PALMDALE RECYCLED WATER AUTHORITY (PRWA)

HELD AT CITY OF PALMDALE

CITY HALL COUNCIL CHAMBERS

38300 SIERRA HIGHWAY, SUITE B

PALMDALE, CALIFORNIA

REGULAR MEETING AGENDA NO. 25

JULY 20, 2016

7:00 P.M.

www.cityofpalmdale.org

www.palmdalewater.org

WELCOME

<u>NOTE:</u> Materials related to an item on this Agenda submitted to the Palmdale Recycled Water Authority Board of Directors, or after distribution of the agenda packet, are available for public inspection at the City of Palmdale City Hall, located at 38300 Sierra Highway, Suite A, Palmdale, California, and at the Palmdale Water District, 2029 East Avenue Q, Palmdale, California during normal business hours and will also be available at the meeting. Those items provided by others at the meeting will be available at City Hall during normal business hours.

A three-minute time limit will be imposed on all speakers other than staff members.

In accordance with the Americans with Disabilities Act of 1990, if you require a disability-related modification or accommodation to attend or participate in this meeting, including auxiliary aids or services, please call the Palmdale Water District at least 48 hours prior to the meeting.

Your courtesy is requested to help our meeting run smoothly. If you'll be kind enough to follow these simple rules, we can make the best possible use of your time and ours:

- Please refrain from public displays or outbursts such as unsolicited applause, comments, cheering, foul language, or obscenities.
- Any disruptive activities that substantially interfere with the ability of the Board of Directors to carry out its meeting will not be permitted and offenders will be requested to leave the meeting.
- Please turn off or mute your cell phones and mobile devices.

1. CALL TO ORDER.

- 2. PLEDGE OF ALLEGIANCE.
- 3. ROLL CALL: DIRECTORS JAMES C. LEDFORD, JR., KATHY MAC LAREN, ROBERT ALVARADO, FRED THOMPSON, AND HELEN VELADOR
- 4. WAIVER OF FULL READING OF RESOLUTION(S).

Motion: Move to waive full reading of the Resolution(s) to be considered and voted on at this meeting. (Voice Vote - Requires a majority to waive.)

5. CONSENT CALENDAR – PUBLIC COMMENTS ONLY: If you wish to comment on any item(s) listed on the Consent Calendar on this agenda, please come forward to the podium and state the item number(s) and your comments. PLEASE NOTE: A three-minute time limit will be imposed on each speaker other than staff members.

6. CONSENT CALENDAR:

NOTICE: All matters listed under the Consent Calendar will be enacted by one motion unless an item(s) is pulled by the Board, in which case the item(s) will be removed from the Calendar and will be considered separately following this portion of the Agenda.

- 6.1 Approve Receipt and Filing of the Treasurer's Report through May 31, 2016. (Staff Reference: Treasurer/Auditor Williams)
- 6.2 Approve the Minutes from the previous meeting held on May 18, 2016. (Staff Reference: Secretary Smith)
- 6.3 Approval of the biennial review of the Palmdale Recycled Water Authority's Conflict of Interest Code, Resolution No. PRWA 2014-001, and approval of the conclusion that there are no changes or amendments required. (Staff Reference: Executive Director LaMoreaux)

Staff Recommendation: Move to approve the recommendations and findings on all items listed under this Consent Calendar. (Voice Vote - Requires a majority to approve.)

7. ACTION CALENDAR:

7.1 Determination of Chair and Vice Chair Board officers per Article 4.10 of the Joint Powers Agreement. (Staff Reference: Executive Director LaMoreaux)

There is no staff report for this item.

Call for Public Comments

Staff Recommendation: Move to appoint	as Chair and
as Vice Chair. (Vote by Roll Call - requir	es a majority to
adopt and/or approve and per Section 4.9(e) of the A	Authority's Joint
Exercise of Powers Agreement, the affirmative vote of	of at least one
director from each member agency).	

7.2 Authorization to distribute a Request For Proposals (RFP) for annual auditing services over the next three years. (Staff Reference: Executive Director LaMoreaux)

Call for Public Comments

Staff Recommendation: Move to authorize distribution of a Request For Proposals for annual auditing services. (**Vote by Roll Call** – requires a majority to adopt and/or approve and per Section 4.9(e) of the Authority's Joint Exercise of Powers Agreement, the affirmative vote of at least one director from each member agency).

- 7.3 Consideration and Possible Action on authorizing: 1) Approve the Pledge Revenue Resolution No. PRWA 2016-007 for the Recycled Water Line Phase 2 project; 2) Authorize the Executive Director to execute Resolution No. PRWA 2016-007; 3) Authorize the Executive Secretary to transmit Resolution PRWA 2016 -007 to State Water Resources Control Board Division of Finance. (Staff Reference: Executive Director LaMoreaux)
 - 7.3a RESOLUTION NO. PRWA 2016-007, A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE RECYCLED WATER AUTHORITY AUTHORIZING THE PLEDGING OF REVENUES FROM THE SALES OF RECYCLED WATER FOR REPAYMENT OF THE LOANED FUNDS FOR THE RECYCLED WATER LINE PHASE II OF THE MASTER PLAN PROJECT

Call for Public Comments

Staff Recommendation: Move to approve the recommendations and findings listed in the staff report. (**Vote by Roll Call** – requires a majority

to adopt, and per Section 4.9(e) of the Authority's Joint Exercise of Powers Agreement, the affirmative vote of at least one director from each member agency).

8. SPECIAL REPORTS:

8.1 Receive and file the Annual Audited Financial Report for 2015. (Staff Reference: Executive Director LaMoreaux)

Call for Public Comments

Staff Recommendation: Move to receive and file the Annual Audited Financial Report for 2015. (**Vote by Roll Call** – requires a majority to adopt, and per Section 4.9(e) of the Authority's Joint Exercise of Powers Agreement, the affirmative vote of at least one director from each member agency).

8.2 Detailed presentation on a public recycled water distribution system. (Staff Reference: Executive Director LaMoreaux)

There is no staff report for this item.

Call for Public Comments

- 9. NON-AGENDA ITEMS PUBLIC COMMENTS: This portion of the Agenda allows an individual the opportunity to address the Board of Directors on any subject regarding Palmdale Recycled Water Authority business. Under state legislation, no action can be taken on items not specifically referenced on the Agenda. PLEASE NOTE: A three-minute time limit will be imposed on each speaker other than staff members.
- 10. INFORMATIONAL REPORT OF THE BOARD OF DIRECTORS, EXECUTIVE DIRECTOR, AND ASSISTANT EXECUTIVE DIRECTOR.
- 11. ADJOURNMENT to August 17, 2016 at 7:00 p.m. at the City of Palmdale City Hall Council Chambers located at 38300 Sierra Highway, Suite B, Palmdale, California.

Complete packets can be viewed at City Hall, located at 38300 Sierra Highway, Suite A, Palmdale, California; Palmdale Water District, 2029 East Avenue Q, Palmdale, California, and the Main Library, located at 700 East Palmdale Boulevard, Palmdale, California. You can also view the Agenda for the Palmdale Recycled Water Authority

on the City's website at www.cityofpalmdale.org or the Palmdale Water District website at www.palmdalewater.org.

Thank you for attending your Palmdale Recycled Water Authority meeting. If you have any further questions, please contact the Secretary's Office at (661) 267-5151, Monday through Thursday, 7:30 a.m. to 6:00 p.m., closed every Friday.



A RESOLUTION OF THE PALMDALE RECYCLED WATER AUTHORITY AMENDING AND RESTATING ITS CONFLICT OF INTEREST CODE

WHEREAS, The Palmdale Recycled Water Authority ("Authority") has previously adopted a conflict of interest code as required by The Political Reform Act, Government Code Section 81000, et seq.; and

WHEREAS, The Authority has recently received communication from the Administrative Office of the Los Angeles County Board of Supervisors recommending that a revised conflict of interest code be adopted; and

WHEREAS, the Authority has determined that its conflict of interest code requires further amendment to conform to the conflict of interest code recommended by the Administrative Office of the Los Angeles County Board of Supervisors; and

WHEREAS, The Authority desires to amend and restate its conflict of interest code by replacing its current conflict of interest code, adopted by Resolution PRWA 2013-001 and amended by Resolution PRWA 2013-016.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

<u>Section 1</u>. Resolution PRWA 2013-001 and Resolution PRWA 2013-016 are repealed in their entirety.

Section 2. The Fair Political Practices Commission has adopted a Model Conflict of Interest Code ("Model Code"). As authorized by applicable law, the Model Code, codified at 2 California Code of Regulations Section 18730, is hereby incorporated by reference by the Authority into its conflict of interest code, in the form attached hereto as Appendix 1. That Model Code will be amended by the Fair Political Practices Commission from time to time to conform to amendments to the Political Reform Act.

Section 3. The Authority hereby adopts the conflict of interest code in the form attached hereto as Appendix 1 and fully incorporated by this reference as the Authority's conflict of interest code.

<u>Section 4</u>. Exhibit "A" to the Authority's conflict of interest code shall set forth the disclosure categories for the Authority.

<u>Section 5</u>. Exhibit "B" to the Authority's conflict of interest code shall set forth the designated positions and applicable disclosure categories for each position of the Authority.



Section 6. Persons holding designated positions listed in Exhibit "B" shall file Statements of Economic Interest pursuant to the conflict of interest code with the information required for the disclosure category assigned to them. The Statements of Economic Interest shall be filed with the Clerk of the Authority. The Clerk of the Authority shall retain the original Statements of Economic Interest as required by law, and shall make such documents available for public inspection and reproduction.

Section 7. The Clerk of the Authority shall certify to the passage and adoption of this Resolution and direct this conflict of interest code to the Los Angeles County Board of Supervisors, the Authority's code reviewing body, for review and approval.

PASSED, APPROVED and ADOPTED this 19th day of February, 2014, by the following vote:

	,					
AYES: _	Chair Ledford,	Vice Chair	Mac Laren,	Directors	Alvarado,	Bettencourt,
	and Velador					
NOES: _	None					
ABSENT	None		ABST	AIN:	None	9
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ATTEST	•					
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APPROVED AS TO FORM:

Acting Authority Secretary

James D. Ciampa, Authority Counsel

APPENDIX 1

Conflict of Interest Code of the

PALMDALE RECYCLED WATER AUTHORITY

Incorporation of FPPC Regulation 18730 (2 California Code of Regulations, Section 18730) by Reference

The Political Reform Act (Government Code Section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. 18730), which contains the terms of a standard conflict of interest code. After public notice and hearing, it may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730, and any amendments to it duly adopted by the Fair Political Practices Commission, are hereby incorporated into the conflict of interest code of this agency by reference. This regulation and the attached Appendices (or Exhibits) designating officials and employees and establishing economic disclosure categories shall constitute the conflict of interest code of this agency.

Place of Filing of Statements of Economic Interests

All officials and employees required to submit a statement of economic interests shall file their statements with the agency head; or his or her designee. The agency shall make and retain a copy of all statements filed by its Board of Directors and the Executive Director, and forward the originals of such statements to the Executive Office of the Board of Supervisors of Los Angeles County.

The agency shall retain the originals of statements for all other Designated Positions named in the agency's conflict of interest code. All retained statements, original or copied, shall be available for public inspection and reproduction (Gov. Code Section 81008).



EXHIBIT "A"

CATEGORY 1

Persons in this category shall disclose all interest in real property within the jurisdiction of the Palmdale Recycled Water Authority. Real Property shall be deemed to be within the jurisdiction if the property or any part of it is located within or not more than two miles outside the boundaries of the jurisdiction or within two miles of any land owned or used by the Palmdale Recycled Water Authority. Persons are not required to disclose property used primarily as their residence.

CATEGORY 2

Persons in this category shall disclose all investments, and all business positions.

CATEGORY 3

Persons in this category shall disclose all income, (including gifts, loans and travel payments).

CATEGORY 4

Persons in this category shall disclose all business positions, investments in, and income (including gifts, loans and travel payments) received from business entities that manufacture, provide or sell service and/or supplies of a type utilized by the agency and associated with the job assignment of designated positions assigned to this disclosure category.

CATEGORY 5

Individuals who perform under contract the duties of any designated position shall be required to file Statements of Economic Interests disclosing reportable interest in the categories assigned to that designated position.

In addition, individuals who, under contract, participate in decisions which affect financial interests by providing information, advice, recommendation or counsel to the agency which could affect financial interest shall be required to file Statements of Economic Interests, unless they fall within the Political Reform Act's exceptions to the definition of consultant. The level of disclosure shall be as determined by the executive officer of the agency. (See footnote in Exhibit "B" for clarification.)





EXHIBIT "B"

Designated Positions	Disclosure Categories
Board of Directors	1, 2, 3
Executive Director	1, 2, 3
Assistant Executive Director	1, 2, 3
Authority Attorney	1, 2, 3
Assistant Authority Attorney	1, 2, 3
Finance Director/Auditor	2, 3
Consultant/New Positions*	5



*Consultants/New Positions are included in the list of designated positions and shall disclose pursuant to the broadest disclosure category in the code, subject to the following limitations:

The Executive Director or his or her designee may determine in writing that a particular consultant or new position, although a "designated position," is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with disclosure requirements in this section. Such written determination shall include a description of the consultant's or new position's duties and, based upon that description, a statement of the extent of disclosure requirements. The Executive Director or his or her designee's determination is a public record and shall be retained for public inspection in the same manner and location as this conflict-of-interest code. (Gov. Code Section 81008.)

EFFECTIVE: February 20, 2014



THERE IS NO STAFF REPORT FOR THIS ITEM

BOARD MEMORANDUM

DATE:

July 11, 2016

July 11, 2016

TO:

BOARD OF DIRECTORS

Board Meeting

FROM:

Michael Williams, Treasurer-Auditor, PRWA

VIA:

Mr. Dennis LaMoreaux, Executive Director, PRWA

RE:

AGENDA ITEM NO 7.2 - AUTHORIZATION TO DISTRIBUTE A REQUEST FOR

PROPOSALS FOR AUDITING SERVICES OVER THE NEXT THREE YEARS

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends the Board of Directors authorization to distribute a Request For Proposal (RFP) for a three year agreement to preform annual auditing services.

Background:

The current agreement for auditing services has expired with the completion of the 2015 annual audit.

Financial Impact:

The preparation of the annual audit is included and accounted for in the annual budget.

Supporting Documents:

Draft RFP for auditing services.





c/o 38300 Sierra Hwy, Palmdale, CA 93550 661-456-1017

Board of Directors

James C. Ledford, Jr., Chair Kathy Mac Laren, Vice Chair Fred Thompson, Director Robert Alvarado, Director Helen Velador, Director

Executive Director Dennis D. LaMoreaux

PALMDALE RECYCLED WATER AUTHORITY

REQUEST FOR PROPOSALS

FOR

AUDIT SERVICES

Proposal Issue Date

?????, 2016

Proposal Submittal Due Date

5:00 P.M ?????, 2016

Documents available online at: www.palmdalewater.org

PROFESSIONAL AUDITING SERVICES

The Palmdale Recycled Water Authority (PRWA) is requesting proposals from qualified Certified Public Accounting firms (herein "Auditor") to perform an audit and issue opinions on the PRWA's financial statements. This request is for a three (3) year contract term beginning with the fiscal year ending December 31, 2016.

I. Background Information

The Palmdale Recycled Water Authority (the "PRWA") was established by a Joint Powers Agreement created between the City of Palmdale (City) and the Palmdale Water District (District) under the Joint Exercise of Powers Act, California Government Code sections 6500 et seq on September 26, 2012, to jointly study, promote, develop, distribute, construct, install, finance, use and manage recycled water resources for any and all reasonable and beneficial uses, including irrigation and recharge, and to finance the acquisition and construction or installation of recycled water facilities recharge facilities and irrigation systems.

The PRWA's accounting records are maintained on the accrual basis, and the accounting policies and procedures conform to generally accepted accounting principles. The financial statements are presented as required for enterprise funds — a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The PRWA is under the direction and leadership of a five-member Board. The Board is comprised of two council members from the City and two board members from the District and one member from the public. The PRWA has no employees.

Additional information is available by request. The PRWA will be more than happy to assist you in obtaining any information you may need. It is the proposing firm's responsibility to obtain a thorough understanding of the PRWA, the scope of the audit(s), and the work to be performed in order to successfully complete the audit(s) prior to submitting your proposal and maximum price bid.

II. Scope of Services

- A. Financial Audit Examine the basic financial statements, notes to the financial statements, and required supplemental information, if applicable.
- B. Single Audit Examine the schedule of expenditures of federal awards related to the PRWA's federal grant programs if any occur over the three (3) year period.

The auditor's reports will include the auditor's opinion on the basic financial statements; the auditor's opinion on the schedule of expenditures of federal awards; the auditor's report on internal control over financial reporting and on compliance in accordance with *government auditing standards*; and the auditor's report on the entity's compliance with requirements applicable to each major program and internal control over compliance in accordance with *OMB Circular A-133*.

- C. If necessary, the auditor shall assist the PRWA in preparing and filing all related reports required by state and federal agencies, including the State Controller's Report.
- D. The auditor will evaluate the adequacy of the internal control system and, where weaknesses are noted, make appropriate recommendations for improvements.

- E. The auditor will prepare a report to the Board of Directors and Management which identifies control deficiencies, significant deficiencies and material weaknesses, if any, and recommendations for improvements in accounting and administrative controls.
- F. The auditor shall be required to make an immediate, <u>written</u> report of all irregularities and illegal acts of which they become aware to the following parties:
 - · Board of Directors, Chairman
 - Palmdale Recycled Water Authority, Executive Director
- G. The auditing firm shall provide five (5) bound copies, one (1) unbound copy and one (1) electronic version of the auditor's report, the financial statements supporting schedules, and management letters, if any. The partner in charge shall be available to attend the following meetings to discuss the audit and other reports required by this RFP:
 - Meeting of the PRWA's Board of Directors.
- H. The auditing firm shall submit a draft of the financial statements to management no later than April 30. If necessary, the auditor shall file the State Controller's Report no later than the date prescribed by law.
- 1. Additional Work If it should become necessary for the PRWA to request the auditor to render additional services to either supplement the services requested in this request for proposal or to perform additional work as a result of the specific recommendations included in any report issued with this engagement, then such additional work shall be performed only if set forth in a written addendum to the contract between the RRWA and the auditor. Any such additional work agreed to between the PRWA and the auditor shall be performed at the same rates set forth in the schedule of fees and expenses included in the formal bidding proposal.

III. Accounting and Auditing Standards

The audit shall be performed in accordance with generally accepted auditing standards; the standards set for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* as issued by the OMB (the "UAR"); the State Controllers' Minimum Audit Requirements for California Special Districts; and applicable laws and regulations.

IV. Assistance Available to Auditor

The auditor will be given access to the records of the PRWA and reasonable access to staff for the purpose of interviews and the verification of items within the terms of the audit. Sufficient help will be made available to the auditor for such items as the pulling and re-filing of accounting records and the preparation and mailing of all confirmations. It is expected that the auditor will organize work in such a way as to minimize disruption of work of the staff.

V. Proposal Provisions

Proposals must be received at Palmdale Recycled Water Authority, 2029 East Avenue Q, Palmdale, California, 93550, by 5:00 p.m., 2??, 2016.

Proposals received after the above date and time will not be considered.

Proposals must be emailed to mawilliams@palmdalewater.org or delivered in person or mailed directly to Palmdale Recycled Water Authority. **Email is preferred**.

The PRWA is under no obligation to return proposals and will not be responsible for submittals that are delinquent, lost, mismarked, or sent to an address other than that given, or sent by mail or courier service.

Any unauthorized contact with any other official or employee in connection with this RFP is prohibited and shall be cause for disqualification of the Proposer.

Proposals shall be signed by an authorized representative and shall be as thorough and detailed as possible so that the PRWA may properly evaluate the auditor's capabilities to provide the required services.

Submission of a proposal constitutes acceptance by the firm of the conditions contained in this request for proposals unless clearly and specially noted in the proposal submitted and confirmed in the contract between the PRWA and the firm selected.

The following material in the prescribed format outlined below is required to be received by 5:00 p.m. on ?????, 2016, for a proposing firm to be considered:

1. Title Page

Title page showing the request for proposals subject; the firm's name; the name, address, and telephone number of the contact person, and the date of the proposal.

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3. Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement, and a statement that the proposal is a firm and irrevocable offer for period not less than 180 days.

4. Detailed Proposal

a. Firm Qualifications and Experience

The proposer should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement.

The firm is also required to submit information on the report of its most recent peer review, with a statement whether the peer review included a review of specific government engagements.

The firm shall also provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with any regulatory or professional organizations.

b. Partner, Supervisory, and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors, and specialists, who would be assigned to the engagement. Indicate whether each such person is registered or licensed to practice as a certified public accountant in California.

Provide as much information as possible regarding the number, qualifications and experience of the specific staff to be assigned to this engagement.

Engagement partners, managers, or other supervisory staff may be changed only with the express prior written permission of the PRWA.

c. Similar Engagements With Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the significant engagements (maximum 5) performed in the last three years that are similar to the engagement described in the request for proposal. Indicate the scope of work, date, engagement partners, total hours and the name and telephone number of the principal client contact.

5. Affirmative Statements

a. Independence

The firm should provide an affirmative statement that it is independent of the PRWA as defined by generally accepted auditing standards and generally accepted government auditing standards.

b. License to Practice

An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in California.

6. Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, as well as a schedule (by date and hours) of the work to be performed to meet the requirements of this request for proposals.

7. Fee Proposal

The fee proposal should include all pricing information relative to performing the audit and related services as described in this request for proposal. The total all-inclusive maximum price is to contain all direct and indirect costs, including all out-of-pocket-expenses.

The fee proposal should include the following information:

- a. Name of the Firm.
- b. Certification that the person signing the proposal is entitled to represent the firm and authorized to sign a contract with the PRWA.

- c. A Total All-Inclusive Maximum Price for each fiscal year.
- d. Rates for Additional Professional Services.

Please provide a schedule of rates by partner, specialist, supervisory, and staff level.

If it should become necessary for the PRWA to request the auditor to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work agreed to between the PRWA and the firm shall be performed at the rates included.

VI. Evaluation and Award Criteria

- A. Proposals submitted will be evaluated by the Executive Director, Auditor/Treasurer, and Assistant Treasurer herein referred to as the evaluation team.
- B. During the evaluation process, the evaluating team may, at its discretion, request any or all firms to make oral presentations and personal introduction of the proposed managing accountant and/or senior staff to be involved in the audit. Such presentations will provide firms with an opportunity to answer any questions the evaluation team may have on a firm's proposal. Not all firms may be selected to make such oral presentations.
- C. The PRWA's Board of Directors will make a decision based on the evaluation team's recommendations. Final selection will be based on the firm's qualifications, experience, audit approach, and fee Proposing firms should note that the lowest fee may not be the deciding factor in the final selection
- D. It is anticipated that a firm will be selected by 222, 2016. Following notification of the firm selected, it is expected that a professional services agreement will be executed between both parties by 2222, 2016
- E. Request for Clarification

All requests for clarification concerning the RFP shall be made in writing (e-mail is preferable) by 2777 2016. All requests for clarification shall be directed by E-Mail, Mail, or Fax to:

Mr. Michael Williams Auditor/Treasurer 2029 East Avenue Q Palmdale, CA 93550 (661) 456-1047 - telephone (661) 947-8604 - fax mawilliams@palmdalewater.org

F. Effective period of Proposals

All proposals must state the period for which the proposal shall remain in effect. Such period shall not be less than 180 days.

G. Proposal Reservations

The PRWA reserves the right to:

- · Reject any or all proposals received in response to this RFP;
- · Request clarification from any Proposer on any or all aspects of its proposal;
- · Cancel and/or reissue the RFP at any time;
- Retain all proposals submitted in response to this RFP; and,
- Invite some, all, or none of proposers for interviews and further discussion.

H. Award of Contract

The selected firm shall be required to enter into a written professional services agreement with the PRWA for auditing services in a form approved by PRWA legal counsel following formal approval by the Board of Directors of the PRWA. This RFP and the proposal, or any part thereof, may be incorporated into and made a part of the final contract. The PRWA reserves the right to negotiate the terms and conditions of the contract with the selected firm.

I. Contract Term

It is the intent of the PRWA to award the contract for an initial three year (3) period commencing with the fiscal year ending December 31, 2016, with the option to extend for two additional one-year periods, at PRWA's sole discretion

J. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement. Interim billings shall cover a period of not less than one (1) calendar month.

K. Termination of Agreement

The PRWA-may terminate the agreement with or without cause, by providing written notice of termination to proposer not less than thirty (30) working days prior to the effective termination date. The PRWA's only obligation in the event of termination will be payment of fees and expenses incurred up to and including the date of termination as specified in the notice of termination.

L. Use of Sub-Contractors

The intent to use sub-contractors to perform any portion of the work described in this RFP must be clearly stated in proposer's response. The response must include a description of the work that will be sub-contracted out, cost of fees and services, and the names and addresses of potential sub-contractors.

Proposer shall be responsible for all services performed under the Agreement with the PRWA by sub-contractors. The selected firm shall not assign or transfer its interest in any contract or sub-contract for sub-contractor services without the prior written consent of the PRWA.

M. Indemnity

Proposer assumes all risk of injury to its employees, agents, and sub-contractors, including loss of or damage to property, and shall defend, indemnify, and hold harmless the PRWA, its Board of Directors, officers, and agents from and against all claims, suits, or causes of action for injury to any

person or damage to any property arising out of, or connected with, performance of work under the Agreement that does not result from the gross negligence or intentional misconduct of the PRWA, its Board of Directors, officers, or agents.

N. Insurance

Proposer shall maintain such insurance as will protect it from claims under Workers' Compensation laws, and such liability insurance as will protect against claims for damages for bodily injury, including death, and damages to property in accordance with the terms of the Agreement. Coverage of which is to be no less than \$1,000,000/\$2,000,000 per occurrence/aggregate, with the PRWA named as an additional insured.

The proposing firm must be willing and able to obtain an errors and omissions insurance policy for coverage of no less than \$1,000,000 per occurrence for the willful or negligent acts of the firm and its officers, employees and agents.

Proposer shall maintain evidence of coverage in an updated form during the term of the Agreement.

O. Non-Discrimination Practices

Proposer shall not discriminate against any employee or applicant for employment because of race, sex (including pregnancy, childbirth, or related medical condition), creed, national origin, color, disability as defined by law, disabled veteran status, Vietnam veteran status, religion, age, medical condition, marital status, ancestry, or sexual orientation

P. Right to Audit

Proposer shall be responsible for ensuring the accuracy and propriety of all billings and shall maintain all supporting documentation for the period of three (3) years following completion of performance of the services.

The PRWA will have the right to audit firm's and sub-contractors' invoices and all supporting documentation for purposes of compliance with the Agreement.

Proposer shall cooperate fully with any audit of its billings conducted by the PRWA and permit access to its books, records and accounts as may be necessary to conduct such audits.

Q. Release of Information

Proposer shall not make public information releases or otherwise publish any information obtained or produced by it as a result of, or in connection with, the performance of services under the Agreement without prior-written consent of the PRWA.

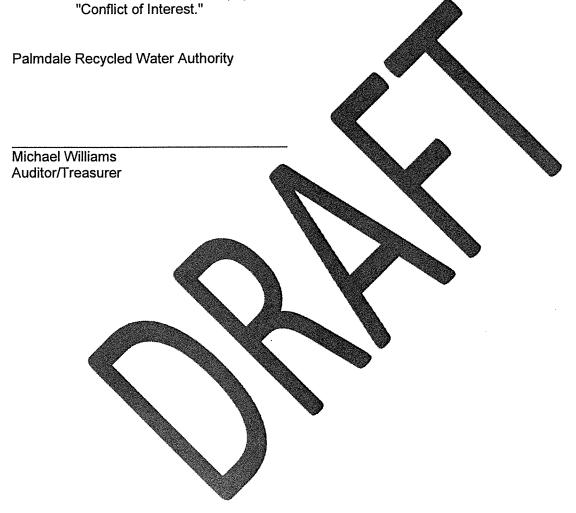
R. Use of the PRWA's Name

Proposer shall not publish or use any advertising, sales promotion, or publicity in matters relating to services, equipment, products, reports, and material furnished by proposer in which the PRWA's name is used, or its identity is implied, without prior written approval of the PRWA.

S. Conflict of Interest

Proposers shall identify any existing or potential conflict of interest in its proposal that is related to or arises from this RFP or the work contemplated to be performed herein or under the Agreement. Proposer shall agree not to accept any employment from or perform services with or for any other person, firm, or corporation where such employment is a conflict of interest or where such employment or service is likely to lead to a conflict between the PRWA's interests and the interests of such person, firm, corporation, or any other third party.

When submitting any existing or potential conflict of interest information, such information shall be submitted on a colored paper different from the rest of the proposal and shall be clearly marked



BOARD MEMORANDUM

DATE: July 13, 2016 July 20, 2016

TO: BOARD OF DIRECTORS Board Meeting

FROM: Mr. James Riley, Engineering/Grant Manager, PWD

VIA: Mr. Dennis D. LaMoreaux, Executive Director

RE: AGENDA ITEM NO. 7.3 – CONSIDERATION AND POSSIBLE ACTION

ON AUTHORIZING THE SUBMITTAL OF REQUIRED PLEDGE REVENUES RESOLUTION No. PRWA 2016-007 FOR THE WATER RECYCLING GRANT AND CONSTRUCTION LOAN APPLICATION TO STATE WATER RESOURCES CONTROL BOARD FOR THE PALMDALE RECYCLED WATER AUTHORITY RECYCLED WATER

LINE PHASE 2 PROJECT

Recommendation:

That the Board:

- 1. Approve the Pledge Revenue Resolution No. PRWA 2016-007 for the Recycled Water Line Phase 2 project.
- 2. Authorize the Executive Director to execute Resolutions No. PRWA 2016-007.
- 3. Authorize the Executive Secretary to transmit Resolution PRWA 2016 -007 to State Water Resources Control Board Division of Finance

Impact of Taking No Action

- 1. The Authority would lose the potential for a construction grant of \$2,625,000 and a low interest (1.8%) construction loan of \$4,875,000.
- 2. The Authority would lose early consideration for grant and loan funding for construction

Background:

On November 4, 2014, California voters approved Proposition 1, the Water Quality Supply and Infrastructure Improvement Act of 2014. The Act authorizes \$7.5 billion in general obligation bonds for new water programs.

The Act allocates \$630 million for water recycling projects. Projects eligible for funding include those in the planning/design/construction phase such as the <u>Palmdale Recycled</u> Water Authority (Authority) Recycle Water Line Phase 2 Project.

The SWRCB issued draft guidelines in March 2015 regarding applications and criteria for funding. The guidelines state that planning grant funds will cover 75% of eligible costs up to a maximum of \$75,000 and construction grant funds would be limited to a maximum of 35% of construction costs with a maximum of \$15,000,000. The remaining required funding for planning and construction would come from local cost share by the applicant.

On March 18, 2015, the Authority entered into a contractual agreement with Antelope Valley Engineering, Inc. of Lancaster, California to complete final design and cost estimate for the Recycled Water Line Phase 2 Project. Design is scheduled for completion in the January 2017.

On November 3, 2015, the SWRCB approved a planning grant in the amount of \$75,000.

In January 2016 the Authority submit a construction grant and loan application to the State Water Resources Control Board.

The submittal of the Pledge Revenue Resolution PWRA 2016-007 is a required part of the application process. It is advantageous for the Authority to submit the resolution to the SWRCB for construction funding under the Water Recycling component of Proposition 1. By submitting an application at this time, the Authority would better position itself to be considered for construction grant funding and a low interest construction loan.

Budget:

Preparation of the construction grant and loan applications would not impact the budget of the Authority.

Construction grant funding of 35% of construction costs has the potential to result in \$2,625,000 in grant and a low interest construction loan of \$4,875,000.

Supporting Documents:

Resolution No. PRWA 2016-007

RESOLUTION NO. PRWA 2016-007

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE RECYCLED WATER AUTHORITY AUTHORIZING THE PLEDGING OF REVENUES FROM THE SALES OF RECYCLED WATER FOR REPAYMENT OF THE LOANED FUNDS FOR THE RECYCLED WATER LINE PHASE II OF THE MASTER PLAN PROJECT

WHEREAS, the Palmdale Recycled Water Authority (Authority) is a Joint Powers Agency comprised of two public agencies, the City of Palmdale and the Palmdale Water District;

WHEREAS, the Authority was created to jointly study, promote, develop, distribute, construct, install, finance, and use/manage water from Los Angeles County Sanitation District Nos 14 and 20;

WHEREAS, the City of Palmdale and Palmdale Water District will take delivery of the recycled water;

WHEREAS, the Authority has the authority to charge fees for the recycled water delivered by the Recycled Water Line Phase 2 Project (the "Project").

WHEREAS, the Authority has the authority to enter into contracts with the State Water Resources Control Board for construction and repayment of the Project.

NOW THEREFORE BE IT RESOLVED, the Board of Directors of the Palmdale Recycled Water Authority

SECTION 1. The Authority hereby dedicates and pledges the Net Revenues of the Palmdale Recycled Water Authority to payment of any and all amounts borrowed from the Clean Water State Revolving Fund and/or Water Recycling Funding Program financing the Project.

The term "Net Revenues of the Palmdale Recycled Water Authority" means, for any Fiscal Year, the Recycled Water Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year.

The term "Recycled Water Revenues" means, for any fiscal year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Authority's Recycled Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the Authority from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Recycled Water System, plus (2) proceeds of the

Authority's share of the County's 1% property tax received by the Authority, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including Authority reserves and the Reserve Fund, plus (4) the proceeds of any stand by or water availability charges collected by the Authority, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Authority, and excluding

any

proceeds of any taxes or assessments required by law to be used by the Authority to pay bonds, loans, or other obligations heretofore or hereafter issued, plus (5) money withdrawn from the Rate Stabilization Fund (if any) in such fiscal year, minus (6) any Recycled Water Revenues transferred to the Rate Stabilization Fund (if any) in such fiscal year."

The term "Recycled Water System" means the entire water supply, treatment, storage and distribution system of the Authority, including but not limited to all facilities, properties and improvements at any time owned, controlled or operated by the Authority for the supply, treatment and storage of water to residents of the Authority and adjacent areas, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the Authority.

The term "Operation and Maintenance Costs" means the reasonable and necessary costs paid or incurred by the Authority for maintaining and operating the Recycled Water System of the Authority, determined in accordance with generally accepted accounting principles, and all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Recycled Water System of the Authority in good repair and working order, and including all administrative costs of the Authority that are charged directly or apportioned to the maintenance and operation of the Recycled Water System of the Authority, such as salaries and wages of employees, overhead, insurance, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the Authority or charges required to be paid by it to comply with the any bonds, loans or contracts that may hereafter be issued; excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature, all capital charges.

SECTION 2. The Authority commits to collecting such revenues and maintaining such fund(s) throughout the term of such financing and until the Authority has satisfied its repayment obligation thereunder unless modification or change is approved in writing by the State Water Resources Control Board. Nothing contained herein shall commit the Authority to repayment of amounts borrowed from the Clean Water State Revolving Fund for financing the Project from any source except as specifically pledged hereunder. Additionally, nothing contained herein shall commit the Authority from payment of any amounts owed to the Clean Water State Revolving Fund in excess of amounts available from the Net Recycled Water Revenues.

SECTION 3. So long as the financing agreement(s) are outstanding, the Authority's pledge hereunder shall constitute a lien in favor of the State Water Resources Control Board on the foregoing fund(s) and revenue(s) without any further action necessary.

SECTION 4. So long as the financing agreement(s) are outstanding, the Authority commits to maintaining the fund(s) and revenue(s) at levels sufficient to meet its obligations under the financing agreement(s).

CERTIFICATION DTED this 20th day of July

PASSED, APPROVED and A AYES	DOPTED this 20 da	of July 2016, by the following vote
NOES:		
ABSTAIN:	X ,	_ ABSENT
ATTEST:		James C. Ledford Jr., Chair
Rebecca Smith, Authority Chair		
Approved as to form:	eri Vinteriori Vinteriori	
Eric L. Dunn Authority Counsel		

BOARD MEMORANDUM

DATE:

July 20, 2016

July 20, 2016

TO:

BOARD OF DIRECTORS

Board Meeting

FROM:

Karen Johnston

VIA:

Mr. Dennis LaMoreaux, Executive Director, PRWA

RE:

AGENDA ITEM NO. 8.1 – ANNUAL AUDITED FINANCIAL REPORT FOR 2015

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends the Board of Directors to receive and file the Annual Audited Financial Report for 2015.

Background:

To comply with provisions required by Section 4.13 of the Joint Powers of Authority Agreement and Government Code Section 6505, the Treasurer shall contract with a certified public accountant to make an annual audit of the records of the PRWA and the minimum requirements of the audit shall be those prescribed by the Controller for special districts under Section 26909 and conform to generally accepted auditing standards. The Authority has contracted with Vavrinek, Trine, Day & Co., LLP to perform the annual audit of the Authority's financial transactions for the 2015 calendar year. Vavrinek, Trine, Day & Co., LLP have completed their review of the Authority's financial transactions and have issued the attached annual report.

Financial Impact:

None.

Supporting Documents:

2015 Annual Audited Financial Report

PALMDALE RECYCLED WATER AUTHORITY PALMDALE, CALIFORNIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015

ANNUAL FINANCIAL REPORT DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Palmdale Recycled Water Authority
Palmdale, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Palmdale Recycled Water Authority (Authority) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 18, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Varrinek, Trine, Day & Co. UP Rancho Cucamonga, California

April 18, 2016

PALMDALE RECYCLED WATER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

The following is a brief discussion of the Palmdale Recycled Water Authority (Authority) activities and financial performance for the year ended December 31, 2015. Please read in conjunction with the Authority's basic financial statements and accompanying notes which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's net position at December 31, 2015 was \$459,847, an increase of \$205,271 from the prior year. The increase is due to the continuous member contributions and water sales.
- The Authority's total liabilities at December 31, 2015 were \$66,426.
- The Authority's operating revenues increased by \$82,093 primarily as the result of recycled water sales to the City of Palmdale and recycled water sales to vendors for construction use.
- The Authority's operating expenses remained flat during 2015. Engineering costs declined during the
 year as the Authority completed the Recycled Water Facilities Master Plan, offset by increases in the
 costs associated with installing meters and adaptors for construction water trucks.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting.

Under the economic resources measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Authority's financial statements, prepared in accordance with generally accepted accounting principles (GAAP), offer key, high-level financial information about Authority's activities during the reporting period. The financial statements of the Authority consist of three interrelated statements designed to provide the reader with relevant information on the Authority's financial condition and operating results. These statements offer short-term and long-term financial information about the Authority's activities utilizing the full accrual basis of accounting.

The Statement of Net Position includes all of the Authority's assets, less liabilities, and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities), with the difference being reported as net position. It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the Authority's operations over the past year and

PALMDALE RECYCLED WATER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

can be used to determine whether the Authority has successfully recovered all its projected costs through its member contributions.

The final required financial statement is the Statement of Cash Flows which presents information about the Authority's cash receipts and cash payments during the reporting period classified as cash receipts, cash payments, and net changes in cash resulting from operations, investing, and non-capital financing and capital and related financing activities.

FINANICAL ANALYSIS OF THE AUTHORITY

Our analysis of the Authority begins on page 3 of the Management's Discussion and Analysis. One of the most important questions asked about the Authority's finances is: "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows report information about the Authority's activities in a way that will help answer this question. These two statements report the net position of the Authority and changes in them. You can think of the Authority's net position as the difference between assets and liabilities as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, changes in rates and charges and new or changed government legislation or accounting standards.

STATEMENT OF NET POSITION

The Net Position is the difference between assets, less liabilities, and may serve over time as a useful indicator of a government's financial position. The following is a summary of the Authority's Statement of Net Position as of December 31.

Condensed Statement of Net Position

	2015	2014
Cash and Cash Equivalents	\$ 490,783	\$ 64,582
Accounts Receivable	32,938	231,625
Prepaid Expenses	2,552	
Total Assets	526,273	296,207
Current Liabilities	66,426	41,631
Total Liabilities	66,426	41,631
Total Unrestricted Position	\$ 459,847	\$ 254,576

As can be seen from the financial statement summary above the Authority's assets exceed liabilities by \$459,847, as of December 31, 2015. The Authority's Net Position increased by \$205,271 or 81.0 percent, primarily as the result of annual contributions received from the Authority's members and the increases in water usage and meter revenues invoiced of \$113,010 while operating expenses remained flat as compared to 2014.

PALMDALE RECYCLED WATER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

While the Statement of Net Position shows the net position, the Statement of Revenues, Expenses, and Changes in Net Position provides information as to the nature and source of these changes. The Authority reported an increase in net position of \$205,271 for the year ended December 31, 2015 as compared to the prior year. The following is a summary of the change in the Authority's net position for the year ended December 31.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2015	2014
Operating Revenues:		
Membership Contributions	\$ 200,000	\$ 200,000
Water and Meter Sales	113,010	31,625
Miscellaneous	<u>708</u> 313,718	231,625
Non-operating Revenue		
Interest Revenue	469	130
Total Revenues	314,187	231,755
Expenses:		
Operating Expenses	108,916	108,020
Total Expenses	108,916	108,020
Change in Net Position	205,271	123,735
Net Position - January 1	254,576	130,841
Net Position - December 31	\$ 459,847	\$ 254,576

The changes in Net Position, is directly related to the Authority's member support to offset operating cost. Also, during 2015 the Authority provided water and billed vendors for construction activities for the first time. The Authority installed meters for various construction companies to utilize recycled water instead of using potable water for construction activities. This allowed the members of the Authority to further utilize recycled water and freeing up potable water usage.

CONTACTING THE AUTHORITY'S FINANICAL MANAGEMENT

This financial report is intended to provide the Board of Directors, customers, taxpayers, creditors, and other interested parties with general overview of the Authority's financial operations and condition at the year ended December 31, 2015, and to demonstrate the Authority's accountability for the funds it receives. If you have any questions about this report or need additional information, you may contact City of Palmdale, Finance Department, at 38300 Sierra Highway, Suite D, Palmdale, CA 93550. (661)267-5414. http://www.cityofpalmdale.org/city hall/prwa.html

Statement of Net Position
December 31, 2015

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 490,783
Prepaid Memberships	2,552
Accounts Receivable	32,938
Total Assets	526,273
LIABILITIES	
Current Liabilities:	
Customer Deposits	12,500
Accounts payable	53,926
Total Liabilities	66,426
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	4:
NET POSITION	
Unrestricted	459,847
Total Net Position	\$ 459,847

See accompanying notes to the financial statements

Statement of Revenues, Expenses and Changes in Net Position For the Year Ended December 31, 2015

OPERATING REVENUES

Member Agency Contributions Water Sales Meter Sales	\$ 200,000 102,655 10,355
Miscellaneous	?
Total Operating Revenues	313,718
OPERATING EXPENSES	
Contract Services-Engineering Services	46,347
Contract Services-Auditing Services	8,725
Membership and Dues	2,552
Travel and Meetings	1,859
Permits and Fees	3,815
Marketing and Outreach	7,341
Material and Supplies	12,656
Maintenance and Repairs	9,393
Utilities-Water	16,228
Total Operating Expenses	108,916
Operating Income	204,802
NON-OPERATING REVENUE	
Investment Income	469.
Total Non-Operating Revenue	469
Change in Net Position	205,271
Net Position-Beginning of Year	254,576
Net Position-End of Year	\$ 459,847

See accompanying notes to the financial statements

Statement of Cash Flows For the Year Ended December 31, 2015

Cash Flows from Operating Activities:

See accompanying notes to the financial statements

Outil 1045 from Operating Florithing	
Cash Received from Member Agencies Cash Received from Water Sales Cash Payments to Suppliers	\$ 400,000 124,905 (99,173)
Net Cash Provided by Operating Activities	425,732
Cash Flows from Investing Activities:	
Investment Income	469
Net increase in cash and cash equivalents	426,201
Cash and cash equivalents at the beginning of the year	64,582
Cash and cash equivalents at the end of the year	\$ 490,783
Reconciliation of operating income to net cash provided by operating activities:	
Operating Income	\$ 204,802
Change in accounts receivable: Decrease in accounts receivable	198,687
Change in prepaid expenses: Increase in prepaid memberships	(2,552)
Change in liabilities: Increase in water sales deposits Increase in accounts payable	12,500 12,295
Net cash provided by operating activities	\$ 425,732

Notes to the Basic Financial Statements. For the Year Ended December 31, 2015

Note 1- Organization and Summary of Significant Accounting Policies

A. Reporting Entity

The Palmdale Recycled Water Authority (Authority) was formed under a Joint Exercise of Powers Authority on September 26, 2012, pursuant to Sections 6506 and 6507 of the Exercise of Powers Act, codified at California Government Code sections 6500, authorizes public agencies by agreement to exercise jointly any power common to the contracting parties. The Authority was formed between the City of Palmdale, a California Charter City (City) and Palmdale Water District, an Irrigation District under Division 11 of the California Water Code (PWD). The Authority is an independent public agency separate from the Members.

The purpose of the Authority is to establish an independent public agency to study, promote, develop, distribute, construct, install, finance, use and manage recycled water resources created by the Los Angeles County Sanitation District Nos. 14 and 20 for any and all reasonable and beneficial uses, including irrigation and recharge, and to finance the acquisition and construction or installation of recycled water facilities, recharge facilities and irrigation systems.

B. Basic Financial Statements

The Authority's basic financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, and the Notes to the Basic Financial Statements.

C. Basis of Presentation

The Authority accounts for its activities as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Authority's basic financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The accounting policies of the Authority are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Notes to the Basic Financial Statements. For the Year Ended December 31, 2015

D. Net Position

In the Statement of Net Position, net position is classified in the following categories:

Unrestricted net position – This amount is the net amount of the assets and liabilities that
are not included in the determination of net investment in capital assets or the restricted
component of net position.

When both restricted and unrestricted resources are available, it is the Authority's policy to use restricted resources first and then unrestricted resources as they are needed.

E. Operating and Non-Operating Revenues and Expenses

Operating revenues consist of charges for water sales to customers for recycled water and member contributions to defray the cost of the Authority's operation. Operating expenses include the cost of sales and services, maintenance of capital assets and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

F. Cash and Cash Equivalents

Cash and cash equivalents include demand deposits. For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term deposits with original maturities of three months or less from the date of acquisition.

G. Use of Estimates

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

H. Implemented Accounting Pronouncements

During 2015, the Authority adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results form a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The implementation did not have any impact on the Authority's financial statements.

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

During 2015, the Authority adopted GASB Statement No. 69, Government Combinations and Disposals of Government Operations. The objective of this Statement is to establish reporting standards related to government combinations and disposals of government operations. The Statement is effective for periods beginning after December 15, 2013. This Statement did not have a material effect on the financial statements.

During 2015, the Authority adopted GASB issued Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68. The implementation did not have any impact on the Authority's financial statements.

I. New Future Accounting Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, Fair Value Measurement and Application. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Authority has not determined its effect on the financial statements.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 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. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The Authority has not determined its effect on the financial statements.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Statement No. 74 replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The Authority has not determined its effect on the financial statements.

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The Authority has not determined its effect on the financial statements.

GASB Statement No. 76 – In June 2015, GASB issues Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of Generally Accepted Accounting Principles (GAAP). This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This statement is not effective until the fiscal year ending June 30, 2016. The Authority has not determined the effect of this statement.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, Tax Abatement Disclosures. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This statement is not effective until the fiscal year ending June 30, 2017. The Authority has not determined the effect of this statement.

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Pension Plans. This statement is intended to assist governments that participate in certain multiple-employer defined benefit pension plans to meet the reporting requirements of GASB 68, Accounting and Financial Reporting for Pension. This Statement is effective June 30, 2017. The Authority has not determined the effect on the financial statements.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants. This statement permits qualifying external investment pools to measure pool investments at amortized cost for financial reporting purposes. The Statement provides guidance that will allow many pools to continue to qualify for amortized cost accounting. This Statement is effective June 30, 2017. The Authority has not determined the effect on the financial statements.

GASB Statement No. 80 - In January 2015, GASB issued Statement No. 80, Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14. This

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement is effective June 30, 2017. The Authority has not determined the effect on the financial statements.

Note 2- Cash and Investments

Cash and investments at December 31, 2015 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and Cash Equivalents

\$490,783

Cash and investments as of December 31, 2015 consist of the following:

Deposits with financial institutions

\$490.783

A. Investment Policy and Authorized Investments

The Authority is authorized under California Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase of reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations as specified in Section 5366. The Authority does not have a formal policy for investments that is more restrictive than the noted Government Code.

B. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority does not have a policy of custodial credit risk for deposits. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law

Notes to the Basic Financial Statements For the Year Ended December 31, 2015

(unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Note 3- Contributions from Member Agencies

Section 5.2 of the Joint Exercise of Powers Agreement creating the Palmdale Recycled Water Authority provides that any member may make contributions of money or assets to the Authority; make or advance payments of public funds to defray the cost of Authority's operation; and contribute personnel, equipment or property instead of or in addition to other contributions or advances. Such contributions shall be paid to and disbursed by the Authority as set out in separate agreements between the Authority and the member and approved by the Board and the governing body of the member. During 2015, each member agency contributed \$100,000.

Note 4- Related Party Transactions

The Board of the Authority has assigned staff from the Palmdale Water District and the City of Palmdale to serve in various administrative duties of the Authority. All payroll cost related to staff time while serving the Palmdale Recycled Water Authority is incurred by the respective agencies and none of the payroll costs are incurred by the Authority nor are they charged to the Authority for such services.

During 2015, the City of Palmdale purchased recycled water from the Authority in the amount of \$18,030. Additionally, the Authority purchased materials & supplies and paid for various permits and fees from the Palmdale Water District in the amount of \$24,334.

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

To the Board of Directors Palmdale Recycled Water Authority Palmdale, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Palmdale Recycled Water Authority (Authority), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 18, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Varrinit, Trine, Day e'Co. LLP Rancho Cucamonga, California

April 18, 2016

THERE IS NO STAFF REPORT FOR THIS ITEM