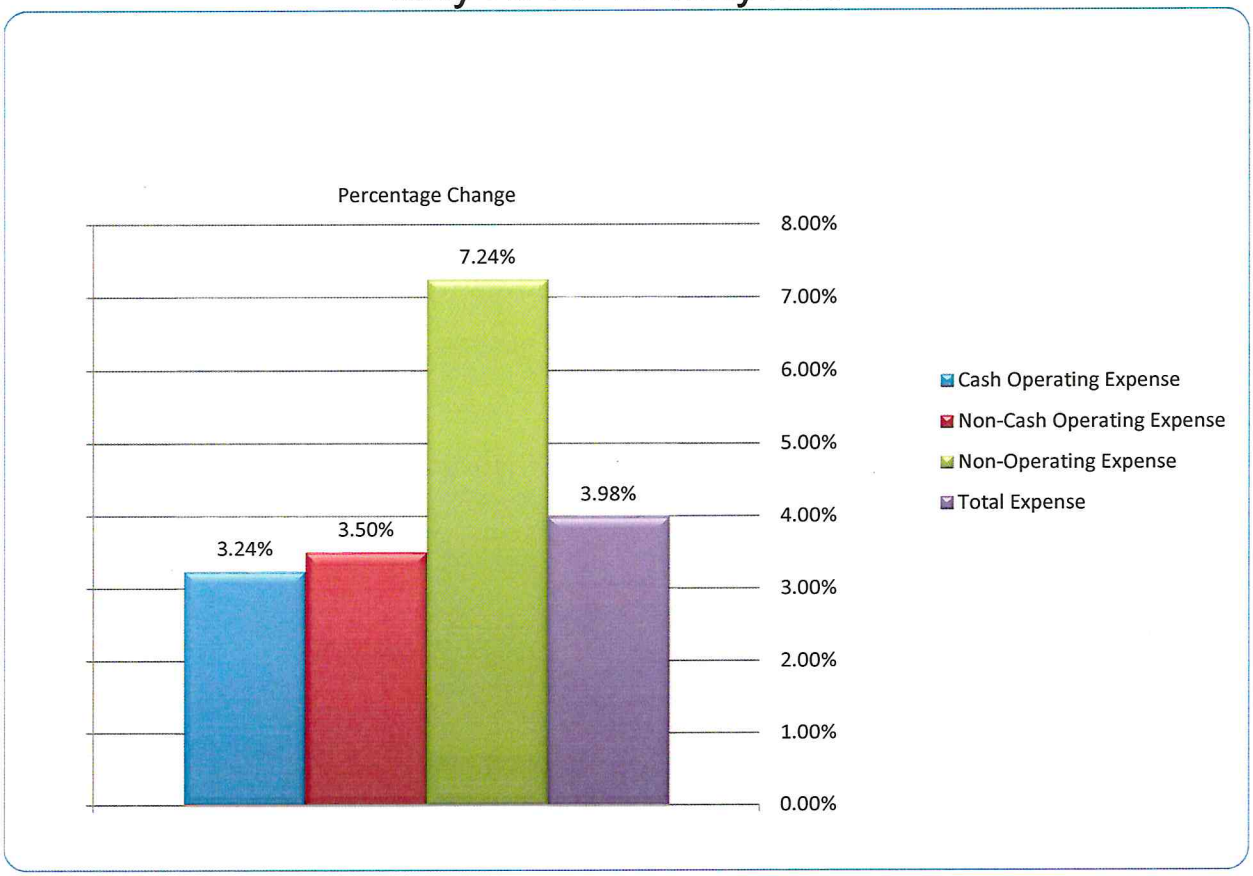
Palmdale Water District
Operating Expense Analysis
For the Five Months Ending 5/31/2016

2015 to 2016 Comparison

	2015 Thru April	May	Year-to-Date	Adjusted Budget	% of Budget
Cash Operating Expenses:					
Directors	$ 39,967	$ 16,148	$ 56,114	$ 118,500	47.35%
Administration-Services	913,956	198,564	1,112,519	2,667,250	41.71%
Administration-District					
Engineering	419,972	87,080	507,052	1,252,750	40.48%
Facilities	1,818,981	442,106	2,261,087	5,998,000	37.70%
Operations	765,769	204,273	970,042	2,624,000	36.97%
Finance	757,179	87,325	844,505	2,950,750	28.62%
Water Conservation	93,442	18,800	112,242	284,000	39.52%
Human Resources	121,891	30,958	152,849	326,100	46.87%
Information Technology	256,163	37,948	294,111	782,750	37.57%
Customer Care	221,014	105,511	326,526	-	
Source of Supply-Purchased Water	777,441	(80,157)	697,284	2,400,000	29.05%
Water Purchases-Prior Year OAP	(36,045)	-	(36,045)	250,000	-14.42%
Water Recovery	(250,445)	-	(250,445)	(100,000)	250.45%
Plant Expenditures	141,590	127,539	269,129	1,146,500	23.47%
GAC Filter Media Replacement	596,045	-	596,045	1,896,000	31.44%
Total Cash Operating Expenses	**$ 6,636,919**	**$ 1,276,095**	**$ 7,913,014**	**$ 22,596,600**	**35.02%**
Non-Cash Operating Expenses:					
Depreciation	$ 2,136,582	$ 534,975	$ 2,671,557	$ 6,450,000	41.42%
OPEB Accrual Expense	734,320	183,580	917,900	2,000,000	45.90%
Bad Debts	1,102	-	1,102	100,000	1.10%
Service Costs Construction	9,454	(9,570)	(116)	125,000	-0.09%
Capitalized Construction	(397,474)	(97,561)	(495,034)	(1,000,000)	49.50%
Total Non-Cash Operating Expenses	**$ 2,483,984**	**$ 611,425**	**$ 3,095,408**	**$ 7,675,000**	**40.33%**
Non-Operating Expenses:					
Interest on Long-Term Debt	$ 761,907	$ 189,347	$ 951,254	$ 2,111,000	45.06%
Amortization of SWP	691,508	172,877	864,385	1,679,000	51.48%
Change in Investments in PRWA	-	5,093	5,093	-	
Water Conservation Programs	55,939	15,117	71,056	200,000	35.53%
Total Non-Operating Expenses	**$ 1,509,354**	**$ 382,434**	**$ 1,891,788**	**$ 3,990,000**	**47.41%**
Total Expenses	**$ 10,630,257**	**$ 2,269,954**	**$ 12,900,211**	**$ 34,261,600**	**37.65%**

EXPENSE COMPARISON YEAR-TO-DATE

May 2015-To-May 2016



Palmdale Water District
2016 Directors Budget
For the Five Months Ending Tuesday, May 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-01-4000-000 Directors Pay	$ 19,800	$ 50,000	$ -	$ 30,200	39.60%
Employee Benefits					
1-01-4005-000 Payroll Taxes	1,515	5,500		3,985	27.54%
1-01-4010-000 Health Insurance	32,586	76,250		43,664	42.74%
Subtotal (Benefits)	34,100	81,750	-	43,664	41.71%
Total Personnel Expenses	$ 53,900	$ 131,750	$ -	$ 73,864	40.91%
OPERATING EXPENSES:					
1-01-4050-000 Directors Travel, Seminars & Meetings	6,896	14,000		7,104	49.26%
Subtotal Operating Expenses	6,896	14,000	-	7,104	49.26%
Total O & M Expenses	$ 60,796	$ 145,750	$ -	$ 80,969	41.71%

Palmdale Water District
2016 Directors Budget
For The Month Of May 2016

	2016	2015
Personnel Budget:		
1-01-4000-000 Directors Pay	$ 750	$ 6,600
Employee Benefits		
1-01-4005-000 Payroll Taxes	57	505
1-01-4010-000 Health Insurance	6,168	4,868
Subtotal (Benefits)	6,226	5,373
Total Personnel Expenses	$ 6,976	$ 11,973
OPERATING EXPENSES:		
1-01-4050-000 Directors Travel, Seminars & Meetings	3,753	4,213
Subtotal Operating Expenses	3,753	4,213
Total O & M Expenses	$ 10,728	$ 16,186

	Directors Pay		Health Ins.	
	2016	2015	2016	2015
Alvarado	0	1500	1,600	1,591
Dino	0	0	1,134	1,125
Dizmang	0	1,050	0	0
Estes	0	3,000	1,591	1,566
Henriquez	750	0	1,257	0
Mac Laren	0	1,050	587	586
	750	6,600	6,168	4,868

	Operating	
	2016	2015
Alvarado	1,002	65
Dino	1,458	731
Dizmang	0	989
Estes	1,209	889
Henriquez	83	0
Mac Laren	0	1539
	3,753	4213

Palmdale Water District
2016 Administration District Wide Budget
For the Five Months Ending Tuesday, May 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-02-5070-001 On-Call	$ 30,676	$ 95,000		$ 64,325	32.29%
Subtotal (Salaries)	$ 30,676	$ 95,000	$ -	$ 64,325	32.29%
Employee Benefits					
1-02-5070-002 PERS-Unfunded Liability	$ 157,840	$ 404,750		246,910	39.00%
1-02-5070-003 Workers Compensation	28,450	125,000		96,550	22.76%
1-02-5070-004 Vacation Benefit Expense	14,238	35,000		20,762	40.68%
1-02-5070-005 Life Insurance	2,705	8,000		5,295	33.81%
Subtotal (Benefits)	$ 203,234	$ 572,750	$ -	$ 369,516	35.48%
Total Personnel Expenses	$ 233,909	$ 667,750	$ -	$ 433,841	35.03%
OPERATING EXPENSES:					
1-02-5070-006 Other Operating	$ 3,170	$ 20,000		16,830	15.85%
1-02-5070-007 Consultants	34,580	160,000		125,420	21.61%
1-02-5070-008 Insurance	122,882	300,000		177,118	40.96%
1-02-5070-009 Groundwater Adjudication	20,176	80,000		59,824	25.22%
1-02-5070-010 Legal Services	45,069	160,000		114,931	28.17%
1-02-5070-011 Memberships/Subscriptions	55,581	150,000		94,419	37.05%
1-02-5070-012 Elections	104,882	75,000		(29,882)	139.84%
Subtotal Operating Expenses	$ 386,339	$ 945,000	$ -	$ 558,661	40.88%
Total Departmental Expenses	$ 620,248	$ 1,612,750	$ -	$ 992,502	38.46%

Palmdale Water District
2016 Administration Services Budget
For the Five Months Ending Tuesday, May 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-02-4000-000 Salaries	$ 356,385	$ 982,000		$ 625,615	36.29%
1-02-4000-100 Overtime	2,757	8,250		5,493	33.42%
Subtotal (Salaries)	$ 359,142	$ 990,250	$ -	$ 631,108	36.27%
Employee Benefits					
1-02-4005-000 Payroll Taxes	$ 27,067	$ 74,000		46,933	36.58%
1-02-4010-000 Health Insurance	56,000	135,000		79,000	41.48%
1-02-4015-000 PERS	43,582	117,500		73,918	37.09%
Subtotal (Benefits)	$ 126,648	$ 326,500	$ -	$ 199,852	38.79%
Total Personnel Expenses	$ 485,791	$ 1,316,750	$ -	$ 830,959	36.89%
OPERATING EXPENSES:					
1-02-4050-100 General Manager Travel	$ 1,548	$ 5,000		3,452	30.95%
1-02-4060-100 General Manager Conferences & Seminars	1,455	4,000		2,545	36.38%
1-02-4130-000 Bank Charges	63,696	140,000		76,304	45.50%
1-02-4150-000 Accounting Services	19,300	27,500		8,200	70.18%
1-02-4175-000 Permits	1,506	10,000		8,494	15.06%
1-02-4180-000 Postage	6,409	27,500		21,091	23.31%
1-02-4190-100 Public Relations - Publications	8,864	35,000		26,136	25.33%
1-02-4190-900 Public Relations - Other	240	1,000		760	24.00%
1-02-4200-000 Advertising	1,337	4,000		2,663	33.43%
1-02-4205-000 Office Supplies	7,569	18,000		10,431	42.05%
1-02-4210-000 Office Furniture	4,527	-		(4,527)	0.00%
Subtotal Operating Expenses	$ 116,450	$ 272,000	$ -	$ 155,550	42.81%
Total Departmental Expenses	$ 602,241	$ 1,588,750	$ -	$ 986,509	37.91%

Palmdale Water District
2016 Engineering Budget
For the Five Months Ending Tuesday, May 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-03-4000-000 Salaries	$ 320,653	$ 852,000		$ 531,347	37.64%
1-03-4000-100 Overtime	3,515	6,750		3,235	52.08%
Subtotal (Salaries)	$ 324,168	$ 858,750		$ 534,582	37.75%
Employee Benefits					
1-03-4005-000 Payroll Taxes	24,577	64,000		39,423	38.40%
1-03-4010-000 Health Insurance	71,997	155,000		83,003	46.45%
1-03-4015-000 PERS	37,416	101,000		63,584	37.05%
Subtotal (Benefits)	$ 133,991	$ 320,000	$ -	$ 186,009	41.87%
Total Personnel Expenses	$ 458,159	$ 1,178,750	$ -	$ 720,591	38.87%
OPERATING EXPENSES:					
1-03-4155-000 Contracted Services	10,900	64,000		53,100	17.03%
1-03-4165-000 Memberships/Subscriptions	1,228	2,500		1,273	49.10%
1-03-4250-000 General Materials & Supplies	2,135	3,000		865	71.17%
1-03-8100-100 Computer Software - Maint. & Support	4,747	31,000		26,253	15.31%
Subtotal Operating Expenses	$ 19,010	$ 100,500	$ -	$ 81,490	18.92%
Total Departmental Expenses	$ 477,169	$ 1,279,250	$ -	$ 802,081	37.30%

Palmdale Water District
2016 Facilities Budget
For the Five Months Ending Tuesday, May 31, 2016

		YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:						
1-04-4000-000	Salaries	$ 755,729	$ 2,083,750		$ 1,328,022	36.27%
1-04-4000-100	Overtime	36,517	90,000		53,483	40.57%
	Subtotal (Salaries)	$ 792,245	$ 2,173,750	$ -	$ 1,381,505	36.45%
Employee Benefits						
1-04-4005-000	Payroll Taxes	61,575	166,500		104,925	36.98%
1-04-4010-000	Health Insurance	199,060	444,500		245,440	44.78%
1-04-4015-000	PERS	83,710	257,500		173,790	32.51%
	Subtotal (Benefits)	$ 344,345	$ 868,500	$ -	$ 524,155	39.65%
	Total Personnel Expenses	$ 1,136,591	$ 3,042,250	$ -	$ 1,905,659	37.36%
OPERATING EXPENSES:						
1-04-4155-000	Contracted Services	$ 405,612	$ 488,000		$ 82,388	83.12%
1-04-4175-000	Permits-Dams	10,985	50,000		39,015	21.97%
1-04-4215-100	Natural Gas - Wells & Boosters	31,716	225,000		193,284	14.10%
1-04-4215-200	Natural Gas - Buildings	3,416	9,000		5,584	37.95%
1-04-4220-100	Electricity - Wells & Boosters	500,696	1,480,000		979,304	33.83%
1-04-4220-200	Electricity - Buildings	22,747	88,000		65,253	25.85%
1-04-4225-000	Maint. & Repair - Vehicles	14,768	35,000		20,232	42.19%
1-04-4230-100	Maint. & Rep. Office Building	18,136	15,000		(3,136)	120.90%
1-04-4235-110	Maint. & Rep. Equipment	357	6,500		6,143	5.50%
1-04-4235-400	Maint. & Rep. Operations - Wells	58,041	75,000		16,959	77.39%
1-04-4235-405	Maint. & Rep. Operations - Boosters	26,446	50,000		23,554	52.89%
1-04-4235-410	Maint. & Rep. Operations - Shop Bldgs	1,169	10,000		8,831	11.69%
1-04-4235-415	Maint. & Rep. Operations - Facilities	18,472	15,000		(3,472)	123.14%
1-04-4235-420	Maint. & Rep. Operations - Water Lines	128,506	225,000		96,494	57.11%
1-04-4235-425	Maint. & Rep. Operations - Littlerock Dam	3,621	15,000		11,379	24.14%
1-04-4235-430	Maint. & Rep. Operations - Palmdale Dam	87	7,500		7,413	1.16%
1-04-4235-435	Maint. & Rep. Operations - Palmdale Canal	-	10,000		10,000	0.00%
1-04-4235-440	Maint. & Rep. Operations - Large Meters	16,952	10,000		(6,952)	169.52%
1-04-4235-445	Maint. & Rep. Operations - Telemetry	1,038	4,000		2,962	25.95%
1-04-4235-450	Maint. & Rep. Operations - Hypo Generators	-	10,000		10,000	0.00%
1-04-4235-455	Maint. & Rep. Operations - Heavy Equipment	17,788	45,000		27,212	39.53%
1-04-4235-460	Maint. & Rep. Operations - Storage Reservoirs	1,772	5,000		3,228	35.44%
1-04-4235-470	Maint. & Rep. Operations - Meters Exchanges	151,638	225,000		73,362	67.39%
1-04-4270-300	Telecommunication - Other	2,187	4,000		1,813	54.68%
1-04-4300-200	Testing - Large Meters	9,032	12,500		3,468	72.25%
1-04-4300-300	Testing - Edison Testing	-	30,000		30,000	0.00%
1-04-6000-000	Waste Disposal	5,824	20,000		14,176	29.12%
1-04-6100-100	Fuel and Lube - Vehicle	27,970	105,000		77,030	26.64%
1-04-6100-200	Fuel and Lube - Machinery	11,222	40,000		28,778	28.06%
1-04-6200-000	Uniforms	11,407	22,500		11,093	50.70%
1-04-6300-100	Supplies - General	23,405	47,500		24,095	49.27%
1-04-6300-200	Supplies - Hypo Generators	4,560	6,500		1,941	70.15%
1-04-6300-300	Supplies - Electrical	836	3,000		2,164	27.86%
1-04-6300-400	Supplies - Telemetry	203	5,000		4,797	4.07%
1-04-6300-800	Supplies - Construction Materials	22,560	35,000		12,440	64.46%
1-04-6400-000	Tools	8,747	25,000		16,253	34.99%
1-04-7000-100	Leases -Equipment	7,775	12,500		4,725	62.20%
	Subtotal Operating Expenses	$ 1,569,691	$ 3,471,500	$ -	$ 1,901,809	45.22%
	Total Departmental Expenses	$ 2,706,282	$ 6,513,750	$ -	$ 3,807,468	41.55%

Palmdale Water District
2016 Operation Budget
For the Five Months Ending Tuesday, May 31, 2016

		YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:						
1-05-4000-000	Salaries	$ 404,860	$ 1,012,500		$ 607,640	39.99%
1-05-4000-100	Overtime	15,400	56,000		40,600	27.50%
	Subtotal (Salaries)	$ 420,260	$ 1,068,500	$ -	$ 648,240	39.33%
Employee Benefits						
1-05-4005-000	Payroll Taxes	32,288	84,500		52,212	38.21%
1-05-4010-000	Health Insurance	84,861	183,500		98,639	46.25%
1-05-4015-000	PERS	48,315	137,750		89,435	35.07%
	Subtotal (Benefits)	$ 165,464	$ 405,750	$ -	$ 240,286	40.78%
	Total Personnel Expenses	$ 585,724	$ 1,474,250	$ -	$ 888,526	39.73%
OPERATING EXPENSES:						
1-05-4155-000	Contracted Services	$ 6,819	$ 93,500		$ 86,681	7.29%
1-05-4175-000	Permits	13,787	40,000		26,213	34.47%
1-05-4215-200	Natural Gas - WTP	573	3,000		2,427	19.10%
1-05-4220-200	Electricity - WTP	44,972	125,000		80,028	35.98%
1-05-4230-110	Maint. & Rep. - Office Equipment	126	500		374	25.17%
1-05-4235-110	Maint. & Rep. Operations - Equipment	8,661	11,500		2,839	75.31%
1-05-4235-410	Maint. & Rep. Operations - Shop Bldgs	6,622	6,000		(622)	110.37%
1-05-4235-415	Maint. & Rep. Operations - Facilities	25,627	45,000		19,373	56.95%
1-05-4235-450	Maint. & Rep. Operations - Hypo Generator	64,008	18,000		(46,008)	355.60%
1-05-4235-500	Maint. & Rep. Operations - Wind Turbine	2,720	10,000		7,280	27.20%
1-05-6000-000	Waste Disposal	2,312	20,000		17,688	11.56%
1-05-6200-000	Uniforms	6,038	16,000		9,962	37.74%
1-05-6300-100	Supplies - General	5,895	15,000		9,105	39.30%
1-05-6300-600	Supplies - Lab	22,538	40,000		17,462	56.34%
1-05-6300-700	Outside Lab Work	33,640	92,000		58,360	36.57%
1-05-6400-000	Tools	1,490	6,500		5,010	22.93%
1-05-6500-000	Chemicals	144,668	400,000		255,332	36.17%
1-05-7000-100	Leases -Equipment	-	3,000		3,000	0.00%
3-05-4300-100	Filter Media Testing/Inspection	-	30,000		30,000	0.00%
	Subtotal Operating Expenses	$ 390,497	$ 975,000	$ -	$ 554,503	40.05%
	Total Departmental Expenses	$ 976,221	$ 2,449,250	$ -	$ 1,443,029	39.86%

Palmdale Water District
2016 Finance Budget
For the Five Months Ending Tuesday, May 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-06-4000-000 Salaries	$ 259,039	$ 670,250		$ 411,211	38.65%
1-06-4000-100 Overtime	236	3,000		2,764	7.88%
Subtotal (Salaries)	$ 259,276	$ 673,250	$ -	$ 413,974	38.51%
Employee Benefits					
1-06-4005-000 Payroll Taxes	19,527	49,000		29,473	39.85%
1-06-4010-000 Health Insurance	40,851	83,000		42,149	49.22%
1-06-4015-000 PERS	31,889	87,000		55,111	36.65%
Subtotal (Benefits)	$ 92,266	$ 219,000	$ -	$ 126,734	42.13%
Total Personnel Expenses	$ 351,542	$ 892,250	$ -	$ 540,708	39.40%
OPERATING EXPENSES:					
1-06-4155-000 Contracted Services	$ 1,700	$ 6,000		$ 4,300	28.33%
1-06-4155-100 Contracted Services - Infosend	115,278	225,000		109,722	51.23%
1-06-4165-000 Memberships/Subscriptions	220	500		280	44.00%
1-06-4230-110 Maintenance & Repair - Office Equipment	-	500		500	0.00%
1-06-4250-000 General Material & Supplies	321	3,000		2,679	10.69%
1-06-4260-000 Business Forms	2,197	7,500		5,303	29.29%
1-06-4270-100 Telecommunication - Office	9,748	12,000		2,252	81.23%
1-06-4270-200 Telecommunication - Cellular Stipend	8,405	18,500		10,095	45.43%
1-06-7000-100 Leases - Equipment	1,246	3,000		1,754	41.54%
Subtotal Operating Expenses	$ 139,114	$ 276,000	$ -	$ 136,886	50.40%
Total Departmental Expenses	$ 490,657	$ 1,168,250	$ -	$ 677,593	42.00%

Palmdale Water District
2016 Water Conservation Budget
For the Five Months Ending Tuesday, May 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-07-4000-000 Salaries	$ 64,757	$ 129,000		$ 64,243	50.20%
1-07-4000-100 Overtime	-	1,000		1,000	0.00%
Subtotal (Salaries)	$ 64,757	$ 130,000		$ 65,243	49.81%
Employee Benefits					
1-07-4005-000 Payroll Taxes	4,979	10,000		5,021	49.79%
1-07-4010-000 Health Insurance	18,052	38,000		19,948	47.50%
1-07-4015-000 PERS	3,787	17,250		13,463	21.95%
Subtotal (Benefits)	$ 26,818	$ 65,250	$ -	$ 38,432	41.10%
Total Personnel Expenses	$ 91,575	$ 195,250	$ -	$ 102,675	46.90%
OPERATING EXPENSES:					
1-07-4190-300 Public Relations - Landscape Workshop/Training	$ 5,116	$ 1,000		$ (4,116)	511.59%
1-07-4190-400 Public Relations - Contests	-	1,000		1,000	0.00%
1-07-4190-500 Public Relations - Education Programs	-	2,500		2,500	0.00%
1-07-4190-700 Public Relations -General Media	14,810	25,000		10,190	59.24%
1-07-4190-900 Public Relations - Other	3,102	2,000		(1,102)	155.12%
1-07-4500-000 Drought Enforcement	-	7,500		7,500	0.00%
1-07-6300-100 Supplies - Misc.	1,949	5,000		3,051	38.97%
Subtotal Operating Expenses	$ 24,977	$ 44,000	$ -	$ 19,023	56.77%
Total Departmental Expenses	$ 116,552	$ 239,250	$ -	$ 121,698	48.72%

Palmdale Water District
2016 Human Resources Budget
For the Five Months Ending Tuesday, May 31, 2016

		YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:						
1-08-4000-000	Salaries	$ 43,734	$ 116,000		72,266	37.70%
1-08-4000-100	Salaries - Overtime	$ 4				
1-08-4000-200	Salaries - Intern Program	21,226	40,000		18,774	53.06%
	Subtotal (Salaries)	$ 64,964	$ 156,000		$ 91,040	41.64%
Employee Benefits						
1-08-4005-000	Payroll Taxes	4,995	15,250		10,255	32.75%
1-08-4010-000	Health Insurance	9,283	18,250		8,967	50.87%
1-08-4015-000	PERS	2,855	7,250		4,395	39.38%
	Subtotal (Benefits)	$ 17,133	$ 40,750	$ -	$ 23,617	42.04%
	Total Personnel Expenses	$ 82,097	$ 196,750	$ -	$ 114,657	41.73%
OPERATING EXPENSES:						
1-08-4050-000	Staff Travel	$ 15,740	$ 27,500		$ 11,760	57.24%
1-08-4060-000	Staff Conferences & Seminars	8,870	25,000		16,130	35.48%
1-08-4070-000	Employee Expense	32,894	60,000		27,106	54.82%
1-08-4095-000	Employee Recruitment	-	3,000		3,000	0.00%
1-08-4100-000	Employee Retention	2,874	20,000		17,126	14.37%
1-08-4105-000	Employee Relations	929	3,500		2,571	26.53%
1-08-4110-000	Consultants	3,797	1,000		(2,797)	379.68%
1-08-4120-100	Training-Safety	9,478	35,000		25,522	27.08%
1-08-4120-200	Training-Speciality	3,747	25,000		21,253	14.99%
1-08-4121-000	Safety Program	292	1,000		708	29.15%
1-08-4165-000	Membership/Subscriptions	589	1,600		1,011	36.81%
1-08-4165-100	HR/Safety Publications	-	1,000		1,000	0.00%
1-08-6300-500	Supplies - Safety	8,642	20,000		11,358	43.21%
	Subtotal Operating Expenses	$ 87,852	$ 223,600	$ -	$ 135,748	39.29%
	Total Departmental Expenses	$ 169,949	$ 420,350	$ -	$ 250,405	40.43%

Palmdale Water District
2016 Information Technology Budget
For the Five Months Ending Tuesday, May 31, 2016

		YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:						
1-09-4000-000	Salaries	$ 83,362	$ 225,500		$ 142,138	36.97%
1-09-4000-100	Overtime	1,447	2,500		1,053	57.87%
	Subtotal (Salaries)	$ 84,808	$ 228,000		$ 143,192	37.20%
Employee Benefits						
1-09-4005-000	Payroll Taxes	6,452	16,000		9,548	40.32%
1-09-4010-000	Health Insurance	17,501	38,000		20,499	46.06%
1-09-4015-000	PERS	11,048	29,500		18,452	37.45%
	Subtotal (Benefits)	$ 35,001	$ 83,500	$ -	$ 48,499	41.92%
	Total Personnel Expenses	$ 119,809	$ 311,500	$ -	$ 190,638	38.46%
OPERATING EXPENSES:						
1-09-4155-000	Contracted Services	$ 15,311	$ 121,500		$ 106,190	12.60%
1-09-4165-000	Memberships/Subscriptions	150	2,000		1,850	7.50%
1-09-4270-000	Telecommunications	32,008	79,250		47,242	40.39%
1-09-8000-100	Computer Equipment - Computers	9,068	20,000		10,932	45.34%
1-09-8000-200	Computer Equipment - Laptops	6,493	16,000		9,507	40.58%
1-09-8000-300	Computer Equipment - Monitors	-	2,000		2,000	0.00%
1-09-8000-500	Computer Equipment - Toner Cartridges	71	3,000		2,929	2.37%
1-09-8000-550	Computer Equipment - Telephony	-	2,500		2,500	0.00%
1-09-8000-600	Computer Equipment - Other	11,016	40,000		28,984	27.54%
1-09-8100-100	Computer Software - Maint. and Support	7,543	60,000		52,457	12.57%
1-09-8100-140	Computer Software - Starnik	39,500	130,000		90,500	30.38%
1-09-8100-150	Computer Software - Dynamics GP Support	29,660	60,000		30,340	49.43%
1-09-8100-200	Computer Software - Software and Upgrades	1,464	20,000		18,536	7.32%
	Subtotal Operating Expenses	$ 152,284	$ 556,250	$ -	$ 403,966	27.38%
	Total Departmental Expenses	$ 272,093	$ 867,750	$ -	$ 594,604	31.36%

Palmdale Water District
2016 Customer Care Budget
For the Five Months Ending Tuesday, May 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-10-4000-000 Salaries	$ 356,648	$ 929,250		$ 572,602	38.38%
1-10-4000-100 Overtime	3,688	10,000		6,312	36.88%
Subtotal (Salaries)	$ 360,336	$ 939,250	$ -	$ 578,914	38.36%
Employee Benefits					
1-10-4005-000 Payroll Taxes	28,537	71,500		42,963	39.91%
1-10-4010-000 Health Insurance	113,668	217,000		103,332	52.38%
1-10-4015-000 PERS	46,145	119,000		72,855	38.78%
Subtotal (Benefits)	$ 188,349	$ 407,500	$ -	$ 219,151	46.22%
Total Personnel Expenses	$ 548,685	$ 1,346,750	$ -	$ 798,065	40.74%
OPERATING EXPENSES:					
1-10-4155-000 Contracted Services	$ 7,562	$ 22,000		$ 14,438	34.37%
1-10-4230-110 Maintenance & Repair-Office Equipment	-	500		500	0.00%
1-10-4250-000 General Material & Supplies	3,865	7,500		3,635	51.54%
1-10-4260-000 Business Forms	-	10,000		10,000	0.00%
Subtotal Operating Expenses	$ 11,427	$ 40,000	$ -	$ 28,573	28.57%
Total Departmental Expenses	$ 560,112	$ 1,386,750	$ -	$ 826,638	40.39%

AGENDA ITEM NO. 4.4

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:	July 7, 2016	**July 12, 2016**
TO:	FINANCE COMMITTEE	**Committee Meeting**
FROM:	Mr. Matthew R. Knudson, Assistant General Manager	
VIA:	Mr. Dennis D. LaMoreaux, General Manager	
RE:	***AGENDA ITEM NO. 4.4 – DISCUSSION AND OVERVIEW OF COMMITTED CONTRACTS ISSUED AND WATER REVENUE BOND PROJECTS.***	

Information for this item will be distributed at the Committee meeting.

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: July 6, 2016 **July 12, 2016**

TO: FINANCE COMMITTEE **Committee Meeting**

FROM: Michael Williams, Finance Manager/CFO

VIA: Mr. Dennis D. LaMoreaux, General Manager

RE: ***AGENDA ITEM NO. 4.6 – CONSIDERATION AND POSSIBLE ACTION ON CONTRACT WITH NHA ADVISORS TO PROVIDE ANNUAL CONTINUING DISCLOSURE CONSULTING AND DISSEMINATION AGENT SERVICES***

Recommendation:

Staff recommends approving the proposal from NHA Advisors for the annual preparation and dissemination of Continuing Disclosure Statements as required under the bond covenant for our Water Revenue Bonds, Series 2013A at an annual cost of $1,500.00.

Alternative Options:

The District could look for another firm to prepare or the District could attempt to file, however, it is better to have a professional firm who are experts in the area perform the service.

Impact of Taking No Action:

The District staff would be forced to find other resources to accomplish this requirement.

Background:

The District's Water Revenue Bonds, Series 2013A has a requirement of preparing and disseminating Continuing Disclosure Statements annually. For the past two years, this service was provided by our bond counsel, however, the firm has decided not to perform this service for their clients any longer and recommended that the District hire the firm that served as our Financial Advisor to the bond issue to perform the service since they are experts in this area.

FINANCE COMMITTEE
PALMDALE WATER DISTRICT
VIA: Mr. Dennis D. LaMoreaux, General Manager July 6, 2016

A Continuing Disclosure Statement is an annual update to the activities and financial condition of the District which is used by rating agency to rate the strength of the outstanding bonds. It is very important that this statement is properly prepared and disseminated accordingly.

Strategic Plan Element:

This work is part of Initiative number 4, Financial Health and Stability.

Budget:

This will be under Budget Item number 1-02-4150-000, accounting services.

Supporting Documents:

- NHA Advisors Proposal
- Sample Continuing Disclosure Document

NHA | ADVISORS
Strategy. Innovation. Solutions.

4040 Civic Center Drive, Suite 200
San Rafael, CA 94903

Office: 415.785.2025
www.NHAadvisors.com

July 1, 2016

Mike Williams
Finance Manager
Palmdale Water District
2029 East Avenue Q
Palmdale, CA 93550

RE: Palmdale Water District – Continuing Disclosure Consulting and Dissemination Agent Services

Mike,

NHA Advisors is pleased to provide Palmdale Water District ("District") with our scope of services for our proposed continuing disclosure consulting services. The District currently has one publicly offered bond issue that requires the filing of continuing disclosure reports ("Annual Reports") and significant event notices on Electronic Municipal Market Access ("EMMA").

- ✓ **Water Revenue Bonds, Series 2013A**

Each transaction comes with its own set of reporting requirements, including the filing of audited financial statements, other financial information and operating data, and significant event notices.

Scope of Services

NHA's scope of services as continuing disclosure consultant and dissemination agent include:

- Prepare Annual Reports
- Work with District and/or third parties to compile all required
- Track rating changes (underlying and insured), as well as other material events
- Prepare significant event notices
- Timely post documents and notices to EMMA
- Certify the date on which each Annual Report or significant event notice was posted to EMMA

Compensation

For the scope of work described above, NHA will complete and file the Annual Report(s) on behalf of the District for a flat annual fee as stated below:

Obligation Type	Annual Fee Per Issue	Number of Issues	Total Annual Fee
Water Revenue Bonds	$1,500	1	$1,500
Total Annual Fee			**$1,500**

Out-of-Pocket Expenses - In the event that a third-party contractor is required to obtain information required by the Continuing Disclosure Certificate, NHA will pass through the expense to the District (with no additional mark-up).

Engagement of NHA Advisors

Based on the information above, the identified Annual Report requirements, and the proposed budget, NHA Advisors proposes to be the District's continuing disclosure consultant and dissemination agent. The scope is anticipated to change as prior obligations mature or new bonds are issued. The annual budget for these services will change accordingly.

If this proposal is acceptable to the District, NHA Advisors will draft a formal scope of work and budget that will be incorporated into an agreement. We can provide a contract with all the standard provisions if requested.

We look forward to hearing from you.

Sincerely,



Rob Schmidt
Vice President

cc: Mark Northcross
Bob Egan

Table 7
PALMDALE WATER DISTRICT
WATER SOURCE AND USE SUMMARY TABLE

		Raw Surface Water Sources			Treated Surface Water Production					
Calendar Year	*Groundwater Production (ac.-ft.) (a)*	*Littlerock Reservoir (ac.-ft.) (b)*	*State Water Project (ac.-ft.) (c)*	*Total (ac.-ft.) (d)[2]*	*Yearly Total (ac.-ft.) (e)*	*Yearly Average[1] (MGD) (f)*	*Total Water Production (ac.-ft.) (a+e)*	*Total Water Metered (ac.-ft.)*	*Unaccounted for Water (ac.-ft.)*	*(%)*
2010	7,776	2,099	10,989	20,864	11,991	12.3	19,768	18,022	1,746	8.8
2011	6,995	2,570	14,406	23,971	13,053	13.9	20,047	17,572	2,475	12.3
2012	7,543	132	19,200	26,875	13,916	15.3	21,459	19,258	2,201	10.3
2013	9,378	1,600	11,265	22,243	12,221	10.9	21,599	18,995	2,604	11.9
2014	12,397	700	9,045	22,142	8,232	7.4	20,629	18,048	2,581	12.5
2015[3]	11,227	572	5,837	17,636	5,788	5.2	16,589	14,781	1,808	10.8

(1) Column "f" reflects the average daily production from the water treatment plant (WTP) over each year. WTP production during summer months averages 24 million gallons per day (MGD). The WTP production capacity is 35 MGD.

(2) Difference between the annual Total Raw Surface Water Sources in column "(d)" and the Total Water Production column is primarily the result of water storage, reservoir replenishment, water transfers to other water agencies and water lost due to environmental factors.

(3) Due to continued dry conditions throughout the state, Governor Brown enacted mandatory water restrictions for all water agencies.

Source: The District.

Table 10
PALMDALE WATER DISTRICT
HISTORY OF COLLECTED CAPITAL IMPROVEMENT FEES

Year	*CIF Amount*
2010	148,778
2011[1]	1,225,519
2012[1]	1,257,818
2013	244,949
2014	13,547
2015	367,480

(1) The capital improvement fees collected in 2011 and 2012 were primarily the result of payments of $686,848 in 2011 and in 2012 made by the Antelope Valley East Kern Water Agency ("AVEK") for a new interconnection with the District's Water System. Additionally, there was a large commercial project/shopping center that paid capital improvement fees in 2011 in the amount of $479,064 and a new apartment complex that paid capital improvement fees in 2012 in the amount of $520,172.

Source: The District.

Table 11
PALMDALE WATER DISTRICT
COMMODITY RATES FOR 2015

Tier	All Classes [1]
Tier 1 ($0.75/unit)	0-100% Essential Allocation
Tier 2 ($0.86/unit)	100% Essential Allocation – 100% Efficient Allocation
Tier 3 ($2.43/unit)	101-130% Efficient Allocation
Tier 4 ($3.66/unit)	131-160% Efficient Allocation
Tier 5 ($4.73/unit)	161-190% Efficient Allocation
Tier 6 ($6.08/unit)	Above 191% Efficient Allocation

[1] The District conducted a new water rate study in 2014. Final approval of the 2014 Water Rate Study was passed on September 17, 2014 with the first year's rates taking effect on January 1, 2015.
Source: The District.

The current commodity rates, which went into effect on January 1, 2015 for calendar year 2015 are as follows:

Commodity Rates ($/ccf)

Tiers		
Tier 1	$	0.75
Tier 2	$	0.86
Tier 3	$	2.43
Tier 4	$	3.66
Tier 5	$	4.73
Tier 6	$	6.08

Water quality fees ($/ccf)

	$	0.14

Elevation booster surcharge ($/ccf)

Zone		
B	$	-
A 1	$	0.12
A 2	$	0.44
A 3	$	0.97

Source: The District.

Table 12
PALMDALE WATER DISTRICT
FIXED METER CHARGES FOR 2015

Meter Size	Monthly Service Charge
1" and smaller	$ 32.05
1-1/2"	96.15
2"	147.45
3"	267.14
4"	438.13
6"	865.61
8"	1,378.58
10"	1,977.06

Source: The District.

Table 13
PALMDALE WATER DISTRICT
2015 CAPITAL IMPROVEMENT FEES
Capital Improvement Fees for Single Family Residential Connection [1]

Service/Benefit Zones	*2800' and 2850' Zones*	*2950' and 3000' Zones*	*3200' and 3250' Zones*	*3400' and Higher Zones*
Infrastructure	$ 1,441	$ 1,161	$ 9,089	$ 12,274
Water Supply	8,665	8,665	8,665	8,665
	$ 10,106	$ 9,826	$ 17,754	$ 20,939

[1] The 2015 Capital Improvement Fee structure was modified to include a water supply and a combined infrastructure component. Chart has been updated to match this change from prior reporting years.
Source: The District.

Table 14
PALMDALE WATER DISTRICT
ASSESSED VALUATIONS (LAND ONLY)
FOR 2010 TO 2015[(1)]

Year	*Local Secured*	*Utility*	*Unsecured*	*Total*
2010	1,891,560,178	1,178,240	0	1,892,738,418
2011	1,527,356,371	1,178,240	0	1,528,534,611
2012	1,475,940,245	865,700	0	1,476,805,945
2013	1,413,628,881	865,700	0	1,414,494,581
2014	1,573,126,188	865,700	0	1,573,991,888
2015	1,658,493,985	865,700	0	1,659,359,685

(1) Assessed valuations are based on the County's fiscal year which runs from July 1 to the following June 30.
Source: California Municipal Statistics, Inc.

Table 15
PALMDALE WATER DISTRICT
ASSESSED VALUATIONS (ALL PROPERTY)
FOR 2010 TO 2015[(1)]

Year	*Total*
2010	5,634,639,723
2011	4,727,753,916
2012	4,782,423,457
2013	4,685,613,423
2014	5,237,243,481
2015	5,594,278,064

(1) Assessed valuations are based on the County's fiscal year which runs from July 1 to the following June 30.
Source: California Municipal Statistics, Inc.

Table 16
PALMDALE WATER DISTRICT
PRINCIPAL WATER USERS (2015 SALES)

Customer Name	Amount Charged	% of Total Operating Revenues
City of Palmdale	$856,255	4.03%
Palmdale School District	490,346	2.31
Antelope Valley Union High School District	214,984	1.01
The Vineyards at Palmdale	108,403	0.51
Lockheed Martin Skunkwork	103,362	0.49
HK Realty, Inc.	101,186	0.48
CMIF Fountains LP	67,824	0.32
J K Properties	62,893	0.30
F.A.A. AWE 26	53,903	0.25
U.S. Air Force – Plant 42	53,830	0.25
Monte Vista HOA	51,267	0.24
TOTAL:	$ 2,164,253	10.19%(1)

(1) 2015 operating revenues totaled $21,248,419.
Source: The District.

Table 18
PALMDALE WATER DISTRICT
TOTAL METER CONNECTIONS, WATER CONSUMPTION AND SALES
FOR CALENDAR YEARS 2011-2015

Calendar Year	*Total Meters*	*Water Consumption (in acre-feet)*	*Total Water Sales Revenues*(1)
2011	27,642	17,948	20,218,754
2012	27,643	19,040	21,322,403
2013	27,353	18,995	22,401,581
2014	27,373	18,048	21,771,565
2015(2)	27,394	14,781	19,948,297

(1) Accounts for net revenues derived from sales related to water, meter, elevation, water quality charges.
(2) Water sales for 2015 include revenues derived from stage-1 drought surcharge charges.
Source: The District.

Table 19
PALMDALE WATER DISTRICT
HISTORICAL OPERATING RESULTS AND DEBT SERVICE COVERAGE
FOR YEAR ENDED DECEMBER 31
(Dollars in Thousands)

	2011	***2012***	***2013***	***2014***	***2015***
Operating Revenues					
Operating Revenues[1]	$ 21,660	$ 22,597	$ 24,125	$ 23,342	$ 21,248
Rate Stabilization Transfers	--	--	(480)	--	
Total Operating Revenues	$ 21,660	$ 22,597	$ 23,645	$ 23,342	$ 21,248
Operating Expenses					
Gross Operating Expenses[1]	$ 20,481	$ 22,216	$ 20,665	$ 22,405	$ 20,974
Overhead Adjustment[1][2]	(477)	(43)	(217)	(509)	(26)
SWP Fixed Operation and Maintenance Expenses[3]	(905)	(915)	(720)	(363)	(126)
Non-cash Related OPEB Expense[4]	(1,664)	(1,565)	(1,455)	(1,786)	(1,828)
Shortfalls in SWP Assessments[5]	--	--	--	--	--
Total Operating Expenses	$ 17,435	$ 19,693	$ 18,273	$ 19,748	$ 18,994
Net Operating Revenues	$ 4,225	$ 2,904	$ 5,372	$ 3,594	$ 2,254
Non-Operating Revenues					
Ad Valorem Property Taxes[6]	$ 1,519	$ 1,704	$ 1,766	$ 2,132	$ 2,146
Interest Income[1]	79	25	35	45	43
Capital Improvement Fees[1]	1,226[8]	1,258[8]	245	14	367
Other[1][7]	529	843	668	306	768
Total Non-Operating Revenues	$ 3,353	$ 3,830	$ 2,714	$ 2,497	$ 3,324
Net Water Revenue Available for Debt Service	$ 7,578	$ 6,734	$ 8,086	$ 6,091	$ 5,578
Debt Service					
1998 Installment Purchase Agreement	$ 1,505	$ 1,507	$ --	$ --	$ --
2004 Installment Purchase Agreement	2,130	2,127	--	--	--
2012 Installment Purchase Agreement	--	--	1,373	1,373	1,372
2013 Bonds	--	--	2,247	2,344	2,350
Capital Leases	--	--	190	190	190
Total Debt Service	$ 3,635	$ 3,634	$ 3,809	$ 3,908	$ 3,912
Debt Service Coverage[9]	2.08	1.85	2.12	1.56	1.43
Net Water Revenues Available after Payment of Debt Service[9]	$ 3,943	$ 3,100	$ 4,277	$ 2,183	$ 1,665

(Footnotes on Next Page)

(1) From the District's Audited Financial Statements.

(2) Adjustment made to exclude overhead absorption which represents capital costs and does not constitute Operation and Maintenance Costs under the Installment Purchase Agreement.

(3) Represents fixed operation and maintenance expenses paid by the District for SWP costs from assessments levied to pay costs associated with the State Water Supply Contract. Does not include fixed capital costs.

(4) The District has decided to remove the non-cash related portion of the Other Post-Employment Benefits (OPEB) expense from the Gross Operating Expenses. This portion constitutes expenses to place the annual OPEB liability required by GASB 45.

(5) Constitutes amounts paid by the District to cover costs related to the State Water Supply Contract in excess of the assessments available to pay such costs.

(6) Represents total property taxes received by the District minus the amount of assessments collected to pay the SWP Fixed Costs.

(7) Represents rental income, legal/insurance refunds, DWR credits for overpayment of fixed expenses, energy refunds and other net miscellaneous items. In 2010 the District realized a gain on the sale/disposition of capital assets.

(8) The capital improvement fees collected in 2011 and 2012 were primarily the result of payments of $686,848 in 2011 and in 2012 made by AVEK for a new interconnection with the Water System. Additionally, there was a large commercial project/shopping center that paid capital improvement fees in 2011 in the amount of $479,064 and a new apartment complex that paid capital improvement fees in 2012 in the amount of $520,172. See "THE WATER SYSTEM—Table 10."

(9) All Debt Service Coverage and Net Water Revenues Available after Payment of Debt Service for 2011 - 2014 have been re-calculated based on changes made for OPEB accommodation.

Note: Totals may not add due to rounding.
Source: The District.

NHA | ADVISORS
Strategy. Innovation. Solutions.

4040 Civic Center Drive, Suite 200
San Rafael, CA 94903

Office: 415.785.2025
www.NHAadvisors.com

MEMORANDUM

To: Mike Williams, Director of Financial Services, Palmdale Water District
Bob Egan, Financial Consultant, Palmdale Water District

From: Mark Northcross and Rob Schmidt

Date: July 6, 2016

RE: Palmdale Water District – Refinancing Opportunities

Introduction

The Palmdale Water District ("PWD") has done major financings for improvements water system over the last 20 years. PWD refinanced all of the obligations in 2012 and 2013 and funded new improvements in 2013. All of the remaining 2012 debt, as well as the new money portion of the 2013 debt, may now be refinanced with significant savings to PWD. The refunding portion of the 2013 debt, which all matures by 2034, cannot be refinanced at present due to Federal tax law constraints.

Summary of Outstanding Debt

Table 1 below shows a summary of the outstanding debt of PWD that is eligible for refinancing now:

Table 1
Summary of Existing PWD Debt Eligible for Refinancing

Utility Debt Issue	2012 Installment Purchase Agreement	2013 Revenue Bonds (2038 and 2043 Term Bonds) (1)	Total (4)
Issuance date	November 2012	May 2013	-
Original par value	$12,765,208	$8,810,000	$21,575,208
Type of debt sale	Private placement with Bank of Nevada	Public offering	-
Current outstanding par value	$8,577,741	$8,810,000 (2)	$17,387,741
Current interest rate	3.100%	4.00%	3.87%
Average annual debt service	$1,373,000	$352,400 (3)	$1,725,400
Final Maturity	10/1/23	10/1/43	-
Debt service reserve fund	AGM surety bond	AGM surety bond	-
Call Features	Any date after 4/1/2016 at par, 15 days notice	Any day after 10/1/2018 at par, 45 days notice	-

(1) The 2013 serial and term bonds maturing through 2034 are not refundable at this time
(2) Outstanding par of the 2038 and 2043 term bonds
(3) Interest only payments on 2038 and 2043 term bonds through 2034
(4) Does not include 2013 capital lease, which is not refundable at this time

Table 1 shows that the City has two outstanding debt obligations that are eligible for refinancing now: (1) all of the 2012 Installment Purchase Agreement ("2012 Agreement"), and (2) the 2038 and 2043 term bonds from the 2013 Water Revenue Bonds ("2013 Bonds"). Note that PWD has a third debt obligation, a 2013 capital lease. However, since this lease matures in 2017, we have not included in the refunding analysis.

The 2012 Agreement is callable on any date. The 2038 and 2043 term bonds from the 2013 Bonds are callable on any date after October 1, 2018 at par.

There is a debt service reserve fund requirement equal to combined maximum annual debt service on all parity obligations for both the 2012 Installment Purchase Agreement and 2013 Bonds. This requirement is now satisfied by a surety bond purchased from AGM as part of the 2013 Bonds.

Refinancing Opportunity

Since the issuance of all of these obligations, interest rates for the municipal bond market have declined significantly. Table 2 shows a summary of the potential benefits from a refinancing of the debt obligations shown in Table 1. Table 2 shows a comparison of the current interest rate with what we believe would be the interest rate under current market conditions on new debt, as well as the cash flow savings.

Table 2
Benefits of Proposed Refunding of 2012 Agreement and 2013 Bonds

Current interest rate	3.87%
Estimated new interest rate	2.78%
Average annual savings through 2023	$53,000
Average annual savings from 2024 through 2034	$48,000
Average annual savings from 2035 through 2043	$39,000
Combined present value savings, net of all expenses	$989,000
Combined present value savings, net of all expenses, as a % of bonds refunding	5.69%

Table 2 shows that the average interest rate on the debt refinanced would decline by 1.09%, from 3.87% to 2.78%. Since the 2012 Agreement matures in 2023, and principal maturities on the portion of the 2013 Bonds being refunding do not begin until 2034, cash flow savings from the refinancing are uneven. Approximately $53,000 per year is saved from 2017 through 2023. The cash flow savings during the interest only period on the 2038 and 2043 term bonds from the 2013 Bonds are approximately $48,000 per year. Savings from 2035 through 2043 are approximately $39,000 per year.

The core reason for structuring savings this way is to minimize the overall combined annual debt service obligations of PWD. This approach maximizes the ability of PWD to issue debt in the future to fund new projects with minimal impact on ratepayers. At present, PWD's highest annual debt service payments are in the period from 2024 through 2034. The proposed structure shown in Table 2 reduces debt service in this period by the greatest amount possible.

Another key policy issue is whether or not to refinance the 2038 and 2043 term bonds from the 2013 Bonds now. They are not callable for over two years. This means that the proceeds of the refinancing for these two term bonds must be deposited into an escrow account from the closing date on the refinancing through the October 2018 call date. The escrowed proceeds will earn a very low interest rate compared to the 3.87% interest rate on the bonds being refunded. This results in additional costs for the refinancing that could be avoided by waiting to

refinance this debt until 2018. However, PWD would be taking market risk on interest rates going up between now and 2018. As you know, current interest rates on municipal bonds are at historic lows that have not be seen since the 1950's. Nevertheless, our recommended criteria for any refinancing is whether or not it achieves at least 5% present value savings, net of all expenses, and measured as a percent of the debt being refinanced. The combined refunding of the 2012 Agreement and the 2013 Bonds achieves that goal. Consequently, unless there are non-financial public policy reason to not do the refinancing now, we recommend that PWD proceed with it, conditional upon net present savings being at least equal to 5% of the amount of debt being refinanced.

If the PWD decided to wait until 2018 to do the refinancing, we have calculated that if interest rates were to go up by 25 basis points (0.25%) or more, there would be less present value savings to PWD, discounted back to 2016, then there would be by doing the refinancing now.

Next Steps

If PWD is interested in proceeding with a refinancing of its 2012 Agreement and 2013 Bonds, the first policy question to be decided is whether to do the refinancing through a private placement with a bank or through a public offering of utility revenue bonds. At present, community banks are very aggressive in pricing debt with terms of less than 20 years. Since the 2038 and 2043 term bonds do not start amortizing for more than 20 years, we do not believe that this refinancing is best suited for a private placement. Accordingly, we recommend that the City consider a public offering of a single bond issue to refinance all of its 2012 Agreement and the 2038 and 2043 term bonds from the 2013 Bonds.

Table 3 below shows a suggested financing schedule for the proposed refinancing. This schedule targets Board approval at its regularly scheduled meeting on Wednesday, August 24th. The refunding bonds would be sold on September 6th, and the transaction would close on September 20th.

Table 3
Suggested Refinancing Schedule

First draft of financing documents	Friday, July 22nd
First draft of official statement	Monday, August 1st
Submit credit review package	Wednesday, August 3rd
Receive bond rating	Monday, August, 21st
PWD Board approval	Wednesday, August 24th
Sale date	Tuesday, September 6th
Closing date	Tuesday, September 20th

As always, it is a pleasure working with PWD. We hope we can be of service to the District again through this refinancing.

All the best;

Mark Northcross
Principal

NHA Advisors, LLC is registered as a Municipal Advisor with the SEC and Municipal Securities Rulemaking Board ("MSRB"). Pursuant to MSRB Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients, which include, among other things, Duty of Care, Duty of Loyalty, Conflicts of Interest and any Legal or Disciplinary events of NHA Advisors, LLC and its associated persons. As such, NHA Advisors, LLC has a Fiduciary duty to each public agency and must provide both a Duty of Care and a Duty of Loyalty that entails the following.

Duty of Care

- exercise due care in performing its municipal advisory activities;
- possess the degree of knowledge and expertise needed to provide public agency with informed advice;
- make a reasonable inquiry as to the facts that are relevant to public agency's determination as to whether to proceed with a course of action or that form the basis for any advice provided to public agency; and
- undertake a reasonable investigation to determine that NHA Advisors, LLC is not forming any recommendation on materially inaccurate or incomplete information; NHA Advisors, LLC must have a reasonable basis for:
  - any advice provided to or on behalf of the public agency;
  - any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the public agency, any other party involved in the municipal securities transaction or municipal financial product, or investors in public agency's securities; and
  - any information provided to public agency or other parties involved in the municipal securities transaction in connection with the preparation of an official statement.

Duty of Loyalty

NHA Advisors, LLC must deal honestly and with the utmost good faith with Town and act in Town's best interests without regard to the financial or other interests of NHA Advisors, LLC. NHA Advisors, LLC will eliminate or provide full and fair disclosure (included herein) to Issuer about each material conflict of interest (as applicable). NHA Advisors, LLC will not engage in municipal advisory activities with Town as a municipal entity, if it cannot manage or mitigate its conflicts in a manner that will permit it to act in Town's best interests.

Conflicts of Interest

NHA Advisors, LLC represents that in connection with the issuance of municipal securities, NHA Advisors, LLC may receive compensation from an Issuer or Obligated Person for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, NHA Advisors, LLC hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding NHA Advisors, LLC's ability to provide unbiased advice to enter into such transaction. This conflict of interest will not impair NHA Advisors, LLC's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer. If NHA Advisors, LLC becomes aware of any additional potential or actual conflict of interest after this disclosure, NHA Advisors, LLC will disclose the detailed information in writing to the Issuer in a timely manner.

Legal or Disciplinary Events

NHA Advisors, LLC does not have any legal events and disciplinary history on its Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. Public agencies may electronically access NHA Advisors, LLC's most recent Form MA and each most recent Form MA-I filed with the Commission at the following website: www.sec.gov/edgar/searchedgar/companysearch.html.

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC.

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:	July 6, 2016	**July 12, 2016**
TO:	FINANCE COMMITTEE	**Committee Meeting**
FROM:	Michael Williams, Finance Manager/CFO	
VIA:	Mr. Dennis D. LaMoreaux, General Manager	
RE:	***AGENDA ITEM NO. 4.8 – CONSIDERATION AND POSSIBLE ACTION ON APPROVING THREE (3) YEAR AUDIT PROPOSAL FROM THE PUN GROUP***	

Recommendation:

Staff recommends approving three (3) year proposal from The PUN Group to perform the District's annual audit and lock in the annual costs for services for the 2016, 2017, and 2018 calendar year.

Alternative Options:

The alternative is to go through an RFP process to select a replacement auditing firm.

Impact of Taking No Action:

The impact of taking no action is to wait until year end and receive an engagement letter from an auditing firm.

Background:

The District has utilized the services of The PUN Group for the past 2 years to perform the District's annual audit. Prior to that, the District has had a long term working relationship with Paul Kaymark, CPA, working with another auditing firm, Charles Fedak & Company, and has become very familiar with the District's operations over the years.

The cost of the annual audit is very reasonable and is such due to Mr. Kaymark's familiarity with the District's internal controls, which allows for less on site staff time.

Strategic Plan Element:

This work is part of Initiative No. 4, Financial Health and Stability.

Budget:

This will be under Budget Item number 1-02-4150-000, accounting services, for 2017, 2018, and 2019.

Supporting Documents:

- Proposal from The Pun Group





PROPOSAL

PALMDALE WATER DISTRICT

PALMDALE, CALIFORNIA

Proposal to Perform Professional Auditing Services

For the Fiscal Years Ending December 31, 2016, 2017 and 2018.

JUNE 06, 2016

Paul J. Kaymark, CPA
Audit Partner
200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Phone: (949) 777-8821 | **Fax:** (949) 777-8850 | **Email:** paul.kaymark@pungroup.com

California CPA License Number: PAR 7601
Federal Identification Number: 46-4016990

THE PUN GROUP
ACCOUNTANTS & ADVISORS

PALMDALE WATER DISTRICT

Proposal to Perform Professional Auditing Services

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Thank you 26

APPENDIX:

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

June 06, 2016

Palmdale Water District
Michael A. Williams | Finance Manager/CFO

Dear Mr. Michael A. Williams:

Please allow us to introduce our firm and share our qualifications and proposed audit plan for the Palmdale Water District (the "District") pursuant to your Request for Proposal for Professional Auditing Services for the Fiscal Years Ending December 31, 2016, 2017 and 2018. The Pun Group, LLP, formerly known as Pun & McGeady LLP (the "Firm"), due to consolidation, has the knowledge and experience necessary to be the District's next public accounting firm, and the work plan to ensure a smooth audit process.

The Pun Group, LLP currently audits approximately 40 water and sewer related special agencies in the State of California along with 20 various other types of special agencies therefore, enabling our Firm to continuously be immersed throughout the year in the financial and operational issues of special agencies like the District.

This letter is an acknowledgement of the Firm's understanding of the work to be performed. **We hereby offer our commitment to perform all of the required work, complete the audit, and issue the necessary auditor's report within the time periods outlined by the District.** We are secure in affirming our commitment because we have:

1. A lengthy legacy of serving California governmental agencies and municipalities;
2. Prodigious experience serving governmental and not-for-profit entities; and
3. An efficient, lower-cost approach to auditing that focuses on high-risk areas.

I will serve as your primary contact for contract negotiations. I am a partner of the Firm and have been authorized to legally bind the Firm. My contact information follows:

Name:	Mr. Paul J. Kaymark, CPA
Position:	Audit Partner
Address:	200 East Sandpointe Avenue, Suite 600 Santa Ana, California 92707
Telephone:	(949) 777-8821
Email:	paul.kaymark@pungroup.com

You may also contact the following partner, who is authorized to represent the Firm:

Name:	Mr. Gary M. Caporicci, CPA, CGFM, CFF
Position:	Partner
Address:	200 East Sandpointe Avenue, Suite 600 Santa Ana, California 92707
Telephone:	(949) 777-8802
Email:	gary.caporicci@pungroup.com

The Pun Group is the right choice for Palmdale Water District because we are focused on your industry.

- We have audited and consulted many California special agencies and districts.
- We have assisted many clients in earning the GFOA Certificate of Achievement for Excellence in Financial Reporting.
- The depth of resources and specific government experience are substantial; we are committed to deploy these resources and experience to the District. Simply put, the District will become one of our most important clients, and receive the priority service you deserve.
- **We have assigned Gary Caporicci, our GASB Implementation Specialist, who is appointed to the State Retirement Advisory Committee by the State Controller, in assisting the District in the implementation of GASB's new Pension Standards.**

Our goal for this audit is to complete the process in accordance with regulations while minimizing disruption to the District's daily operations. The Firm will:

- Develop solid familiarity with the District's operations.
- Create a detailed audit plan during initial stages of the audit.
- Maintain open communication lines between the Engagement Team and the District's Management and Board.
- Assign duties to qualified staff members.

This method ensures that the audit process will be performed steadily, communicated clearly, and completed efficiently.

The Firm is an Equal Opportunity Employer and complies with all Federal and State hiring requirements.

This proposal meets the requirements of the District's Request for Proposal. This letter and the accompanying proposal represent a *firm and irrevocable offer valid for 90 days.*

If you have any questions about the proposal or the Firm, please contact us. We look forward to speaking with you.

Sincerely,

The Pun Group, LLP
Certified Public Accountants and Business Advisors

Paul J. Kaymark, CPA
Audit Partner

SECTION I – LICENSE TO PRACTICE IN CALIFORNIA

The Firm and all key professional staff are licensed by the State of California to practice as Certified Public Accountants, and meet the Continuing Professional Education requirements under U.S. GAO's *Government Auditing Standards* to perform the proposed audits.



State of California

Department of Consumer Affairs

California Board of Accountancy

Pursuant to the provisions of Chapter 1, Division 3 of the Business and Professions Code, the firm of

THE PUN GROUP, LLP

is duly registered and entitled to practice as a partnership of

Certified Public Accountants

in the State of California

In Witness Whereof, the President and Secretary-Treasurer affix their hands and the seal of the California Board of Accountancy

on this seventeenth day of December, 2013

PRESIDENT

SECRETARY-TREASURER

PAR 7601

STATE OF CALIFORNIA

dca

DEPARTMENT OF CONSUMER AFFAIRS

SECTION II – INDEPENDENCE

The Pun Group, LLP (the "Firm") requires all employees to adhere to strict independence standards in relation to the Firm's clients. These independence standards exceed, in many instances, the standards promulgated by the American Institute of Certified Public Accountants (AICPA).

The Pun Group, LLP certifies that it is independent of Palmdale Water District (the "District"). The Firm meets independence requirements defined by the United States Government Accountability Office's (U.S. GAO's) *Government Auditing Standards*, and the American Institute of Certified Public Accountants (AICPA).

The Firm has had no professional relationships involving the District for the past five (5) years.

The Firm will give the Palmdale Water District written notice of any professional relationships entered into during the period of the agreement.

SECTION III – FIRM QUALIFICATIONS AND EXPERIENCE

The Pun Group, LLP

The Pun Group, LLP, *formerly known as* Pun & McGeady, LLP, Certified Public Accountants and Business Advisors, founded in 2012, is a limited liability partnership. The full-service accounting firm comprises forty (40) professionals on full-time basis who provide auditing, accounting, and advisory services. Of the forty (40) professionals, thirty (30) of them focus in the Government Assurance Practice. The Firm has offices in Orange County, San Diego, and Palm Desert, California, and Phoenix, Arizona.

The Firm has served hundreds of governmental agencies since 1989, under the umbrella of its predecessor firm, Caporicci & Larson, where all key personnel assigned provided outstanding services to governmental entities throughout California.

The combination of hands-on experience and practical knowledge of our audit professionals makes the Firm unique in the field. Our technical knowledge and thorough understanding of current regulations and issues—along with the Firm's commitment to hard work, integrity, and teamwork on every engagement—enable us to help our clients flourish.

Our Governmental Partners Group—which includes partners Paul J. Kaymark, Kenneth H. Pun, Gary M. Caporicci, Lisa B. Lumbard, and Jack F. Georger—has provided auditing, accounting, and advisory services to numerous governmental entities throughout the United States. Our more than one hundred-fifty (150) years of combined experience in the government industry have made us a trusted business partner with our clients, and we have become well-respected as one of the most socially responsible accounting firms.

In addition to annual financial audits, team members undertake special studies in financial management, accounting, cost-accounting-system analysis, internal audit services, and internal control documentation and testing. By participating in industry associations and activities, we are always up to date on the latest industry changes and the impact they will have on your operations. We will keep you and our colleagues in the Firm, fully informed of these developments.

Our *Orange County* office, located at 200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707 will perform the requested services for the District. However, we may assign additional staff from our San Diego or Palm Desert, California offices to the engagement, at no additional cost to the District. No subcontractors will be used.

Our team is committed to bringing the full breadth and depth of our expertise to the audit of the District at an outstanding value to you.

While many accounting firms can perform an audit, not all can build a great working relationship with their clients. The Pun Group, LLP develops lasting, personal relationships with clients. Our hands-on partner involvement and low personnel turnover will make you appreciate our firm more every day we work together.

Staff Consistency

The Firm is committed to maintaining staff continuity throughout audit engagements. While we cannot guarantee that our staff members will stay with the Firm, we encourage loyalty by paying competitive wages, offering opportunities for promotion, using state-of-the-art equipment, and providing excellent working conditions. We also offer benefits including retirement plans, medical plans, profit-sharing programs, and continuing education. The Firm is an equal-opportunity employer and complies with all federal and state hiring requirements. The Firm also supports affirmative-action philosophies and works hard to provide opportunities for self-enhancement to members of disadvantaged groups.

We guarantee that the partners assigned to this audit will be involved throughout the entire engagement term, and that assigned staff members will return to the District in future years if they are still with the firm. One of our primary audit concerns is staff continuity, and our hands-on partner involvement ensures that qualified and experienced professionals will perform audits efficiently and effectively every year of the engagement.

Most Recent External Quality Control Review

The Firm participates in the AICPA Peer Review Program, which is designed to identify weaknesses in accounting-service policies, practices, and procedures.

In 2015, an independent reviewer assessed the Firm's quality-control policies, reviewed administrative records, interviewed professional personnel, and inspected the Firm's working papers and reports from a representative sample of accounting and auditing engagements, including governmental audits. The reviewer concluded that the Firm fully complies with the AICPA's stringent standards for quality control.

A quality-control reviewer considers, among other things, a firm's policies regarding hiring, training, supervision, delegation of responsibilities, and access to technical resources.

The reviewer determined that the Firm's accounting and auditing work and internal quality-control system meet the AICPA's guidelines for professional standards.

The Firm's participation in the Peer Review Program demonstrates our commitment to quality. We also affirm our dedication to excellent client service through our voluntary memberships in the AICPA—including the AICPA's Governmental Audit Quality Center—and CalCPA.

GYL Decauwer LLP
Certified Public Accountants | Business Consultants

John Lerias, CPA
Stephen C. Williams, CPA
Joseph O. Romero, CPA

System Review Report

The Pun Group, LLP
Santa Ana, California;
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of The Pun Group, LLP (the firm) in effect for the year ended December 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included an engagement performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of The Pun Group, LLP in effect for the year ended December 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail*. The Pun Group, LLP has received a peer review rating of *pass*.

GYL Decauwer LLP
Ontario, California
October 13, 2015

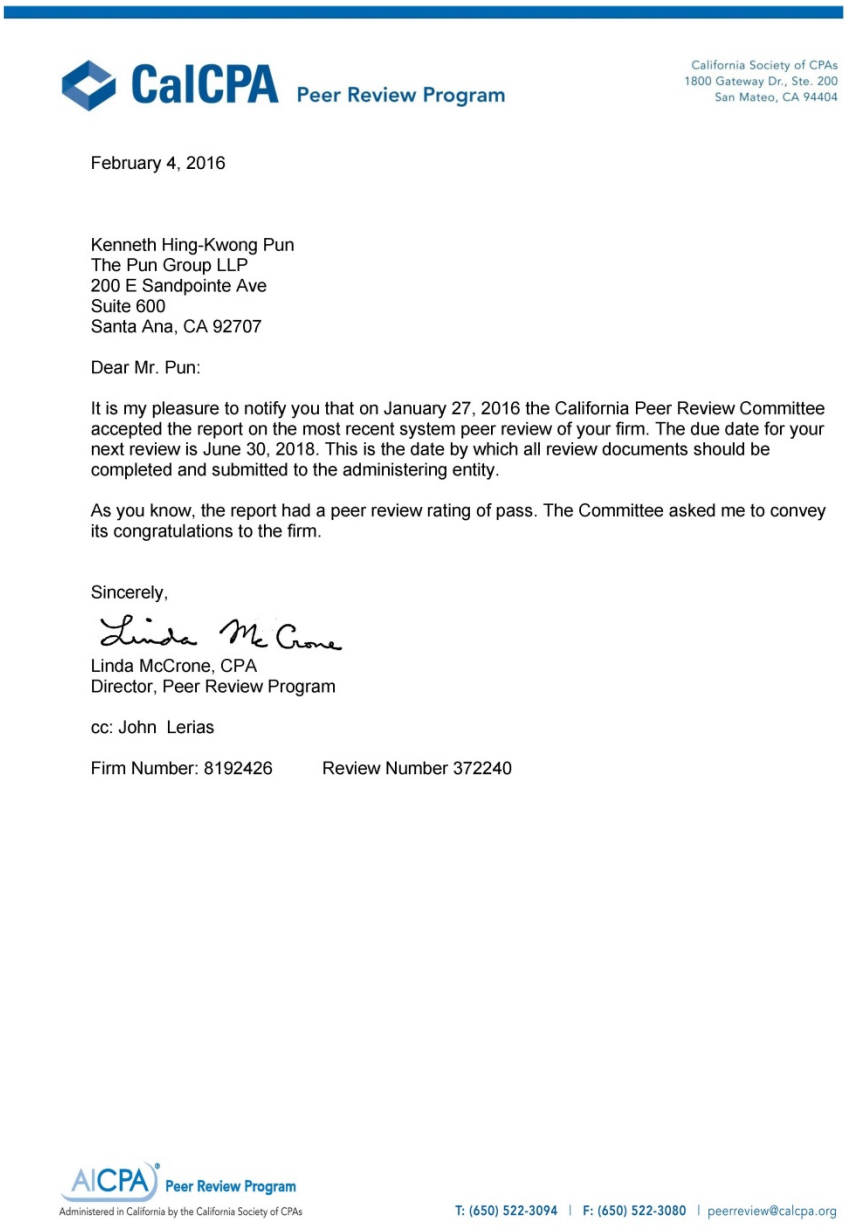
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your Success is our DESTINATION

CPAMERICA INTERNATIONAL
Crowe Horwath International



CalCPA Peer Review Program

California Society of CPAs
1800 Gateway Dr., Ste. 200
San Mateo, CA 94404

February 4, 2016

Kenneth Hing-Kwong Pun
The Pun Group LLP
200 E Sandpointe Ave
Suite 600
Santa Ana, CA 92707

Dear Mr. Pun:

It is my pleasure to notify you that on January 27, 2016 the California Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is June 30, 2018. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

Linda McCrone

Linda McCrone, CPA
Director, Peer Review Program

cc: John Lerias

Firm Number: 8192426 Review Number 372240

AICPA Peer Review Program
Administered in California by the California Society of CPAs

T: (650) 522-3094 | F: (650) 522-3080 | peerreview@calcpa.org

Federal or State Desk Review

No federal or state desk reviews or field reviews have been undertaken of any audits performed by the Firm or any of its partners, managers, or professionals during the past three (3) years.

Disciplinary Action

No disciplinary action has been taken by state regulatory bodies or professional organizations against the Firm or any of its partners, managers, or professionals during the past three (3) years.

The Firm has no conditions such as bankruptcy, pending litigations, planned office closures, mergers or any organizational conflict of interest that may affect the ability of the Firm to perform the required duties requested by the Palmdale Water District.

At the Pun Group we work together with our clients to address a variety of challenges like Reporting and Compliance requirements, risk and internal controls, operational transformation and technology consulting. We understand our clients have broad and complex needs. This is the number one reason our solutions are developed specifically to address these unique needs. We have performed numerous financial and compliance audits of governmental municipalities and organizations.

Quality Control System

Our Firm meticulously monitors the quality and contents of our reports. The Pun Group LLP is 100% committed to providing only the highest grade of work possible for our clients and for those who rely on our audits. The Firm strives to exceed professional industry standards because of the continuing respect for our clients and our emphasis on creating long-lasting relationships. The Pun Group LLP works exclusively with those who share the same moral integrity and values.

Our quality-control system was crafted with excellence in mind. It not only meets AICPA standards, but also matches our own elevated standards, which includes the following professional-development activities.

Professional Development

Each Engagement Team member is up-to-date with continuing professional education requirements. The Firm encourages staff members to participate in the continuing education programs offered by the AICPA and the CalCPA Education Foundation in order to always keep our staff well versed in the changing field and any new regulations. These classes include, among others:

- Basic Concepts of Governmental Accounting, Financial Reporting and Auditing
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Grant Guidance (formerly known as OMB Circular A-133)
- Governmental and Nonprofit Annual Update
- Governmental Accounting and Auditing: The Annual Update
- Auditing Standards: A Comprehensive Review

In addition, the Firm provides comprehensive in-house training for all levels of staff. The program includes seminars developed by the Firm, educational programs developed by the AICPA and CalCPA, and on-the-job training.

Every year, all professional and administrative staff members receive an annual overview and review of topics such as these:

- Principles of accounting and financial reporting for state and local governments
- Governmental fund types
- Newly issued U.S. generally accepted auditing standards and government auditing standards
- Internal control evaluation approaches, including COSO Internal Control Framework
- Updates on recent governmental accounting and reporting guidelines and pronouncements
- Single Audit requirements and approaches
- Risk based audit approaches
- Working paper techniques
- Current issues facing the governmental community

GASB Implementation Assistance

Gary M. Caporicci, the assigned *GASB Implementation Specialist, and* **appointed member to the State Retirement Advisory Committee by the State Controller** has tremendous expertise in assisting clients with the implementation of GASB pronouncements.

For more than 40 years, Mr. Caporicci has successfully provided professional auditing, accounting, financial reporting and management advisory/consulting services to a broad spectrum of governmental entities.

Mr. Caporicci will actively assist the District during the process of implementation and compliance related to new accounting standards.

Client Training Seminar

Every year, the Firm hosts a conference to update governmental clients on new technical accounting and financial issues. The day-long session—held in Clovis, San Diego, Cerritos, and Danville—qualifies for **eight hours of CPE** with the California Board of Accountancy.

Participants of last year's training seminar received a high-level examination of numerous technical issues, including the following:

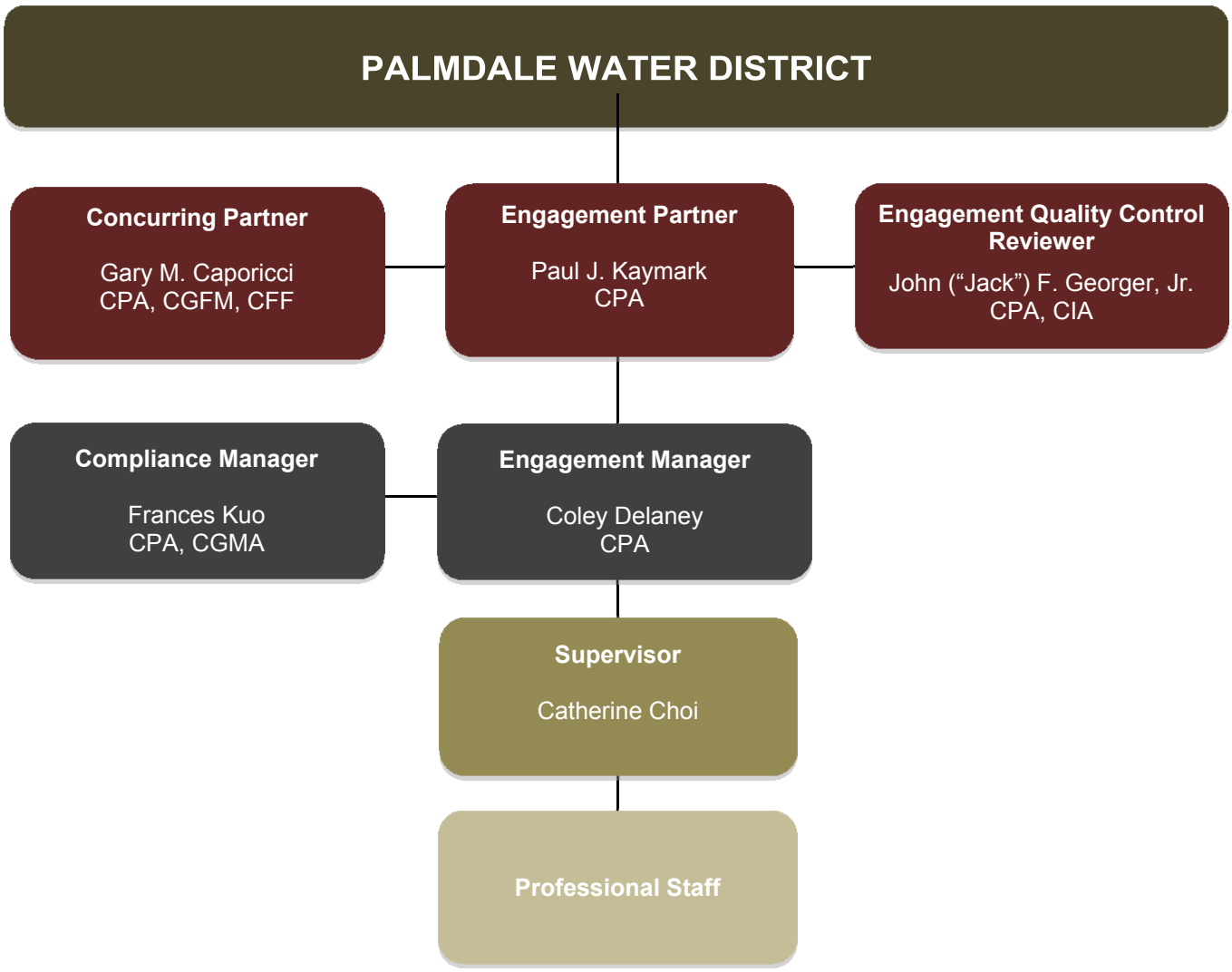
- GASB 68 – *Accounting and Financial Reporting for Pensions*
- GASB 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date-* an amendment of GASB Statement 68
- GASB Updates
  - ✓ GASB 72 – *Fair Value Measurement and Application*
  - ✓ GASB 73 – *Accounting and Financial Reporting for Pensions and Related* Assets *That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*
  - ✓ GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
  - ✓ GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Uniform Grant Guidance
- Survey of Cities and Counties

Importantly, all of our clients are invited to attend the Pun Group, LLP client training seminar **FREE OF CHARGE.**

SECTION IV – PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

Engagement Team

The Engagement Team is carefully chosen to provide the District with all services needed to successfully complete the audit. The Engagement and Concurring Partners are personally involved in the audit, and the Engagement Team has significant experience in governmental auditing. Our broad experience and technical capabilities allow us to provide technical support, interpret findings, and offer effective solutions to any issues.



The personnel assigned to this engagement are fully qualified to perform an effective and efficient audit of the District, and their extensive experience will be invaluable to the audit process. Our professionals are familiar with the complexities of governmental accounting, auditing, and financial reporting, including but not limited to, all GASB pronouncements, the Single Audit Act, Uniform Grant Guidance (formerly OMB Circular A-133), and fund operations.

If the Firm changes key personnel for reasons other than those specified in the Proposal, we will provide the District with written notification and will only be changed with the express prior written permission of the District.

Audit personnel may be replaced only by those with similar or better qualifications and experience.

Paul J. Kaymark, CPA | *Engagement Partner*

Paul is an Assurance Partner with the Government and Not-for-Profit Practice of the Firm who has over twenty-years of public accounting experience. He specializes in auditing special district governments and not-for-profit organizations. Paul will directly oversee the Engagement Team, and he will be responsible for the delivery of all services to Palmdale Water District. In addition, he will manage engagement planning and fieldwork, and he will review and approve the work papers and reports.

John ("Jack") F. Georger, Jr., CPA, CIA | *Engagement Quality Control Reviewer*

In his forty years of experience, Jack has worked with many governmental and not-for-profit entities, including cities, counties, and special agencies and districts, as well as not-for-profit entities, providing clients with financial and compliance audit and consultation services. As an Assurance Partner in our Firm, he advises clients on complex accounting questions, supports engagement teams with audit issues, and reviews reports issued by the Firm to ensure that they fully comply with professional standards. Jack will be responsible for the final quality-control review of the engagement.

Gary M. Caporicci, CPA, CGFM, CFF | *Concurring Partner*

As an Assurance partner with over forty years of experience, Gary has provided financial and compliance audit and consultation services to governmental clients including cities, counties, healthcare entities, transportation agencies, and school districts, as well as various not-for-profit entities. He provides advice and consultation regarding complex accounting matters, assists engagement teams in audit matters.

Coley Delaney, CPA | *Engagement Manager*

Coley will work closely with Paul Kaymark and Gary Caporicci, directing the audit team in its daily activities. He is an Assurance Services/Audit Senior Manager and has extensive experience auditing local government entities including special agencies and districts, cities, counties, not-for-profit and healthcare entities.

Frances Kuo, CPA, CGMA | *Compliance Manager*

Working with Coley Delaney, Frances will direct the audit team in compliance-related matters. She is an Assurance Services/Audit Senior Manager in the Firm whose extensive auditing experience includes special agencies and districts, cities, counties, transportation agencies, and not-for-profit entities.

Catherine Choi | *Supervisor*

Catherine will direct the audit staff and coordinate with the Palmdale Water District personnel to create a seamless transition during the auditing process, and will secure the effective implementation of the audit approach.

Professional Staff

Our professional staff is qualified to perform financial and compliance audits of governmental and not-for-profit agencies and remains consistent throughout the engagement process. We greatly encourage our senior and staff accountants to take on increased responsibilities within the engagement as they advance professionally; with the purpose to encourage staff continuity in future projects and endeavors.

Engagement Team Resumes

The Palmdale Water District deserves experienced professionals who work as a team. The Pun Group, LLP will provide qualified employees to perform the audit; no subcontractors will be used. Resumes for key Engagement Team members follow.

Paul J. Kaymark, CPA*
Engagement Partner



Paul J. Kaymark is a CPA in the State of California and has over twenty-two years of experience in public accounting and auditing governmental entities. Mr. Kaymark has extensive experience in the areas of governmental and not-for-profit financial reporting through working with and advising local governmental entities and not-for-profits organizations in the Southern California area.

Mr. Kaymark has also provided significant other services to various governmental and not-for-profit entities. In these engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures manuals and operational and organizational reviews of accounting departments. He has also been involved in the implementation of performance management budgeting and planning processes, financial reviews, trend analysis, cash management practices and utility rate setting.

EDUCATION

- ✓ 1994 - Bachelor of Science - Business Administration: Accountancy California State University, Long Beach

**Licensed by the State of California*

PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)
- ✓ Member, Government Finance Officers Association (GFOA)
- ✓ Member, California Society of Municipal Finance Officers (CSMFO)
- ✓ GFOA Certificate for Excellence in Financial Reporting – Reviewer

PROFESSIONAL EXPERIENCE

1/15 – Present	Audit Partner The Pun Group, LLP – Santa Ana Office
10/02 – 12/14	Governmental Audit & Consulting Senior Manager CZFCPA – Cypress Office
Major Clients Served:	Mojave Water Agency Western Municipal Water District
07/99 - 09/02	Governmental Audit & Consulting Manager McGladrey, LLP – Anaheim Office
Major Clients Served:	Colton Public Utilities Glendale Water and Power
09/94 - 06/99	Supervising Senior – Public Services Sector KPMG, LLP – Los Angeles Office
Major Clients Served:	Metropolitan Water District of Southern California Los Angeles County Sanitation Districts

CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - o Governmental and Nonprofit Annual Update
  - o Government Auditing Standards
  - o GASB Basic Financial Statements for State and Local Governments
  - o Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
  - o Financial Accounting Standards Board Annual Updates
  - o Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

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Email: Paul.Kaymark@pungroup.com | **Phone**: (949) 777-8821 | **Fax**: (949) 777-8850

John F. Georger, Jr., CPA*, CIA
Engagement Quality Control Reviewer



Jack Georger is the Partner of the Governmental Division by leveraging more than forty years of public accounting and auditing experience in the government, agribusiness, financial services, manufacturing and non-profit sectors. Mr. Georger brings an in-depth knowledge and practical expertise to each client engagement. Mr. Georger coordinates, plans, and manages financial audit activities, consulting activities, federal and state compliance audit activities, performance audits and numerous quality control and internal control reviews for a broad mix of governmental agencies and programs throughout the United States.

Jack is a continuing professional education course instructor for the AICPA. Annually, he instructs over 300 hours on accounting and auditing subjects. He has coauthored training material in governmental accounting and auditing for the AICPA and is the technical reviewer of the CCH Knowledge-Based Audits™ of State and Local Governments with Single Audits.

Mr. Georger is licensed to practice as a certified public accountant in the states of California, New York, Virginia, Maryland, District of Columbia, Georgia, South Carolina, Missouri, Connecticut (inactive), and Wyoming (inactive), and is a Certified Internal Auditor (CIA).

EDUCATION

- ✓ Bachelor of Science, George Mason University Fairfax, Virginia

**Licensed by the State of California, New York, Virginia, Maryland, District of Columbia, Georgia, South Carolina, Missouri and Connecticut (inactive) and Wyoming (inactive)*

PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, Institute of Internal Auditors
- ✓ Member, California Society of Certified Public Accountants (CalCPA)
- ✓ Member, CalCPA Government Accounting and Auditing Committee
- ✓ Member, New York Society of Certified Public Accountants (NYSSCPA)
- ✓ Chairman, NYSSCPA Government Accounting and Auditing Committee
- ✓ Member, NYSSCPA Auditing Standards Committee
- ✓ Member, NYSSCPA Financial Accounting Standards Committee
- ✓ Member, NYSSCPA Not-for-Profit Committee
- ✓ Member, Missouri Society of Certified Public Accountants (MSCPA)
- ✓ South Carolina Association of Certified Public Accountants (SCACPA)
- ✓ Member, Government Finance Officers Association (GFOA) – CAFR Reviewer

KEY CLIENTS

- Local Governments:
  - o Town of Andrews, South Carolina
  - o County of Isle of Wight, Virginia
  - o City of Richmond, Virginia

CONTINUING PROFESSIONAL EDUCATION

- ✓ Instructor of over 300 hours of municipal accounting courses offered by the AICPA
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Email: Jack.Georger@pungroup.com | **Phone**: (949) 777-8804 | **Fax**: (949) 777-8850

Gary M. Caporicci, CPA*, CGFM, CFF
GASB Implementation Specialist



Gary M. Caporicci has more than forty years of diversified business experience, including a specialization in audit and management consulting for government organizations. Gary's clients include public and private universities and colleges, city and county governments, state agencies, joint power authorities, healthcare agencies, transportation agencies, and special districts. Known for his expertise in the areas of construction and government, Gary wrote the AICPA audit guides on these topics, and he has authored many audit and accounting courses for professional groups, as well as academic institutions. He frequently speaks and lectures at many professional organizations, governmental seminars, and conferences held by industry associations, other accounting firms, and universities. In addition, he authors white papers for the California Committee on Municipal Accounting.

Prior to working with the Firm, Gary founded his own accounting practice. He also spent eleven years with a "Big Eight" professional services firm, where he was an Audit Manager and gained broad experience in a wide range of industries such as government, construction, manufacturing, mutual funds, and insurance. Prior to that, Gary held a consultant position with a "Big Four" practice and was Vice President of a national insurance and financial services company.

In 2015 Gary Caporicci was appointed to the State Retirement Advisory Committee by the State Controller.

EDUCATION

- ✓ BS Degree in Accounting and Finance from the Armstrong University

**Licensed by the State of California*

PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, Author and Instructor, California Society of Certified Public Accountants (CalCPA)
- ✓ Past Chair, CalCPA Governmental Accounting and Auditing Committee
- ✓ Chair and Speaker, CalCPA Governmental Accounting and Auditing State Conferences
- ✓ Member, CalCPA Council
- ✓ Chair, California Committee on Municipal Accounting (CCMA)
- ✓ Member, Government Finance Officers Association (GFOA)
- ✓ Member, California Society of Municipal Finance Officers (CSMFO)
- ✓ Member, Governmental Accounting Standards Board (GASB),
- ✓ Member, Deposit and Investment Risks Disclosure Task Force (GASB No. 40)
- ✓ National Reviewer and Speaker, Government Finance Officers Association
- ✓ Adjunct Professor, National University
- ✓ Past Member, Texas Governmental Accounting and Auditing Committee
- ✓ GFOA Certificate for Excellence in Financial Reporting – Reviewer

CONTINUING PROFESSIONAL EDUCATION

- ✓ Author and instructor of various municipal accounting courses offered by CalCPA Education Foundation and local universities including:
  - o Governmental and Nonprofit Annual Update
  - o Government Auditing Standards
  - o GASB Basic Financial Statements for State and Local Governments
  - o Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Email: Gary.Caporicci@pungroup.com | **Phone**: (949) 777-8802 | **Fax**: (949) 777-8850

Coley Delaney, CPA*
Engagement Manager



Coley Delaney is a Senior Manager within The Pun Group, LLP's Assurance division. In his nine years of accounting and auditing experience, Coley has worked with governmental agencies, not-for-profit entities and private for-profit entities. Coley specializes in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with Uniform Grant Guidance (formerly known as OMB Circular A-133).

Coley has performed audits and other attestation services for several governmental agencies throughout California including cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special districts, and he has helped them publish their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Mr. Delaney develops training materials and shares his expertise internally with other Firm professionals. Coley is a frequent speaker at in-house seminars on topics related to government auditing standards and Single Audits.

EDUCATION

- ✓ BA Degree in Business Economics Emphasis in Accounting from the University of California, Santa Barbara.

**Licensed by the State of California*

PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)

RELEVANT PROJECT EXPERIENCE

• Altadena Library District	• Antelope Valley State Water Contractors Assoc.
• Barstow Heights Community Services District	• Big Bear City Airport District
• Big Bear City Community Services District	• Bodega Bay Fire Protection District
• Casitas Municipal Water District	• Desert Recreation District
• Desert Recreation Foundation	• Diablo Water District
• East Orange County Water District	• El Toro Water District
• Festival of Arts of Laguna Beach	• Festival of Arts of Laguna Beach
• Gold Coast Transit	• Mountain Meadows Community Services District
• North County Dispatch JPA	• North Count Fire Protection District
• North of the River Municipal Water District	• Orange County Coastkeeper
• Palmdale Water District	• Palos Verdes Library District
• Port of Hueneme - Oxnard Harbor District	• Public Agencies Self Insurance System
• Rancho Santa Fe Fire Protection District	• San Diego Coastkeeper
• San Mateo Mosquito and Vector Control District	• South Bay Regional Public Communications Authority
• Stallion Springs Community Services District	• The Farm Mutual Water Company
• Trabuco Canyon Water District	• County of Ventura (Local Transportation Fund)
• Ventura County Railroad Company, LLC	• West County Agency
• West County Wastewater District	• Wilmington Cemetery District

CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - o Governmental and Nonprofit Annual Update
  - o Government Auditing Standards
  - o GASB Basic Financial Statements for State and Local Governments
  - o Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
  - o Financial Accounting Standards Board Annual Updates
  - o Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

6265 Greenwich Drive, Suite 220, San Diego, California 92122
Email: Coley.Delaney@pungroup.com | **Phone:** (858) 242-5101 | **Fax:** (858) 242-5150

Frances Kuo, CPA*, CGMA
Compliance Manager



Frances Kuo is a Senior Manager in The Pun Group, LLP's Assurance division. Frances has over ten years of accounting and auditing experience working with governmental agencies, not-for-profit entities, and employee benefit plans. Frances also has particular expertise in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with Uniform Grant Guidance (formerly OMB Circular A-133).

Frances has performed audits and other attestation services for several municipalities throughout California including cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special Districts. She has assisted these clients with publishing their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Ms. Kuo is the in-house instructor who provides training, both theoretical and on-the-job training, to lower level staff. She has developed training materials on the risk based audit approach, GASB Statement No. 34 reporting, Single Audits, and employee benefit plan audits.

EDUCATION

- ✓ BS Degree in Business Administration, Emphasis in Accounting, from the University of California, Riverside
- ✓ BA Degree in Economics from the University of California, Riverside

**Licensed by the State of California, Arizona and Virginia.*

PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)
- ✓ Member, California Society of Municipal Finance Officers (CSMFO)

RELEVANT PROJECT EXPERIENCE

• City of Arcadia	• City of Bradbury
• City of Cerritos	• City of Carpinteria
• City of Desert Hot Springs	• City of Gardena
• City of Huntington Park	• City of Huntington Beach
• City of Hermosa Beach	• City of Hemet
• City of Industry	• City of Monterey Park
• City of Ridgecrest	• Conejo Recreation and Park District
• Las Virgenes Municipal Water District	• Marina Coast Water District
• Mountains Recreation and Conservation Authority	• San Diego Transit Corporation Retirement Plan
• Tulare Community Health Clinic	• San Diego Metropolitan Transit System
• San Diego Association of Governments	• Southwestern Community College District
• Valley Sanitary District	• Shanghai Jiao Tong University Foundation of America

CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - o Governmental and Nonprofit Annual Update
  - o Government Auditing Standards
  - o GASB Basic Financial Statements for State and Local Governments
  - o Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
  - o Financial Accounting Standards Board Annual Updates
  - o Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

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Catherine Choi

Supervisor



Catherine Choi is a Supervisor of The Pun Group, LLP. She has more than seven (7) years of governmental and not-for-profit experience that ranges from GASB audit/reporting, Internal Controls/COSO Framework, Single Audit, Corporate Financial Reporting, Data Analysis and Taxation.

In various engagements, Catherine has been involved in providing significant services to various governmental and not-for-profit entities and actively contributed and participated in the planning process, implementation of the audit work plan, supervision of staff, compliance testing for the Single Audit Concept and preparation of the Comprehensive Annual Financial Reports.

EDUCATION

- ✓ BS Degree in Accounting from the California Polytechnic University of Pomona.

RELEVANT PROJECT EXPERIENCE

• Altadena Library District	• Antelope Valley State Water Contractors Assoc.
• Barstow Heights Community Services District	• Big Bear City Airport District
• Big Bear City Community Services District	• Bodega Bay Fire Protection District
• Casitas Municipal Water District	• Desert Recreation District
• Desert Recreation Foundation	• Diablo Water District
• East Orange County Water District	• El Toro Water District
• Festival of Arts of Laguna Beach	• Festival of Arts of Laguna Beach
• Gold Coast Transit	• Mountain Meadows Community Services District
• North County Dispatch JPA	• North Count Fire Protection District
• North of the River Municipal Water District	• Orange County Coastkeeper
• Palmdale Water District	• Palos Verdes Library District
• Port of Hueneme - Oxnard Harbor District	• Public Agencies Self Insurance System
• Rancho Santa Fe Fire Protection District	• San Diego Coastkeeper
• San Mateo Mosquito and Vector Control District	• South Bay Regional Public Communications Authority
• Stallion Springs Community Services District	• The Farm Mutual Water Company
• Trabuco Canyon Water District	• County of Ventura (Local Transportation Fund)
• Ventura County Railroad Company, LLC	• West County Agency
• West County Wastewater District	• Wilmington Cemetery District

CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - o Governmental and Nonprofit Annual Update
  - o Government Auditing Standards
  - o GASB Basic Financial Statements for State and Local Governments
  - o Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
  - o Financial Accounting Standards Board Annual Updates
  - o Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

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SECTION V – SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

The following five clients are examples of some of the engagements that are similar to the requirements in the District's proposal. Additional references are available upon request. Please feel free to contact these governmental agencies to learn more about their experiences working with us.

Reference No. 1

Governmental Client Name: *Casitas Municipal Water District*
Contact Individual: *Ms. Denise Collin* Phone No: *(805) 649-2251 x 103*
Address: *1055 Ventura Avenue, Oak View, CA 93022*
Year: *2015 - Present*
Description of Services Provided:
- ✓ Audit of the Basic Financial Statements and CAFR Presentation
- ✓ Similar District with Camping and Recreation Facilities

GFOA's Certificate of Achievement for Excellence in Financial Reporting: Yes

Reference No. 2

Governmental Client Name: *Trabuco Canyon Water District*
Contact Individual: *Ms. Cindy Byerrum, Treasurer* Phone No: *(909) 204-8858*
Address: *32003 Dove Canyon Drive, Trabuco Canyon, CA 92679*
Year: *2015 - Present*
Description of Services Provided:
- ✓ Audit and preparation of the Basic Financial Statements

Reference No. 3

Governmental Client Name: *El Toro Water District*
Contact Individual: *Ms. Neely Shahbakht* Phone No: *(949) 837-7050 x 240*
Address: *24251 Los Alisos Blvd., Lake Forest, CA 92630*
Year: *2014 - Present*
Description of Services Provided:
- ✓ Audit of the Basic Financial Statements and CAFR preparation
- ✓ Quarterly Agreed-Upon Procedures Engagement

GFOA's Certificate of Achievement for Excellence in Financial Reporting: Yes

Reference No. 4

Governmental Client Name: *West County Wastewater District*
Contact Individual: *Mr, Dean Prater, CPA* Phone No: *(510) 622-3615*
Address: *2910 Hilltop Drive, Richmond, CA 94806*
Year: *2015 - Present*
Description of Services Provided:
- ✓ Audit of the Basic Financial Statements and CAFR Presentation

GFOA's Certificate of Achievement for Excellence in Financial Reporting: Yes

Firm Municipal Clients

The Pun Group, LLP has performed numerous audits of governmental organizations subject to financial and compliance audits. These audits were performed in accordance with auditing standards generally accepted in the United States, Government Auditing Standards, OMB Circular A-133 and its Compliance Supplement (when applicable), Office of the State Controller's Minimum Audit Requirements and **Reporting Guidelines for California Special Districts.** A list of current engagements is as follows:

AT THE PUN GROUP, LLP WE WORK TOGETHER WITH OUR CLIENTS TO ADDRESS A VARIETY OF CHALLENGES LIKE:

- ✓ Reporting and Compliance Requirements
- ✓ Risk and Internal Controls
- ✓ Operational Transformation
- ✓ Technology Consulting

GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING:

100% of our clients that have submitted their reports to the GFOA have received the Certificate of Excellence.

UNPARALLELED PARTNERS SUPPORT:

Hands-on partner involvement always available to address our client's needs and answer questions.

OUR SERVICES INCLUDE:

- ✓ Financial statement audits
- ✓ Performance audits
- ✓ Single audit (OMB Circular A-133)
- ✓ Employee benefit plan audits
- ✓ Internal controls evaluations

Special Districts:
Altadena Library District
Antelope Valley State Water Contractors Association
Barstow Heights Community Services District
Big Bear City Airport District
Big Bear City Community Services District
Bodega Bay Fire Protection District
Casitas Municipal Water District
Desert Recreation District
Desert Recreation Foundation
Diablo Water District
East Orange County Water District
El Toro Water District
Encinitas Ranch Golf Authority
Fallbrook Healthcare District
Las Virgenes Municipal Water District
Las Virgenes-Triunfo JPA
Marina Coast Water District
Menlo Park Fire Protection District
Newport Coast Elementary School District
North Count Fire Protection District
North County Dispatch JPA
North of the River Municipal Water District
Orange County Coastkeeper
Palmdale Water District
Palos Verdes Library District
Port of Hueneme - Oxnard Harbor District
Rancho Santa Fe Fire Protection District
Riverside County Flood Control and Water Conservation District
San Diego Coastkeeper
San Dieguito Water District Audit
San Mateo Mosquito and Vector Control District
South Bay Regional Public Communications Authority
Southwestern Community College District
Stallion Springs Community Services District
The Farm Mutual Water Company
Trabuco Canyon Water District
Valley Sanitary District
West County Agency
West County Wastewater District
West Valley Water District
Wilmington Cemetery District

Transportation Agencies/Authorities:
Gold Coast Transit
San Diego Metropolitan Transit System
Shasta Regional Transportation Agency
Ventura County Railroad Company, LLC
Ventura County Transportation Commission

Cities/Towns:
City of Arvin
City of Arcadia
City of Bradbury
City of Calexico
City of Carpinteria
City of Cerritos
City of Chula Vista
City of Clearlake
City of Clovis
Town of Danville
City of Desert Hot Springs
City of Encinitas
City of Fairfield
City of Gardena
City of Hemet
City of Hermosa Beach
City of Huntington Park
City of Huntington Beach
City of Industry
City of Lakewood
City of Monterey Park
City of Morro Bay
City of National City
City of Placerville
City of Poway
City of Ridgecrest
City of San Bernardino
City of Solana Beach
City of Shafter
City of Stockton

Health Centers:
Alliance Medical Center
Anderson Valley Health Clinic
Centro Medico Community Clinic
Desert Hot Springs Health and Wellness Foundation
Family Health Centers of San Diego
Industry Convalescent Hospital
Marin City Health and Wellness Center
McCloud Healthcare Clinic
Mountain Valleys Health Centers
Redwood Coast Medical Services
Shingletown Medical Center
Tulare Community Health Clinic
United Health Centers of San Joaquin Valley

SECTION VI – SPECIFIC AUDIT APPROACH

Understanding the Scope

Twenty Nine Palms Water District is requesting an opinion as to the fair presentation of its basic financial statements in accordance with generally accepted accounting principles (GAAP) and applicable laws and regulations. These audits are to be performed in accordance with all applicable and generally accepted auditing standards, including, but not limited to, the following:

The Firm will:

- ✓ Prepare a report or memorandum on Internal Control and prepare a Management Letter addressing all deficiencies noted including items not considered significant deficiencies or material weaknesses (i.e. immaterial findings). In this report, the Firm will also communicate any reportable conditions found during the audit and indicate whether they are also material weaknesses.
- ✓ When required, the Firm will perform a single audit on the expenditures of federal grants in accordance with OMB Circular A-133 and render the appropriate audit reports on Internal Control over Financial Reporting based upon the audit of the District's financial statements in accordance with Government Auditing Standards and the appropriate reports on compliance with Requirements Applicable to each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133.
- ✓ Keep the District informed of any new state and federal developments affecting municipal finance and reporting standards.
- ✓ If requested, the engagement team will examine other reports or perform other services as required. Additional work will not conflict with the primary responsibilities of the services required. Additional time and fees will be negotiated based on the scope of the services requested.
- ✓ Make an immediate, written report to the District of all irregularities and illegal acts or indications of illegal acts of which they become aware of.
- ✓ Prepare and file the Annual Reports of Financial Transactions of the Agency to the State Controller for each year by the due date required by the State Controller's Office.
- ✓ The Firm will express an opinion through the issuance of their auditor's report on the basic financial statements. The Firm will also apply limited audit procedures to the Management's Discussion and Analysis (MD&A) and other required supplementary information included in the auditor's report.

Auditing Standards to be followed

The audits will be performed in accordance with:

- Generally Accepted Auditing Standards (GAAS), consisting of general standards, standards of field work, and standards of reporting, as set forth by the American Institute of Certified Public Accountants;
- Generally Accepted Government Auditing Standards (GAGAS), the standards applicable for financial audits contained in the Government Auditing Standards or "Yellow Book" (the 2007 version or any newer published version), issued by the Comptroller General of the United States;
- The provisions of the Single Audit Act, as most recently revised on December 26, 2013 including additional requirements under the American Recovery Reinvestment Act (ARRA); and
- The provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.
- Minimum audit requirements and reporting guide lines for special Districts pursuant to California Code of Regulation, State Controller, Subchapter 5, 1131.2 "Minimum Audit Requirements and Reporting Guidelines for Special Districts."

Level of staff and number of hours to be assigned to each proposed segment of the engagement

We understand that the District is looking for value in the professional relationship they have with their auditors. Value comes from the knowledge, experience, and dedication that the auditing firm employs. We stress "employ" because all of the knowledge and expertise shown on paper will not benefit you unless it is applied. This application equates to time spent. We have developed an hours plan that we feel will accomplish the objectives of the District and meet your particular needs. We will utilize the information you have shared with us and our experience over the years auditing other governmental entities including agencies of a similar size and nature to develop an effective and efficient plan for all major areas.

Total Hours:

Staff Classification Performing Work	Estimated Hours Annually
Partners	20
Managers	30
Senior Auditors	50
Staff Auditors	60
Total Annual Hours:	**160**

Hours by Audit Phase	Hours
Phase I - Planning	20
Phase II - Interim	50
Phase III - Year End	60
Phase IV - Reporting	30
Total Annual Hours:	**160**

Working Paper Retention and Access to Working Papers

The Firm will retain, at its own expense, all working papers and reports for a minimum of (7) seven years (California Law), unless the District notifies the Firm in writing of the need to extend the retention period. Upon request, the Firm will make working papers available to Palmdale Water District or other governmental agencies included in the audit of federal grants.

The Firm will comply with reasonable inquiries from successor auditors and allow them to review working papers that relate to matters of continuing accounting significance.

Proposed Segmentation of the Engagement and Timeline

The audit will be performed in four phases:

Initial Planning Meeting | During a mutually acceptable time frame each year.

The Engagement Partner and Manager will meet with District's Management to get up to speed with District policies and procedures, establish any specific requirements Management may have, identification of unique transactions, implementation of new GASB pronouncements, and develop the audit work plan for the engagement.

Interim | May commence February of each year.

The Engagement Team—including the Engagement Partner—will assess accounting policies adopted by the District, obtain an understanding of the District and its operating environment, review internal controls on all significant transaction classes, perform walkthroughs and/or tests of internal control, perform preliminary analytical procedures, evaluate Single Audit compliance (if needed), identify any audit issues, and prepare confirmation correspondence. The Engagement Team and District Management will establish expectations including responsibilities and assignments for the year-end audit, and will hold a progress status meeting at the end of the Interim phase.

Year-End | May commence during March of each year.

The Engagement Team—including the Engagement Partner—will conduct audit procedures on account balances in the general ledger, finish confirmation procedures, perform preliminary analytical procedures, search for unrecorded liabilities, perform substantive analytical review procedures, complete work on compliance with Federal Assistance, and conclude fieldwork. The Engagement Team and District Management will hold an exit conference at the end of the Year-End phase.

Reporting | Draft copies of reports will be provided in by April each year; Final reports and management letter will be provided no later than April 30th each year.

The Firm will review and prepare audit reports and perform quality control procedures in accordance with the Quality Control Standards issued by the AICPA. We will also review reports for compliance with GFOA reporting guidelines at no additional cost. Any comments will be issued in a letter to Management. At the District's request, the Engagement Partner, Concurring Partner, and Managers will present the audit to the District's governing body.

The Firm will complete the audit fieldwork and issue all reports within the established timeframe, assuming no internal or external (CalPERS GASB No. 68 Reporting) District circumstances delay the audit.

Objectives of Our Services

Our primary objective for the proposed audit is to examine the District's financial statements and express our opinions on their fairness of presentation, in accordance with generally accepted accounting principles. Other objectives that will benefit the District include the following:

- To offer beneficial observations and recommendations about policies and procedures for accounting and operating controls.
- To identify opportunities to make District **operations more efficient and reduce costs.**
- To perform the audit efficiently and effectively, so disruption to office operations is minimized.
- To provide continuing advisory services to help the District implement recommendations.
- To meet these objectives at no additional cost to the District.
- The Firm will engage in statistical sampling, compliance tests, and substance testing throughout the audit engagement process, as a part of the Firm's specific audit approach.

The Engagement Team will perform the audit in accordance with the Firm's quality-control procedures, which include following standard audit programs, careful planning, using industry-standardized software for auditing and internal control documentation, and welcoming an objective review of audit work.

The Firm supplies portable computers and second monitors to the onsite staff members.

Our audit approach emphasizes careful planning, open communication, and proper assignment of responsibilities. This method ensures that audit requirements will be met with minimal disruption of the District's daily operations, and that the audit will proceed efficiently with full understanding between the Engagement Team and the District.

Extent Statistical Sampling is to be Used in this Engagement and the Sample Size

In our audit approach, statistical sampling is used in conjunction with our skilled judgment and knowledge of each situation. The population size and assurance level needed from any given test will determine the sample size used in our testing.

Approach to be taken in Determining Audit Samples for Purposes of Compliance Testing

To test compliance, we follow the AICPA's *Audit Sampling Considerations of Uniform Grant Guidance (formerly OMB Circular A-133) Compliance Audits*. We will select an appropriate sample size based on our professional judgment and knowledge. Any deviations from control and compliance requirements will be documented.

Type and Extent of Analytical Procedures to be Used in the Engagement

We use analytical procedures during the interim phase to set up expectations for the year-to-date results and balances and compare them with *budgeted* and prior-year amounts. This allows us to forecast year-end amounts, reducing the workload during the year-end phase and allowing us to focus on areas of concern.

We also use trend and ratio analysis to identify any uncertain or unusual events. In order to perform these analysis, our firm performs a survey of special agencies and develops benchmarks on certain key financial indicators, such as cost of services to tax revenues ratios, average general fund balance, capital assets, debt per capital, general fund unassigned fund balance to total general fund expenditures, etc.

Our staff members have the knowledge and experience to effectively use analytical procedures to the District's benefit.

SECTION VII – IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

While we do not expect any problems with the audit, we will carefully investigate and monitor the following common problem areas:

- Investments:
  - Compliance with GASB 31 and GASB 34
  - Authorization and approval process for District investments
  - Controls to assure District compliance with investment limitations and types of specific investments
  - Monitoring by the District of its investments

- Financial Reporting:
  - CAFR compliance with current reporting and disclosure requirements issued by GASB
  - CAFR eligibility for financial reporting conformance awards issued by GFOA
  - Compliance with the various GASBs in effect, especially the implementation of GASB 68 and 71 related to pension accounting
  - Compliance with infrastructure obligations and regulatory provisions

- Internal Control Structure:
  - District's internal control functions and compliance with proper internal control philosophies
  - Computer-system processes and controls, and adequacy of the control environment

Over the period of this proposal, several new GASB pronouncements will become effective. The Engagement Team will pay specific attention to the following new and upcoming pronouncements, and any others that become effective during the proposal period, in order to determine proper implementation procedures:

- GASB 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*
- GASB 69 – *Government Combinations and Disposals of Government Operations*
- GASB 71 – *Pension Transition for Contributions Made Subsequent to the Measuring Date*
- GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB 76 – *The Hierarchy of Generally Accepted Account Principles for State and Local Governments*
- GASB 77 – *Tax Abatement Disclosure*s
- GASB 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB 79 – *Certain External Investment Pools and Pool Participants*

SECTION VIII – COST PROPOSAL

Certification

We are committed to the performance of a high quality audit at the most reasonable fee level possible, both initially and throughout the engagement. Also, our partners will provide advice and consultation as needed, at no additional cost to the Palmdale Water District.

Name of Firm: The Pun Group, LLP
Certified Public Accountants and Business Advisors
200 Sandpointe Avenue, Suite 600
Santa Ana, California 92707

Certification: Paul J. Kaymark is entitled to represent the Firm, empowered to submit the bid, and authorized to sign a contract with the Palmdale Water District.



_____

Paul J. Kaymark, CPA | Audit Partner
The Pun Group, LLP

Total All-Inclusive Maximum Price

Following are our total fixed fees for the Fiscal Years Ending December 31, 2016, 2017 and 2018..

Pesonnel	Hours	Standard Hourly Rates	Standard Hourly Total
Partners	20	$ 250	$ 5,000
Managers	20	$ 200	$ 4,000
Supervisor	60	$ 150	$ 9,000
Staff Auditors	54	$ 125	$ 6,750
Clerical	6	$ 100	$ 600
Subtotal	**160**		**$ 25,350**
Out-of-Pocket expenses:			$ -
Other-Specify:			
Less: Professional Discount			$ (7,350)
Total maximum price for annual audit (FY2016)*			**$ 18,000**

Additional Years	Total Cost*
FYE December 31, 2017	$ 18,500
FYE December 31, 2018	$ 19,000

*Based on the information provided by the District and our understanding of the engagement, the District is not subject to the Single Audit Act in accordance with OMB Uniform Guidance at this time. If the District applies for funding subsequent to the preparation of this proposal, the fee to audit the 1st major program will be $3,000. 2nd Major Program $2,500 based on $750,000 of Federal awards spent per year per program. The number of programs determined to be "major" will be based on OMB Uniform Guidance. The Engagement Team will discuss this with the District's Management before starting Single Audit work.

Out of Pocket Expenses in the Total Maximum Price and Reimbursement Rates

The Firm's policy is to maintain flexible billing rates in order to meet the needs of clients and help them control costs. In the interest of starting our long-term relationship, we will **absorb all costs** required to familiarize ourselves with the operations and accounting systems, as well as, travel and printing costs. Additionally, our Partners will be available to provide advice and consultation as necessary to the Palmdale Water District. These **costs** will also be **absorbed** by the Firm.

Rates by Partner, Supervisory, and Staff

Below is the Firm's standard hourly billing rates, delineated by staffing levels:

Auditor's Standard Hourly Billing Rates	
Position	**FY 2015-16**
Partner(s)	$ 250
Senior Manager(s)	$ 225
Manager(s)	$ 200
Supervisor(s)	$ 175
Senior Accountant(s)	$ 150
Staff Accountant(s)	$ 125
Clerical	$ 100

The Firm's policy is to maintain flexible billing rates in order to meet the needs of clients and help them control costs. In the interest of starting our long-term relationship, we will **absorb all costs** required to familiarize ourselves with the operations and accounting systems, as well as, travel and printing costs. Additionally, our Partners will be available to provide advice and consultation as necessary to the Palmdale Water District. These **costs** will also be **absorbed** by the Firm.

Any supplemental reports, audits, or agreed-upon procedures not covered by this proposal may be added in a written agreement prior to commencing audit work. The Firm and the District will discuss and approve the scope and associated costs of these tasks. Any additional work will be performed at the above quoted hourly rates.

Manner of Payment

Engagement Team members are required to maintain timesheets detailing the date, number of hours, and work performed for every audit task. The Firm will collect these timesheets and bill the Palmdale Water District, at the rates outlined in the Total All-Inclusive Maximum Price section, in four stages: (1) at the conclusion of the planning phase, (2) at the conclusion of the interim phase, (3) at the conclusion of the Year-End phase, (4) and after presentation and acceptance of the final audit reports. Interim billings will cover a period not less than a calendar month. The billing amounts generally break down as follows:

Work Performed	% of Proposal Amount
For Planning	10%
For Interim w ork	40%
For Year-End w ork	40%
At Presentation and Acceptance of Final Reports	10%
Total	100%

Benefits of Choosing The Pun Group, LLP

The Pun Group, LLP is known for its professionalism, integrity, and ability to guide clients through their unique challenges. Firm policy emphasizes providing personalized client service, so our carefully chosen engagement teams are led by an experienced partner who is directly involved in the work. This philosophy allows us to provide a superior level of service.

We trust that this proposal has given you the information you need about the Firm, the Engagement Team members, overall audit approach, cost-saving measures, and audit fees. We are committed to exceeding your expectations, and we look forward to bringing our experience and expertise to the Palmdale Water District and providing you with the excellent level of service that you expect and deserve.

Thank You

Thank you for giving us the opportunity to introduce the Firm and submit our qualifications to provide you with audit services. Please direct inquiries to:

Mr. Paul J. Kaymark, CPA
Audit Partner
200 East Sandpointe Avenue, Suite 600
Santa Ana, California 92707
paul.kaymark@pungroup.com
(949) 777-8821

Sincerely,



The Pun Group, LLP
Certified Public Accountants and Business Advisors

APPENDIX

✓ *Proof of Insurance*

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ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 3/8/2016

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME: Connie Jones
Wood Gutmann & Bogart 15901 Red Hill Ave., Suite 100 Tustin CA 92780	PHONE (A/C, No, Ext): 714-505-7000 FAX (A/C, No): 714-573-1770 E-MAIL ADDRESS: connie@wgbib.com
	INSURER(S) AFFORDING COVERAGE — NAIC #
	INSURER A : TRAVELERS CAS INS CO OF AMER — 19046
INSURED PUN&M-1 The Pun Group, LLP 200 East Sandpointe Avenue, Suite 600 Santa Ana CA 92707	INSURER B : Travelers Property Casualty Co of A — 25674
	INSURER C : Argonaut Insurance Company
	INSURER D : TRAVELERS CAS INS CO OF AMER — 19046
	INSURER E :
	INSURER F :

COVERAGES **CERTIFICATE NUMBER:** 351569536 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY			6807G592120-16	3/1/2016	3/1/2017	EACH OCCURRENCE	$2,000,000
	CLAIMS-MADE X OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence)	$300,000
							MED EXP (Any one person)	$5,000
							PERSONAL & ADV INJURY	$2,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE	$4,000,000
	X POLICY PRO-JECT LOC						PRODUCTS - COMP/OP AGG	$4,000,000
	OTHER:							$
D	AUTOMOBILE LIABILITY			BA-8G976703	3/1/2016	3/1/2017	COMBINED SINGLE LIMIT (Ea accident)	$1,000,000
	ANY AUTO						BODILY INJURY (Per person)	$
	ALL OWNED AUTOS SCHEDULED AUTOS						BODILY INJURY (Per accident)	$
	X HIRED AUTOS X NON-OWNED AUTOS						PROPERTY DAMAGE (Per accident)	$
								$
	UMBRELLA LIAB OCCUR						EACH OCCURRENCE	$
	EXCESS LIAB CLAIMS-MADE						AGGREGATE	$
	DED RETENTION $							$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N			UB4548T41-2-16	3/1/2016	3/1/2017	X PER STATUTE OTH-ER	
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) N/A						E.L. EACH ACCIDENT	$1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE	$1,000,000
							E.L. DISEASE - POLICY LIMIT	$1,000,000
C	E&O Retro 12/29/11			Pending	3/1/2016	3/1/2017	3,000,000 agg	1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Proof Of Insurance Only

CERTIFICATE HOLDER

Proof Of Insurance Only

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

DA, III

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200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Phone: (949) 777-8800 | **Fax:** (949) 777-8850 | www.pungroup.com

THE PUN GROUP
ACCOUNTANTS & ADVISORS

PALMDALE WATER DISTRICT

Debt Service Coverage ($000s)

Fiscal Year Ending September 30	Audited 2012	Audited 2013	Audited 2014	Audited 2015	Apr 2015 - Mar 2016	May 2015 - Apr 2016	Jun 2015 - May 2016
OPERATING REVENUES	22,597	24,125	23,342	21,248	21,284	21,215	21,238
Rate Stabilization Fund		(480)					
	22,597	23,645	23,342	21,248	21,284	21,215	21,238
OPERATING EXPENSES							
Gross operating expenses	22,216	20,665	22,405	20,974	19,288	19,536	19,444
Overhead adjustment	(43)	(217)	(509)	(26)			
SWP Fixed operations and maint	(915)	(720)	(363)	(126)	(126)	(126)	(126)
Non-Cash Related OPEB Expense	(1,565)	(1,455)	(1,786)	(1,828)			
Capital portion included above							
TOTAL EXPENSES	19,693	18,273	19,748	18,994	19,162	19,410	19,317
NET OPERATING REVENUES	2,904	5,372	3,594	2,254	2,121	1,805	1,920
NON-OPERATING REVENUE							
Ad valorem property taxes	1,704	2,573	2,132	2,146	2,158	2,162	2,142
Interest income	25	44	45	43	52	57	63
Capital improvement fees	1,258	245	14	367	247	229	229
Other income	843	421	306	768	426	454	456
TOTAL NON-OPERATING INCOME	3,830	3,284	2,497	3,324	2,882	2,901	2,890
NET REV AVAILABLE FOR DEBT SERVICE	6,734	8,655	6,091	5,578	5,003	4,707	4,810
NET DEBT SERVICE							
1998 Certificates of Participation	1,507						
2004A Certificates of Participation	2,127	1,373	1,373				
2012 Issue - Bank of Nevada				1,372	1,373	1,373	1,373
2013A Water Revenue Bond		2,247	2,344	2,350	2,339	2,339	2,339
2012 Capital Lease		190	190	190	218	218	218
TOTAL DEBT SERVICE	3,634	3,810	3,908	3,912	3,930	3,930	3,930
DEBT SERVICE COVERAGE	**1.85**	**2.27**	**1.56**	**1.43**	**1.27**	**1.20**	**1.22**
NET REV AVAILABLE AFTER D/S	3,100	4,846	2,183	1,665	1,074	777	881